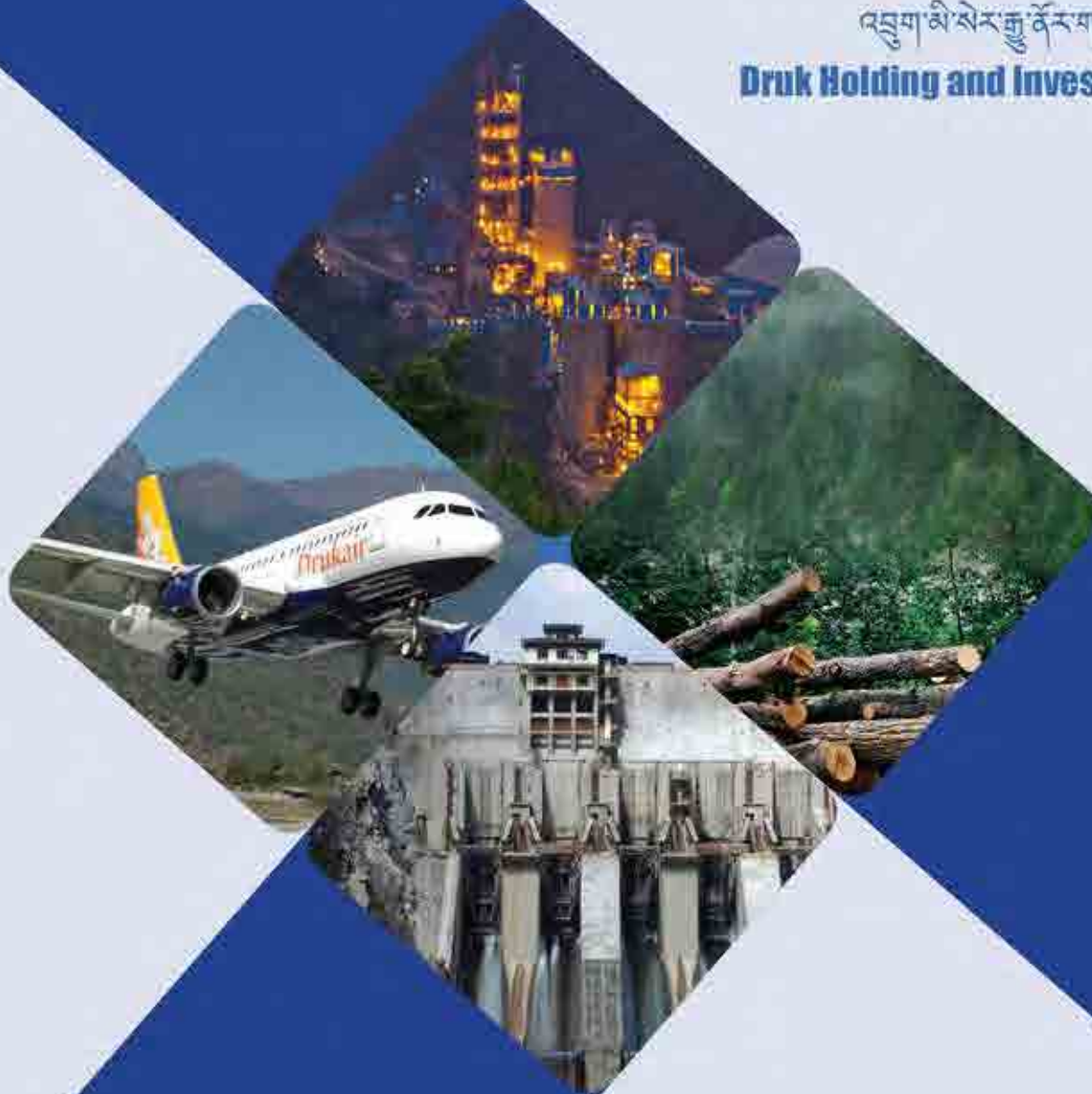




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Druk Holding and Investments



2013
Annual Report



Annual Report 2013

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Druk Holding and Investments



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Statement by the Chairman, DHI



Dasho Sangay Khandu

6th Annual General Meeting

25th June 2014

I welcome all participants to the 6th Annual General Meeting of DHI. I am happy that all Directors of the DHI Board could make it today. We also have representatives from Ministry of Finance (MoF), the shareholder of DHI on behalf of the government and people of Bhutan. Thank you all for being here.

To begin with, I would like to thank former Chairman Lyonpo Om Pradhan, former Board Directors, the CEO and employees of DHI for having built a firm foundation from where the company can launch towards fulfillment of holding and managing the commercial investment goals of the Royal Government.

I would also like to thank the Boards, the CEOs and employees of the Group companies for their valuable contributions so far.

While we have come this far, today, let me also remind you that we still have a long way to go to achieve our sacred mission. However, with the steadfast and dedicated support of the shareholder, Board and Management, I have no doubt that we will achieve unprecedented growth and stability, as envisioned

by His Majesty the King.

With this, let me highlight the achievements of the company during the last financial year.

DHI has enhanced performances of its companies through introduction of performance culture and improved corporate governance since its creation. Last year, the company organised trainings on strategy, performance management and leadership for more than 40 board directors and senior executives of the group. Dissemination seminars on DHI and corporate governance were also conducted for parliamentarians, government officials, board directors, members of the private sector and the media.

Also, in keeping with the Royal Charter provisions, we have successfully completed the Initial Public Offering (IPO) of 49% of Dungsum Polymers Ltd. (DPL). It was the first ever IPO at a premium in Bhutan. In addition, DHI's stakes in STCBL and BBPL were placed on the stock market to gauge public interest. However, market responses indicated little public interest.

To stimulate and support private sector growth, DHI worked to improve Bhutan's ranking on World Bank's 'Ease of Doing Business' report. We also included Bhutan in the 'Global Competitiveness Report' of the World Economic Forum (WEF).

DHI also took lead in organising the first ever Better Business Summit, held in March, 2014. The aim of the summit was to promote policies, institutions and tools to improve prosperity and wellbeing of citizens through entrepreneurship and private sector growth.

On the project and investment front, the 1.36 metric tonne per annum (MTPA) Dungsam Cement plant was commissioned. The production of clinker started in May, 2013 and production of OPC 43 grade cement in October, 2013. The company earned Nu 275.86M from the sale of clinker and Nu 5.95M from the sale of cement during the year.

Dagachhu Hydroelectric Project, although faced with innumerable challenges, made good progress during the year. With the breakthrough of the south side of the Head Race Tunnel (HRT) in April and the north side HRT in August, the project achieved critical milestones. About 75% of installation works of electro-mechanical equipment in the powerhouse was completed by December, 2013. The project continues to lead the way in the development of in-house competencies in hydropower project constructions. The project is on track and is scheduled for completion in the second half of 2014.

The Tsibjalumchhu Diversion Scheme, where the feasibility study was conducted using DGPC's internal capacity, is also scheduled for completion by the second half of 2014. The

scheme is projected to augment the generation of 1,020MW Tala Hydropower Plant by 93MU, which will be available during the lean seasons.

On the financial front, DHI's total income for 2013 increased by 9.32%, to Nu 4,756.16M from Nu 4,350.67M in 2012. On account of the increased income, Profit After Tax (PAT) also increased by 7.61%, or to Nu 3,176.37M from Nu 2,951.71M in 2012. Expenditures, however, increased by 65%, to Nu 218.13M from Nu 131.93M in 2012. The increase was mainly on account of the interest expenses (Nu 80.46M) accrued on the inter-company borrowings.

DHI's remittances to MoF for 2013, including taxes, was Nu 4,911.13M, an increase by 12%, as compared to Nu 4,394.54M in 2012.

The Group's consolidated net worth grew by about 4% at Nu 72,995.78M as compared to Nu 70,070.84M in 2012. The income for the year increased by 9.07% to Nu 26,957.94M from Nu 24,715.45M in 2012. The consolidated PAT was Nu 6,109.97M as compared to Nu 5,294.91M in 2012; a growth of 15.37%. The consolidated financial statements were prepared in accordance with Bhutanese Accounting Standards (BAS).

I am happy to report that power tariffs for both export and domestic markets have increased. Chukha Hydroelectric Project's (CHP) export tariff increased from Rs 2 to Rs 2.25 per unit with effect from 1st January, 2013 and domestic tariff from Nu 1.20 to Nu 1.39 with effect from 1st October, 2013. This has increased DGPC's income for the year by 17% or to Nu 13,051.66M from Nu 11,140.80M in 2012. The increase was also on account of higher generation of 7,531.45MU from 6,811.27MU in 2012. You may note that although domestic

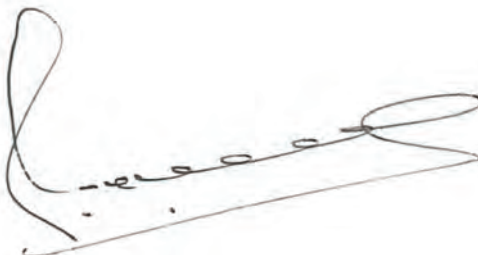
consumption increased by 4%, to 1,901.73MU in 2013 from 1,828.02MU in 2012, energy exports to India increased by 14.2%, to 5,648.23MU from 4,945.79MU in 2012.

For other DHI Owned Companies (DOC), however, 2013 was not as prolific as previous years. The increase in revenue ranged from 2% to 17%. On the whole, in 2013, the revenue for all DOCs put together increased by 11.72%.

In conclusion, with strong systems established over the past six years, I am confident DHI and companies are better equipped than ever to meet the 2014 targets and scale greater heights, in spite of the economic slowdown.

As I offer my appreciation to each and every one who worked very hard to bring us this far, I would like to urge all to, once again, pledge and commit to continue serving the Tsa-Wa-Sum with greater dedication and effectiveness.

TashiDelek!

A handwritten signature in black ink, appearing to be 'Dasho Sangay Khandu', written in a cursive style.

Dasho Sangay Khandu
CHAIRMAN
Druk Holding and Investments

CORPORATE PROFILE

Druk Holding and Investments (DHI) was established on 11 November 2007 with the primary mandate “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.

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”

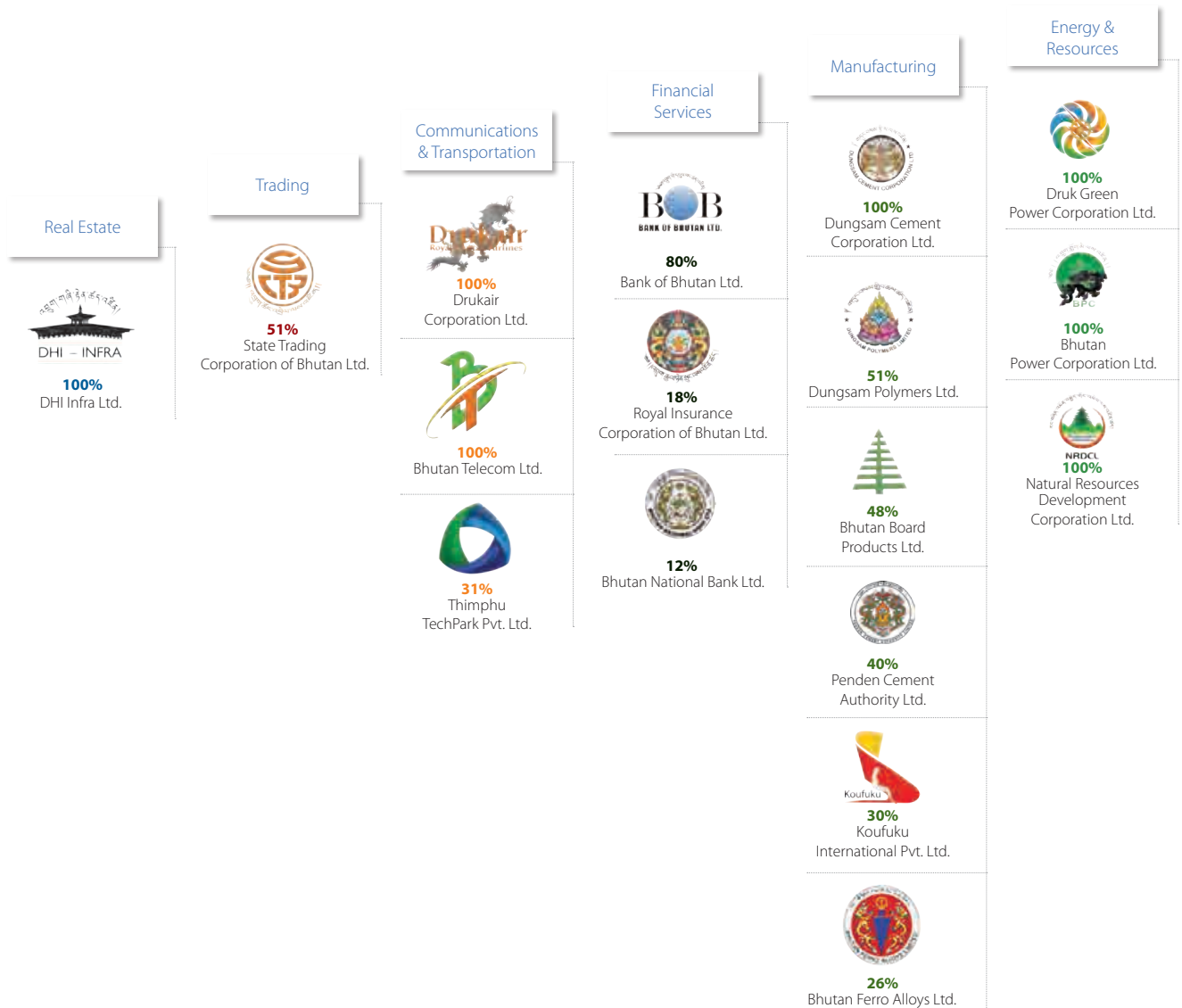
MISSION:

- 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

VALUES:

- Integrity - conduct business with honesty and transparency at the highest level of corporate governance.
- Excellence - strive for the highest possible standards while conducting business, both in terms of work and quality of goods and services.
- Prudence - invest with prudence to safeguard and enhance the national wealth.
- Teamwork - work collectively across all levels and partners, building strong relationships based on respect, understanding and cooperation.
- Responsibility - strive to be responsible in keeping with the values of GNH, be sensitive to the environment and accountable to the people of Bhutan.

DHI Portfolio Companies



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

	DHI Share Holding (in %)	DPC Categories	2013 Revenue (in million Nu.)	Net Worth*/ Market Capitalization (in million Nu.)
Energy & Resources				
Druk Green Power Corporation Ltd.	100	DOC	13,051.66	38,998.09
Bhutan Power Corporation Ltd.	100	DOC	6,420.29	12,273.70
Natural Resources Development Corporation Ltd.	100	DOC	409.08	573.81
Communications & Transportation				
Bhutan Telecom Ltd.	100	DOC	2,329.89	3,277.16
Drukair Corporation Ltd.	100	DOC	3,230.31	2,624.33
Financial Services				
Bank of Bhutan Ltd.	80	DCC	2,176.39	3,552.38
Bhutan National Bank Ltd. **	12	DLC	2,216.92	976.76
Royal Insurance Corporation of Bhutan Ltd.**	18	DLC	562.17	309.365
Real Estate				
DHI Infra Ltd.	100	DOC	27.49	209.42
Thimphu Tech Park Pvt. Ltd.	31	DLC	5.04	63.19
Trading				
State Trading Corporation of Bhutan Ltd.	51	DLC	550.68	274.95
Manufacturing				
Dungsam Cement Corporation Ltd.	100	DOC	0.00	5,073.95
Dungsam Polymers Ltd.	51	DCC	82.71	64.97
Penden Cement Authority Ltd.**	40	DLC	1,937.54	959.75
Bhutan Ferro Alloys Ltd.**	26	DLC	2,298.54	231.57
Bhutan Board Products Ltd.**	48	DLC	318.13	66.83
Koufuku International Private Ltd.	30	DLC	0.00	50.00

Accompanying Notes:

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

**For these companies, Market Capitalization is 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 percent or less of the paid up equity share capital.

Board of Directors

The Chairman

Dasho Sangay Khandu brings more than 36 years of work experience with the Royal Government of Bhutan and Corporate World.

He started his career as a Marketing Officer (1976) and steadily rose to become the CEO of Food Corporation of Bhutan and served in the capacity for several years. In 1986, he was appointed as the Deputy Secretary of the Ministry of Trade & Industry and became the Director of the Ministry in 1991. After five years of service in the Ministry of Trade & Industry, he became the CEO of Bhutan Development Finance Corporation Ltd (1992 – 1997). In 1997, He was appointed as the CEO of Royal Insurance Corporation of Bhutan Ltd and later became the CEO of Druk Air Corporation Ltd (2000 -2005). In Feb. 2005, he was appointed as the Director General of Ministry of Trade & Industry. In 2007, he was promoted and appointed the Secretary of the National Land Commission.

Dasho Sangay Khandu has also served as Board Director and Chairperson of many Corporations. It was during his tenure in the National Land Commission, the nation-wide cadastral re-survey was carried out in Bhutan. He was conferred red scarf by His Majesty the King in December 2009.



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 Departments for several years. In December 2007, DHI appointed him as the Chairman of the Bhutan Telecom Board of Directors.



Mr. Pema Chewang

Mr. Pema Chewang is the Secretary of National Land Commission of Bhutan. Prior to joining the National Land Commission, he served as Deputy Chamberlain (*Zimpon Wom*) in the His Majesty's Secretariat for more than 4 years. He also served as Chief Planning Officer in Gross National Happiness Commission and was a Division Head in Department of Aid & Debt Management under Ministry of Finance. He began his career as a Militia Officer in the Royal Bhutan Army in 1991.

Mr. Pema Chewang holds a Master in Development Economics from Australian National University, Canberra, Australia. He received his Bachelor of Arts Degree from Sherubtse College, Kanglung, Bhutan.

The Directors



Mr. Tenzin Dhendup

Mr. Tenzin Dhendup is the Secretary of Ministry of Agriculture & Forests. He has been working in the Ministry of Agriculture & Forests for more than 33 years. Prior to his appointment as the Secretary, he was the Director General for Department of Agriculture. He started his career as a Trainee Officer in the Department of Livestock in 1981.

He graduated from Auburn University, Alabama, United States with a Master of Science in Aquatic Biology. He holds Bachelor degree in Zoology from St. Edmunds College, North Eastern Hill University, Shillong, India.

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.

Director's Report

Dear Shareholder,

The Board of Druk Holding and Investments Limited (DHI) is pleased to report on the company's performance for the period 1st January to 31st December, 2013 to the Ministry of Finance (MoF), DHI shareholder on behalf of the government and the people.

DHI has actively pursued and carried out its primary mandates through the compact signed with the Board. The compact is categorised into five thrust areas based on the Royal Charter. In 2013, DHI made significant progress toward strengthening these areas for further growth. For this, the Board awarded DHI a score of 99.46%. The achievements are outlined in the following:

Operational Performance

Thrust Area 1- Performance Improvement

DHI has played an integral role in cultivating a performance-driven and customer-orientated culture in its 16-owned and controlled companies and subsequently enhancing their performances.

- ➔ Compacts for DHI, DHI-Owned Companies (DOCs) and Bank of Bhutan (BoB) were negotiated, finalised and signed for 2013. Performances of DOCs were monitored and evaluated through the quarterly progress reports, half-yearly and annual presentations to the DHI Board and during their respective Annual General Meetings (AGMs). Preparations towards non-financial compacts for 2014 with DOCs and the DHI Board began in November and were finalised by January 2014. Financial compacts were finalised and signed in June, 2014;
- ➔ Conducted dissemination seminars on DHI and Corporate Governance (CG) for parliamentarians, government officials, board

directors, private sector and the media. Dissemination workshops on performance management systems and corporate governance were also conducted for all DOCs and DHI-Controlled Companies(DCCs);

- ➔ Conducted board directors' orientation program for all new board directors of DHI owned and linked companies (DOCs and DLCs). 11 senior executives attended Leadership and Change Management training at the Indian Institute of Management in Ahmedabad;
- ➔ Developed a legal compliance framework for complying with regulatory requirements, establishing proper controls and allocation of staff and resources; and
- ➔ Organised training on strategic planning and management with the Balanced Scorecard Systems for DHI, DOCs and BoB in Thimphu. More than 31 Board Directors and Senior Executives attended the training.

Thrust Area 2- Resource Optimization

- ➔ Prepared a business plan to co-locate contact center of service-oriented DOCs as a Business Unit. The plan would also explore the possibility of DHI contact center project to operate as a BPO company to cater to DHI, RGoB and other contact centers in Bhutan, perhaps even outside the country in the long run;
- ➔ Implemented SAP Business Planning and Consolidation (BPC) module for accounts/financial consolidation of DOCs and DCCs as per Bhutanese Accounting Standard (BAS). Financial Statements for 2013 were compiled and prepared as per BAS; and

- ➔ Completed Initial Public Offering (IPO) of 49% of Dungsam Polymers Limited (DPL), which was the first ever IPO at a premium in Bhutan. Five percent or 42,390 shares of DHI's holding in STCBL were placed on the market to gauge public interest in the shares. DHI's shares in BBPL were also placed on the securities exchange for sale.

Thrust Area 3 – New Investments

Details of investment activities are provided under 'DHI Investment' section.

Thrust Area 4 – Private Sector Development

DHI has been working to stimulate and support private sector growth through its new investments as well as through other initiatives undertaken specifically towards this end as mentioned below:

- ➔ Prepared a report on improving Bhutan's ranking on the World Bank's "Ease of Doing Business". According to the business report of the World Bank released on October 29, 2013, Bhutan ranked 141 out of 189 countries. It stood 148 out of 189 countries in 2012;
- ➔ Included Bhutan in the Global Competitiveness Report of the World Economic Forum (WEF). Bhutan ranked 109 out of 148 countries in their report released on 9th September, 2013; and
- ➔ Conducted two (3rd and 4th) entrepreneurship programs, DHI BEGIN as an initiative towards private sector development by addressing practical skill development, providing equity capital for business start-ups and continuous business mentoring.

Thrust Area 5- Revenue to Government

- ➔ In addition to the agreed dividend of Nu

1,580M and 90% of PAT of DGPC-THPA amounting to Nu 2,813.54M (70% as dividend and 30% as tax), DHI contributed Nu 1,361.65M in tax.

DHI Financial Performance in 2013 and 2012 and variances thereof:

(Figures in Ngultrum, Million)

Particulars	2013	2012 (Restated)	% Variance
Total Income	4,756.16	4,350.67	9.32%
Total Expenditure	218.13	131.94	65.33%
Profit Before Tax	4,538.02	4,218.72	7.57%
Tax	1,361.65	1,267.01	7.47%
Profit After Tax	3,176.37	2,951.71	7.61%
Dividend ¹	3,549.48	3,127.53	13.49%
Reserves & Surplus	950.57	950.57	Nil
Total Investments	46,845.17	46,720.62	0.27%

Bhutan has commenced the introduction of International Financial Reporting Standards (IFRS). Bhutanese Accounting Standards (BAS) are being introduced in three phases commencing in 2013. DHI is taking the lead in applying the new standards for group companies and other businesses to follow. Application of the new standards will enhance DHI's financial statements credibility in the eyes of international agencies and lenders.

The chief impact of introducing BAS is in the Profit and Loss Account (now the "Statement of Comprehensive Income"). For financial year 2012, dividends that were declared (both receivable and payable) at the AGM after balance date were included in the financial statements. Dividends are now treated on the "right to receive" or cash basis. Compliance with BAS has required the restatement of previous year's financial statements. A full description of the impact of BAS is provided in financial statements attached.

For financial year 2013, the total income increased by 9.32% or to Nu 4,756.16M from Nu 4,350.67M in 2012. The increase was mainly from the increase in dividend income by about 7%. To a smaller extent, it was also from the interest income on Dungsam Cement Corporation Limited(DCCL) loan.

On account of increased income, Profit After Tax (PAT) also increased by 7.61% or to Nu 3,176.37M from Nu 2,951.71M in 2012. Expenditures, however, increased by 65% or to Nu 218.13M from Nu 131.93M in 2012. The increase was mainly on account of interest expenses (Nu 80.46M) accrued on the inter-company borrow-

ings. Also from 2012, there was a 15% growth in employee remuneration and benefits (by Nu 6.72M).

The agreement between MoF and DHI in respect to dividends comprises two parts of:

- a) the pass-through dividend from Tala Hydro-power Plant at 90% of actual profits
- b) dividend from other sources. For 2013, the total dividend amounts to Nu 3,549.48M an increase of 13.49% from Nu 3,127.53M in 2012.

DHI Investments

Dungsam Cement Corporation Ltd. (DCCL)

Production of clinker from the 1.36 metric tonne per annum (MTPA) green field integrated cement manufacturing facility started in May 2013 and production of Ordinary Portland Cement (OPC) 43 grade cement in October, 2013.

Clinker was sold mostly to grinding units in Assam, North Bengal, with a small quantity being fed to the domestic market. Of the total 181,111MT of clinker produced, 130,140MT were sold during the year at an average selling price of Nu 2,119.74 per MT. Of the 6,762MT of OPC 43 grade cement produced until 31st December 2013, 1,193MT were sold during the year in the domestic market. The company realised revenue of Nu 275.86M from sale of clinker and Nu 5.95M from sale of cement during the year. Cement sale in the export market could not commence because of lengthy procedures involved in obtaining a Bureau of Indian Standards (BIS) license.

The Extraordinary General Meeting held on November 20, 2013 approved the issue of Nu 1,260M of bonds at 10% interest per annum. The proceeds of the bonds will be used to refinance the Nu 600M inter-corporate loan from DHI and retire the Nu 600M loan taken from National Pension and Provident Fund (NPPF) at 13.19% interest.

With regard to sale and marketing, the company will have to market around 70 percent of its production in the export market and the remaining 30 percent in domestic.

In the domestic market, the company has established depots in Phuentsholing and Gelephu to

supply to the country's western and central regions. Nganglam will supply to the eastern parts of the country. Already, 76 dealers have been appointed for the domestic market.

For the export market, based on the marketing strategy Holtec Consulting developed, 12 distributors have been appointed. To build and promote the company's Dragon brand cements, it has also initiated product promotion campaigns through outdoor hoardings and print and electronic media with greater focus on the export market. The company is also in the process of recruiting a Sales and Marketing Vice President.

126 MW Dagachhu Hydroelectric Project

Druk Green holds 59% equity in the 126MW (2x63 MW) Dagachhu Hydroelectric Project and the balance of 15% shares by NPPF and 26% by Tata Power Company. As of 31st December, 2013, equity partners injected Nu 4,132M to take the company's total value to Nu 11,614.155M.

During the year, the critical milestone of the project was achieved with the breakthrough of south side of Head Race Tunnel (HRT) on April 7 and north side HRT in August, 2013. About 75% of installation works of electro-mechanical equipment in the powerhouse was completed by 31st December, 2013.

The project, for the hydropower sector at large, continues to lead the way in development of in-house competencies in hydropower project constructions. The company has 95 employees, mostly on deputation from Druk Green. The physical progress of the project's civil works is on track and is expected to be complete in the second half of 2014.

Bhutan Hydropower Services Limited (BHSL)

Bhutan Hydropower Services Limited, a Joint Venture between Druk Green and ALSTOM, was formed in 2012 to establish a state-of-art Hydropower Service Center in Jigmeling, Gelephu. This is a Nu 1,094M project. The financing is done on a debt-equity ratio of 60:40, where Druk Green and ALSTOM have a shareholding of 51% and 49% respectively. The company has 26 employees with nine key officials on deputation from Druk Green and five deployed from ALSTOM for the project implementation. The remaining employees are recruited on contract.

Besides providing services to power plants under Druk Green, BHSL is also designed to compete for services from neighboring states of India. The project is scheduled for completion by September 2014.

Tsibjalumchhu Diversion Scheme

The Tsibjalumchhu Diversion Scheme, the feasibility study of which was conducted using DGPC's own internal capacity, is a very proud project of the group. The scheme is projected to augment the generation of 1020MW Tala Hydropower Plant by 93MU, which will be available during the lean season. Construction has started and is scheduled for completion by the second half of 2014.

Koufuku International Pvt. Ltd. (KIPL)

The project cost for the dairy plant in Chenary under Samkhar gewog, Trashigang, established in collaboration with Shin Nippon Biomedical Laboratories Ltd. (SNBL), has been revised to Nu 111M. The factory construction slated for completion by December 2014 has witnessed the completion of water supply work.

Other projects under development and under consideration

Projects Under Development	
Industrial Estates (SEZs)	<ul style="list-style-type: none"> i. Dhamdum under Samtse Dzongkhag <ul style="list-style-type: none"> a. Topographical survey completed ii. Jigmeling under Sarpang Dzongkhag <ul style="list-style-type: none"> a. Completed topographical and cadastral map b. Environmental Impact Assessment study completed and submitted to NEC for approval c. Water user rights initiated iii. Motanga under Samdrup Jongkhar Dzongkhag: <ul style="list-style-type: none"> a. Construction of 2km dirt road and 4km compound fence wall initiated. To be completed by November 2014 b. Environmental Impact Assessment study completed and submitted to NEC for approval
Amochhu Land Reclamation and Township Project	<ul style="list-style-type: none"> - Hydrological and hydraulic study has been completed which also deals with hazard zoning - Together with MoHCA and Phuentsholing Thromde, the resolution of cross-border issues is being taken up with the Indian Consulate in Phuentsholing on a continuous basis

Projects Under Consideration	
Other Projects in the Pipeline	<ul style="list-style-type: none"> - Production of Caustic Soda and Chlorine based products - Production of fused dolomite, fused alumina and alumina zircon blocks - Online Lottery - Power Trading Company in India owned by Bhutan - Boulder export to Bangladesh - Organic Shiitake Mushroom Cultivation

Financial highlights of the companies

(Figures in Ngultrum, Million)

Financial Performance of DPCs for 2013 and 2012				
Company	Particulars	2013	2012	Variance
DGPC	Total Assets	59,724.17	59,800.02	-0.13%
	Net Worth	38,998.09	38,419.84	1.51%
	Income	13,051.66	11,140.80	17.15%
	Expenditure	5,525.20	5,143.41	7.42%
	PBT	7,526.46	5,997.39	25.50%
	Tax	2,272.27	1,815.46	25.16%
	PAT	5,254.19	4,181.93	25.64%
BPCL	Total Assets	27,851.59	24,084.86	15.64%
	Net Worth	12,273.70	11,624.42	5.59%
	Income	6,420.29	6,284.09	2.17%
	Expenditure	5,047.79	5,018.97	0.57%
	PBT	1,372.50	1,265.12	8.49%
	Tax	409.23	366.80	11.57%
	PAT	963.27	898.32	7.23%
BTL	Total Assets	4,243.93	4,027.08	5.38%
	Net Worth	3,277.16	3,045.70	7.60%
	Income	2,329.89	2,265.20	2.86%
	Expenditure	1,654.64	1,402.00	18.02%
	PBT	675.25	863.20	-21.77%
	Tax	254.28	286.73	-11.32%
	PAT	420.97	576.47	-26.97%
NRDCL	Total Assets	778.31	669.70	16.22%
	Net Worth	573.81	545.41	5.21%
	Income	409.08	438.45	-6.70%
	Expenditure	366.23	362.37	1.07%
	PBT	42.85	76.08	-43.68%
	Tax	12.02	24.15	-50.23%
	PAT	30.83	51.93	-40.63%

Company	Particulars	2013	2012	Variance
DCL	Total Assets	4,104.15	5,230.68	-21.54%
	Net Worth	2,624.33	2,437.90	7.65%
	Income	3,230.31	2,760.64	17.01%
	Expenditure	3,013.01	2,509.19	20.08%
	PBT	217.30	251.45	-13.58%
	Tax	92.41	90.61	1.99%
	PAT	124.89	160.84	-22.35%
DHI Infra Ltd.	Total Assets	358.06	235.78	51.86%
	Net Worth	209.42	201.55	3.90%
	Income	27.49	13.83	98.77%
	Expenditure	16.93	10.90	55.32%
	PBT	10.56	2.93	260.41%
	Tax	3.20	0.94	240.43%
	PAT	7.36	1.99	269.85%
DPL	Total Assets	253.31	162.92	55.49%
	Net Worth	64.97	22.95	183.09%
	Income	82.71	27.41	201.75%
	Expenditure	107.70	46.65	130.87%
	PBT	(24.99)	(19.24)	29.89%
	Tax	-	-	NA
	PAT	(24.99)	(19.24)	29.89%
DCCL	Total Assets	11,169.36	9,271.04	20.48%
	Net Worth	5,073.95	4,973.95	2.01%
	Income	-	-	NA
	Expenditure	-	-	NA
	PBT	-	-	-
	Tax	-	-	NA
	PAT	-	-	NA

Financial Performance of DPCs for 2013 and 2012				
Company	Particulars	2013	2012	Variance
BOBL	Total Assets	30,563.38	28,816.53	6.06%
	Net Worth	3,552.38	3,204.92	10.11%
	Income	2,176.39	2,136.11	1.89%
	Expenditure	1,219.12	1,185.72	2.82%
	PBT	957.27	950.39	0.72%
	Tax	284.05	290.01	-2.06%
	PAT	673.22	660.38	1.94%
STCBL	Total Assets	440.11	486.35	-9.51%
	Net Worth	274.95	270.36	1.70%
	Income	550.68	1,009.71	-45.46%
	Expenditure	541.77	995.13	-45.56%
	PBT	8.91	14.58	-38.89%
	Tax	4.32	5.54	-22.02%
	PAT	4.59	9.04	-49.23%
BBPL	Total Assets	344.19	305.14	12.80%
	Net Worth	302.88	257.17	12.33%
	Income	318.13	295.46	7.76%
	Expenditure	287.82	270.96	6.32%
	PBT	30.31	24.50	23.71%
	Tax	(6.28)	9.18	-168.41%
	PAT	36.59	15.32	138.84%
PCAL	Total Assets	1,720.57	1,792.77	-4.03%
	Net Worth	1,067.80	1,101.76	-3.08%
	Income	1,937.54	2,079.66	-6.83%
	Expenditure	1,516.08	1,576.92	-3.86%
	PBT	421.46	502.74	-16.17%
	Tax	149.42	150.83	-0.93%
	PAT	272.04	351.91	-22.70%

Company	Particulars	2013	2012	Variance
KIPL	Total Assets	50.62	30.33	66.90%
	Net Worth	50.00	30.00	66.67%
	Income	-	-	NA
	Expenditure	7.91	8.30	-4.70%
	PBT	-	-	-
	Tax	-	-	NA
	PAT	-	-	NA
BFAL	Total Assets	1,318.18	1,419.33	-7.13%
	Net Worth	884.06	858.27	3.00%
	Income	2,298.54	2,119.07	8.47%
	Expenditure	2,134.07	1,986.58	7.42%
	PBT	164.47	132.49	24.14%
	Tax	48.68	39.50	23.24%
	PAT	115.79	92.99	24.52%
TTPL	Total Assets	264.44	274.31	-3.60%
	Net Worth	63.19	63.19	0.00%
	Income	5.04	1.71	194.74%
	Expenditure	29.60	6.73	339.82%
	PBT	(24.56)	(5.02)	389.24%
	Tax	-	-	NA
	PAT	(24.56)	(5.02)	389.24%
RICBL	Total Assets	9,078.02	7,747.29	17.18%
	Net Worth	1,764.56	1,507.06	17.09%
	Income	562.17	542.09	3.70%
	Expenditure	40.51	41.02	-1.24%
	PBT	521.66	501.07	4.11%
	Tax	156.50	150.32	4.11%
	PAT	365.16	350.75	4.11%
BNBL	Total Assets	26,665.82	27,708.30	-3.76%
	Net Worth	5,740.03	5,461.57	5.10%
	Income	2,216.92	2,175.01	1.93%
	Expenditure	1,512.18	1,179.17	28.24%
	PBT	704.73	995.84	-29.23%
	Tax	222.01	297.86	-25.46%
	PAT	482.73	697.98	-30.84%

DHI Group consolidated (unaudited)				
Company	Particulars	2013	2012 (restated)	Variance
DHI Group	Total Assets	142,961.92	138,423.43	2.56%
	<i>DHI Share</i>	<i>72,995.78</i>	<i>70,070.84</i>	
	<i>Outside Shareholders</i>	<i>2,918.17</i>	<i>2,294.85</i>	
	Net Worth	75,913.95	71,365.69	4.90%
	Income	26,957.94	24,715.45	9.07%
	Expenditure	16,214.86	15,315.16	5.87%
	PBT	10,743.08	9,400.29	14.28%
	Tax	4,633.11	4,105.38	12.89%
	PAT	6,109.97	5,294.91	15.37%

The DHI Group consolidated figures presented above have been computed and consolidated in line with BAS 27 Consolidated Financial Statements. These are, however, unaudited figures.

For financial year 2013, the Group noted a revenue increase of 9%, from Nu 24,715.45M in 2012 to Nu 26,957.94M. It was fuelled mainly by increase in revenue of DOCs under energy and resources (12%) and communication and transport (11%) sectors. Share of profits from the Associates (where DHI's stake is less than 50%) dropped from Nu 167.69M in 2012 to Nu 131.81M in 2013, a drop by almost 24%.

With respect to revenue increase the PAT also increased by 15% or to Nu 6,107.67M from Nu 5,294.91M in 2012. The expenditure increased by Nu 899.7M which is an increase of about 6% as compared to 2012.

Profits are taxed at the company level and taxed again when DHI receives dividends. This means effective tax rate is approximately 44% for DHI Group.

The consolidated net worth grew by about 5% to Nu 75,913.95M as compared to Nu 71,365.69M(restated) in 2012 and the total asset grew by almost 3% or to Nu 142,961.92M from Nu 138,423.43M in 2013.

Report on Corporate Governance

Corporate Governance (CG) is a set of systems and procedures that enable and ensure companies are managed in the most accountable, transparent and fair manner, while meeting expectations of shareholders and other stakeholders.

It is important to realise that sound corporate governance practices are imperative for effective use of company resources with the highest ethical standards.

To strengthen corporate governance in DHI and its portfolio companies, DHI developed and launched the Corporate Governance Code (CG Code) in November, 2013. The focus of the Code was to create an environment that would facilitate DHI portfolio companies to operate in a manner that maximises economic value and financial performance within the overall guidance of the Royal Charter and the DHI Ownership Policy.

Today, DHI is complying with all the relevant principles stated in the Code that is in confor-

mity with the Companies Act, 2000 and other statutory requirements.

Board of Directors, Board Meetings, Board Committee Meetings and Procedures

The Board of Directors is entrusted with the crucial responsibility of management, general affairs, strategic direction and performance of DHI. To that effect, it has been vested with the requisite powers, authorities and duties. The management of DHI is headed by the Chairman and the Chief Executive Officer and has functional heads as its members who look after the management of the daily affairs of the company.

Towards the end of November, 2013, the DHI Board comprised of seven Board Directors, including the Chairman and the CEO. The size, composition and number of independent Directors were determined in keeping with the Board Charter – Section 2.2 and 2.3 of the CG Code. None of these Directors held more than a total of three directorships in DHI owned companies. Necessary disclosures regarding additional directorship, categories and attendance at Board Meetings are given below:

Name of Director	Category	Profile	No. of Board Meetings attended during 2013*	No. of Directorship in other DHI owned/controlled companies	
				Chairman	Member
Lyonpo Om Pradhan	Non-independent Executive	Chairman DHI	10		
Mr Karma Yonten	Non-independent Executive	CEO, DHI	10		1 (DHI Infra)
Dasho Penjore	Independent Non-executive	Former Zimpoen, Office of Gyalpoi Zimpoen	9	1 (Bhutan Power Corporation)	
Dasho (Dr) Sonam Tenzin	Independent Non-executive	Secretary, MoWHS	9		

Dasho Lam Dorji	Non-independent Non-executive	Secretary, MoF	7	1 (State Trading Corporation of Bhutan)
Mr Namgay Ngedup	Independent Non-executive	CEO, Environmental Friendly Construction	10	
Mr Ugyen Rinzin	Independent Non-executive	Chairman, Yangphel Private Ltd.	7	

Ten Board Meetings were held in 2013 and the gap between two meetings did not exceed three months in accordance with the Companies Act 2000 and the DHI CG Code.

The dates on which Board Meetings were held are as follows:

- 5th February 2013,
- 29th March, 2013,
- 14th June, 2013,
- 22nd July, 2013,
- 13th August, 2013,
- 23rd October, 2013,
- 8th November, 2013,
- 21st November, 2013,
- 5th December, 2013,
- 16th December, 2013.

Dates for Board Meetings in the ensuing year are decided in advance and communicated to the Directors. Board Meetings are held at the DHI office in Motithang, Thimphu. The agenda, along with necessary explanatory notes, are sent to the Directors before the meetings. Additional meetings are held in the case of exigencies.

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

- Board Nomination Committee: Its primary responsibility is to recommend Board Directors for DHI and DOCs/DLCs.
- Board Committee for Performance Management: It is the standing committee of the DHI Board to negotiate and monitor annual compacts of DHI, DOCs and BOB.
- Investment and Finance Committee: Its primary function is to assess and evaluate all projects and investments that DHI Management proposes and make recommendations to the DHI Board.

The Board Committee for Performance Management held eight meetings in 2013 to discuss compact targets with DHI owned companies. The dates on which the committee meetings were held are as follows:

- 24th May, 2013,
- 14th August, 2013,
- 15th August, 2013,
- 16th August, 2013,
- 3rd December, 2013,
- 4th December, 2013,
- 5th December, 2013,
- 6th December, 2013.

One Board Nomination Committee Meeting was also held on 7th October, 2013.

Shareholder Information – Annual General Meeting

Date: 26th April, 2013

Time: 10am-12pm

Venue: Namgay Heritage Hotel, Thimphu

Board Orientation Program

To promote effective board functioning, every year DHI conducts a Board Directors' orientation program for new appointees to DHI companies. The program prepares new directors on the roles and responsibilities of the board and runs them through the DHI ownership policies and corporate governance. They are also introduced to fundamental skills on strategy and interpretation of financial statements, an essential tool for Board Directors. In June 2013, a Board Directors' orientation program was conducted for 10 new Board Directors of DHI companies at Jambayang Resort, Thimphu.

DHI also organised dissemination workshops on corporate governance to Members of Parliament, government and private sector agencies to create greater awareness on the subject. It was also to encourage practice of good corporate governance principles within the Bhutanese corporate sector, including State Owned Enterprises (SOEs) and private-corporate entities.

Non-Compliance Reporting

Subject to the 'comply or explain' clause of the CG Code, DHI has complied with all relevant provisions of the code throughout the year, except:

Board Evaluation

For 2013, no Board Evaluation was carried out as a proper, more suitable and effective Board Evaluation process was being developed following the feedback and directive from the DHI Board.

Key non-financial achievements of the DOCs and BOB for FY2013

Druk Green Power Corporation Ltd.

- ➔ Generated 7,531.45MU of electricity during the year, an increase of 10.57% from 2012;
- ➔ Achieved a power plant availability of 98.96% against an industry average of 93.24%;
- ➔ Despite higher domestic consumption (increase by 4%), energy export to India increased by 14.2% from 2012;
- ➔ Involved in implementation of government's vision to achieve 10,000MW by 2020:
 - o Critical milestone for Dagachhu Hydroelectric Project achieved. About 75% of installation works of electro-mechanical equipment in the powerhouse was completed;
 - o Completed detailed project report of 118MW Nikachhu project;
 - o Achieved 80% physical progress of the Tsibjalumchu Diversion Scheme to Tala;
 - o The Royal Government of Bhutan (RGOB) and the Government of India (GOI) under the "10,000MW by 2020" bilateral co-operation agreed to develop the following projects under joint venture model between Druk Green as the RGOB nominee and the GOI PSUs as cited below:
 - 180MW Bunakha Reservoir Scheme with THDC;
 - 770MW Chamkharchhu-I with NHPC;



- 600MW Kholongchhu HEP with SJVN and
- 570MW Wangchhu HEP with SJVN.
- o Pre-feasibility study activities such as topographical survey & mapping and preliminary ESIA study for Gamri Hydropower Project (I & II) were completed;
- o Pre-feasibility study activities such as survey & mapping, geo-technical investigation, hydrology and power potential studies of NyeraAmari Hydropower Project completed;
- o Inception report, including the scope/TOR for the major field survey and investigation works and detailed engineering design completed and DPR activities initiated.
- ➔ Formed a subsidiary profit center for independent management of transport/heavy equipment to bring about optimisation in use of resources and result in efficiency gains;
- ➔ Established a Center of Excellence for Gates and Instrumentation for Civil Structures;
- ➔ Online microseismic system installed at Tala Hydropower Power House to detect movement of rocks that will help in the design of rock bolts;
- ➔ Became a member of the Central Board of Irrigation and Power (CBIP), India, a premier institution, which renders dedicated services to professional organisations, engineers and individuals;
- ➔ Obtained consultancy license from Construction Development Board to provide services within and outside Bhutan; and
- ➔ Implemented Risk Management Manual in all four power plants.



Bhutan Power Corporation Ltd.

- ➔ Added 14,802 customers during the year, taking the total number of customers to 146,497;
- ➔ Generated 18.446MU of electricity from embedded mini and micro-hydel;
- ➔ Wheeled 5,557.63MU of electricity to India for DGPCL from 5,273.10MU in 2012, an increase of about 5%;
- ➔ Sold 1,841.4657MU of electricity as compared to 1,769.59MU in 2012, reflecting a growth of about 4%;
- ➔ Achieved a customer satisfaction index of 3.78 against the set target of 3.65;
- ➔ Maintained global transmission loss at 1.11% as compared to 1.18% in 2012 and domestic transmission and distribution loss at 4.30% against 4.32% in 2012;
- ➔ Established the east-west transmission link;
- ➔ As part of the Rural Electrification (RE) project, 6,226 additional households were connected with electricity during the year and 830 households as part of the RE Fill-in project;
- ➔ In line with the government's goal to achieve national broadband ICT connectivity, 55 gewogs were connected with (acronym elab)ADSS cable;
- ➔ Achieved a System Average Interruption Duration Index (SAIDI) of 0.416 minutes at the transmission level and 2.799 minutes at the distribution level.



Drukair Corporation Ltd.

- Operated total flights of 3,822 compared to 3,555 in 2012, an increase of almost 8%;
- Carried 208,125 passengers compared to 193,405 in 2012, an increase of almost 8%;
- Cargo ferried increased by 68% and mail by 13%;
- A total of 276 domestic flights were operated carrying 490 passengers;
- Despite increase in the number of scheduled flights by about 22% and the entrance of a new competitor, Drukair achieved an average load factor of 69.6% against an industry average of 70%;
- Achieved an average overall airline on-time performance of 99%;
- Achieved a customer satisfaction index of 3.68 against the set target of 3.6; and
- Initiated implementation of risk management system.



Natural Resources Development Corporation Ltd.

- ➔ Produced 2.36M cft. of timber and disposed 2.04Mcft. Earned Nu 283.49M from sale of timber in 2013;
- ➔ Extracted 410,563.11 m3 of sand and disposed 375,360.91 m3. Earned Nu. 42.54M from sale of sand in 2013;
- ➔ Extracted 3.30M cft of stone/boulders and disposed 3.36M cft. Earned Nu. 11.51M from sale of stones in 2013;
- ➔ Successfully established its sixth crushing plant at Ngangshing (Pemagatshel);
- ➔ Operationalised three stone quarries at Tsangkhar (Gyelpoishing, Mongar), Homdor (Zhemgang) and Ngangshing (Pemagatshel);
- ➔ Operationalised sand quarries at Birtay (Zhemgang) and at Sunkosh, Raidak and Kalikhola (Phuntsholing);
- ➔ Established a pilot sand-dredging unit in Wangduephodrang for extraction of river sand to increase sand supply, especially in the western region during monsoon;
- ➔ Achieved 100% of all activities arising from its social mandates (such as road construction, bamboo plantation, nursery creation, firewood production, etc.) as per DoFPS requirements;
- ➔ New initiatives carried out during 2013 include:
 - o **Establishment of a new Regional Office in Samdrupjongkhar-** This was found necessary due to expansion of activities in the eastern region
 - o **Grading of Timber-** Timber grading modalities developed and presented to DoFPS for implementation in 2014



- o **Creation of Accelerated Stone and Minerals Project (ASMP) at NRDC**- ASMP is mandated to manage the company's quarrying activities to streamline operations and increase efficiency of stone crushing units
 - o **Mobilisation of resources for WangdueDzong Re-construction Project**- Construction of road and bridges for extraction of timber for the Wangdue Dzong re-construction project
 - o **Proposal to revamp Briquette plant operation at Ramtokto, Thimphu**
 - o **Export Auction**- Conducted an export auction at Phuentsholing to avoid accumulation of timber stock due to sluggish market for timber within the country. Of the total volume of 129,261.08 cft auctioned, 89,422.16 cft was sold out
 - o **Established a Customer Information Center at the corporate head office**
- ➔ Significant increase in Customer Satisfaction Index (CSI) from 3.54 in the previous year to 3.80 in 2013;
 - ➔ Adopted Internal Audit Charter;
 - ➔ Risk Management System institutionalised.



Bank of Bhutan Ltd.

- ➔ Deposit base increased by 7.79% from 2012 notwithstanding the country's overall bleak economic situation, indicating people's continued trust and confidence in the Bank;
- ➔ While the credit growth of other commercial banks decelerated in 2013, BoBL's loans and advances increased by 2.62% from 2012 despite unfavorable economic conditions;
- ➔ The Gross Non-Performing Assets (GNPA) and Net Non-Performing Assets (NNPA) stood reasonably low at 6.88% and 1.48% respectively;
- ➔ Significant increase in Customer Satisfaction Index (CSI) from 3.65 in the previous year to 3.71 in 2013;
- ➔ Introduced an online complaint/feedback mechanism and implemented a Complaint Handling manual officially across all branches;
- ➔ B-Wallet implemented in July 2013 in collaboration with Bhutan Telecom;
- ➔ ATM network coverage increased from 42 machines in 2012 to 62 in 2013 with at least one ATM in every Dzongkhag;
- ➔ Started its Corporate Banking services in Phuentsholing to cater to high valued customers in the region;
- ➔ Collaborated with BPCL, BTL, NPPF, DCL and Thimphu Thromde and launched a utility bill payment system using BOBNET banking;
- ➔ Risk Management System institutionalised;
- ➔ Continuing to implement alternate banking channels like Mobile Banking Solutions.



Bhutan Telecom Ltd.

- Replaced the east-west Synchronous Digital Hierarchy (SDH) radio transmission backbone with IP Hybrid radio with 500Mbps capacity between Thimphu-Yotola and 250Mbps on the Yotola-Kanglung, Yotola-Zhemgang, Yotola-Trongsa and Yonglagompa- Pemagathsel links;
- Installed and commissioned soft switch with triple play functions (voice, data and video) to replace the obsolete legacy switches deployed in the early 90's. 22 exchanges are currently linked to this new soft switch in Thimphu;
- Upgraded the international bandwidth for internet services to 5.3Gbps, thereby exceeding a Gigabit capacity for the first time in BT's history. A 10Gbps internet backbone link was created between the International Gateway Phuentsholing and Thimphu through implementation of Dense Wavelength Division Multiplexing (DWDM) technology;
- Set up Wi-Fi in six campus locations to provide students with access to fast internet service through paid subscriptions;
- Added 13 Fiber-to-the-Cabinet (FTTC) in Thimphu and 3 in Paro;
- Extended 3G services to Punakha, Wangdue, Haa, Trongsa, Bumthang, Mongar, Tsirang, Trashigang, Samtse, Taktse (Mangdechhu project site) and Punatshangchhu project area. 3G services now available in 14 dzongkags with 112,119 registered users;
- Launched 4G or Long Term Evolution (LTE) in October 2013 at two sites in Thimphu on a trial basis and acquired 115 new LTE customers;



- 2G GSM services extended to many new areas to improve overall mobile coverage throughout the country;
- Implemented Universal Service Fund Project to extend mobile services to eight remote locations under different dzongkhags;
- B-wallet services made available to more customers by providing the service in partnership with Bank of Bhutan in addition to Bhutan National Bank;
- Carried out a major study on organisational restructuring;
- Developed Performance Based Incentive Scheme at individual level;
- Significant increase in Customer Satisfaction Index (CSI) from 3.59 in the previous year to 3.72 in 2013;
- As part of its Corporate Social Responsibility, the company undertook and successfully completed Phase III of the Rural GSM Project. Mobile services were provided to remote and unprofitable areas through installation of Base Transceiver Stations (BTS) in eight rural sites in seven Dzongkhags.

Acknowledgements

The DHI Board wishes to convey its heartfelt gratitude to His Majesty the King for his wisdom in setting up DHI. The Board also thanks the Royal Government of Bhutan, the Ministry of Finance and all other Ministries, and Departments under them, the regulatory authorities and other organizations and private sector agencies in Bhutan, to the Government of India, and to international agencies that have provided continued support to DHI.

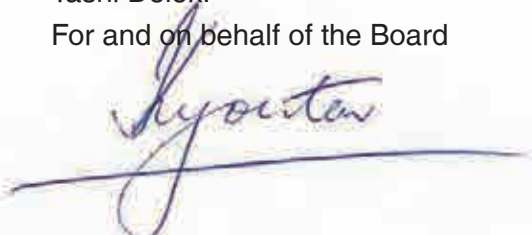
The Board would also like to place on record its appreciation for the CEOs, management and employees of DHI portfolio companies for their dedicated support and contributions towards fulfilling the shared vision.

Finally, we urge the Boards, Managements and employees of all DHI group of companies to continue to work with the same passion and contribute towards growing the nation's wealth.

On our part, we pledge to re-commit ourselves to fully support the company in its endeavours.

Tashi Delek!

For and on behalf of the Board



(Karma Yonten)
CEO, DHI

Auditor's Report

Deloitte Haskins & Sells

Chartered Accountants
Bengal Intelligent Park
Building Alpha, 1st Floor
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Salt Lake Electronics Complex
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INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF DRUK HOLDING AND INVESTMENTS LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of **Druk Holding and Investments Limited** ("the Company"), which comprise the Statement of Financial Position as at 31st December, 2013, the Statement of Comprehensive Income, Statement of Changes in Equity and the Statement of Cash Flows for the year then ended and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's 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 Bhutanese Accounting Standards 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

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 and other generally accepted auditing principles. 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.

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, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. 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 audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, 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 Bhutanese Accounting Standards and provisions of the Companies Act of the Kingdom of Bhutan, 2000 ("the Act"):

- i) in the case of Statement of Financial Position, of the state of affairs of the Company as at 31st December, 2013;

- ii) in the case of Statement of Comprehensive Income, of the profit of the Company for the year ended on that date;
- iii) in case of Statement of changes in Equity, of the changes in equity of the Company for the year ended on that date, and
- iv) In the case of Statement of Cash Flows, of the movement of cash flows of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

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.

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 Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows dealt with by this report have been prepared in accordance with accounting principles generally accepted and are in agreement with the books of account.
- (d) In our opinion, the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows comply with the Bhutanese Accounting Standards and provisions of the Companies Act of the Kingdom of Bhutan, 2000.

For DELOITTE HASKINS & SELLS
Chartered Accountants
(Firm's Registration No.302009E)



A. Bhattacharya
Partner
(Membership No. 054110)

Kolkata, India, June 25, 2014



MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENTS

1. The Company has maintained proper records to show full particulars including quantitative details of its fixed assets. The Company's Management had conducted physical verification of fixed assets during the year. The discrepancies noted were not material and the same have been properly dealt with in the books of accounts.
2. As informed to us, the Company had received a land by way of grant from the State on 6th September, 2011 free of cost to construct its corporate office building. The said land has been valued at Nominal value.
3. The Company had taken unsecured loans from the Companies during the previous 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. During the year, the Company had given advances of Nu. 700 Mn to a subsidiary Company (Nu. 200 Mn on 27th March, 13, Nu. 200 Mn on 18th April, 13 and Nu. 300 Mn on 8th July, 13). The said advances were converted to equity contribution of Nu. 100 Mn and loan of Nu. 600 Mn carrying an interest at the rate of 10% compounded quarterly from 1st July, 13. However, no interest was charged from the dates of respective advances till 30th June, 2013. The Company has also given guarantees for loans taken by the said Company from other lenders (Refer Note 29 to the Financial Statements) on which no fees have been charged.
5. The employees to whom the loans and advances have been given by the Company are generally regular in repaying the amounts as stipulated.
6. The loans/advances granted to officers/staff are generally in keeping with the provisions of its service rules and no excessive/frequent advances are granted and accumulation of large advances against particular individual is generally avoided.
7. 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 and the value of such transactions are not material considering the overall business of the Company. 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. However, the Company has decided to adopt Bhutanese Accounting Standard (BAS) 24 prospectively in



future and hence disclosure of details of such transactions and amounts has not been made in the financial statements of the current year.

(b) Based on the information and explanations given to us during the course of the audit and based on our examination of books and records, in our opinion the transactions entered into by the Company wherein the directors are directly or indirectly interested are not prejudicial to the interest of the other shareholders and the Company.

10. The Company is regular in depositing rates and taxes, duties, and other statutory dues with the appropriate authorities.

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 yearend were as follows:

Particulars	Amount(NU)
Tax deducted at source	6,627,624

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. Considering the size and nature of the business of the Company, the amount of consultancy services provided during the year is not significant.
14. The Company has entered into contract of providing few consultancy services during the year and is in process of introducing system of authorization and internal control system for allocation of labour to jobs relating to consultancy services. Considering the size and nature of the business of the Company, the amount of consultancy services provided during the year is not significant. The Company is not in the 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. Considering the size and nature of the business of the Company, the amount of consultancy services provided during the year is not significant.
16. The Company has entered into contract of providing few consultancy services during the year. As per information and explanation provided to us, the consultancy services are primarily provided to its group companies and the value of such transactions is not material at this point of time. Accordingly establishing the credit policies and 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, 2013.
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 after the 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 Note 24 of Notes to Financial Statements.
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 31st December 2013 audited by us, the Company has earned sufficient profit during the year under audit and we have no reason to believe that the Company is not a going concern. Accordingly, the financial statements have been prepared under the going concern basis.

2. Ratio Analysis.

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

Ratios	Basis	2013	2012
Earnings per share	(Profit After Tax/ No. of shares issued)	7.17	6.66
Net Profit Ratio (%)	(Net Profit/ Turnover * 100)	66.79	67.85
Return on Assets (%)	(Net Profit/ Total Assets * 100)	3.21	3.00
Return on Equity (%)	(Net Profit/ Owner's Equity * 100)	6.58	6.12
Dividend Coverage Ratio	(Net Profit available to equity shareholders/ Dividend paid to Equity shareholders)	1.02	1.00
Dividend Payout Ratio (%)	(Dividend per share/ Earnings per share * 100)	98	100
Current Ratio	Current Asset/ Current Liability	1.21	2.65

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 regulation, systems, procedures and practices.



Statement of Financial Position

as at 31 December 2013

	Notes	31/12/2013	31/12/2012 (Restated)	01/01/2012 (Restated)
ASSETS				
Non-current Assets -				
Property, Plant and Equipment	2a	18,447,349	21,355,230	23,506,395
Intangible Assets	2b	12,296,710	12,076,880	440,157
Capital Work-In-Progress	2c	25,415,856	8,002,959	10,314,710
Investments	3	46,845,173,018	46,720,621,333	44,784,428,100
Deferred Tax Assets	4	321,440	-	-
Net Retirement Benefit Assets	14	1,454,899	-	-
Trade and Other Receivables	6	54,000	40,000	30,125
Other Financial Assets	7	580,170,000	3,619,452	-
Total Non-current Assets		47,483,333,272	46,765,715,854	44,818,719,487
Current Assets -				
Trade and Other Receivables	8	193,202	13,145,204	433,606,457
Advance to Ministry of Finance		2,939,272,107	3,394,272,107	2,939,794,666
Current Tax Assets	9	1,383,669,891	1,419,425,207	1,476,252,448
Other Assets	10	49,170,044	1,176,260	1,430,023
Cash and Bank Balances	11	200,781,913	181,475,911	58,723,240
Total Current Assets		4,573,087,157	5,009,494,689	4,909,806,834
Total Assets		52,056,420,429	51,775,210,543	49,728,526,321



Statement of Financial Position (continued)

	Notes	31/12/2013	31/12/2012 (Restated)	01/01/2012 (Restated)
EQUITY AND LIABILITIES				
Capital and Reserves -				
Share Capital	12a	44,328,114,200	44,328,114,200	44,328,114,200
Retained Earnings	12b	2,999,981,965	2,951,709,131	3,098,006,195
General Reserve	12c	950,568,259	950,568,259	791,834,171
Total Equity		48,278,664,424	48,230,391,590	48,217,954,566
Non-current Liabilities -				
Borrowings	13	-	1,600,000,000	-
Entrepreneurship Promotion Fund	5	11,092,464	10,000,000	-
Net Retirement Benefit Obligations	14	-	64,159	772,558
Other Financial Liabilities		1,650,000	47,462,295	17,985,077
Total Non-current Liabilities		12,742,464	1,657,526,454	18,757,635
Current Liabilities -				
Trade and Other Payables	15	196,716,418	36,935,303	13,608,881
Borrowings	13	1,600,000,000	-	-
Net Retirement Benefit Obligations	14	-	68,510	-
Other Liabilities	16	1,968,297,123	1,850,288,686	1,478,205,239
Total Current Liabilities		3,765,013,541	1,887,292,499	1,491,814,120
Total of Equity and Liabilities		52,056,420,429	51,775,210,543	49,728,526,321

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

For Deloitte Haskins & Sells
Chartered Accountants



Dasho Sangay Khandu
Chairman



Karma Yonten
Chief Executive Officer



A. Bhattacharya
Partner



Kinzang Tobgay
Director, Finance



Lam Dorji
Board Director

Place : Kolkata
Date : June 25, 2014



Place: Thimphu
Date: June 25, 2014



Statement of Comprehensive Income

for the year ended 31 December 2013

	Notes	Period ended 31/12/2013	Period ended 31/12/2012 (Restated)
INCOME -			
Dividend Income	17	4,694,023,939	4,341,545,929
Consultancy Income		2,275,000	3,331,600
Other Income	18	18,273,278	302,167
Finance Income	19	41,583,810	5,485,704
Total Income		4,756,156,027	4,350,665,400
EXPENDITURE -			
Operation and Maintenance Expenses	20	3,079,433	375,996
Employee Benefits Expenses	21	50,733,928	44,012,169
Other Expenses	22	28,377,543	35,311,501
Finance Cost	23	128,041,307	47,585,306
Depreciation and Amortisation	2	7,900,888	4,656,676
Total Expenditure		218,133,099	131,941,648
Profit Before Income-tax		4,538,022,928	4,218,723,752
Income Tax Expense	4	1,361,651,093	1,267,014,621
Profit After Income-tax		3,176,371,835	2,951,709,131
OTHER COMPREHENSIVE INCOME -			
Actuarial Gain on Post Employment Benefit Obligation	14	742,240	-
Income Tax Expense	4	(222,672)	-
Net Other Comprehensive Income		519,568	-
Total Comprehensive Income		3,176,891,403	2,951,709,131
Basic and Diluted Earnings per Share	24	7.17	6.66

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

For Deloitte Haskins & Sells
Chartered Accountants



A. Bhattacharya
Partner

Dasho Sangay Khandu
Chairman



Kinzang Tobgay
Director, Finance



Karma Yonten
Chief Executive Officer



Lam Dorji
Board Director

Place : Kolkata
Date : June 25, 2014



Place: Thimphu
Date: June 25, 2014



Statement of Cash Flows

for the year ended 31 December 2013

	Year ended 31/12/2013	Year ended 31/12/2012 (Restated)
Cash Flows from Operating Activities -		
Dividends Received	4,694,023,939	4,341,545,929
Interest Received	11,579,002	5,490,512
Other Income	6,435,124	18,387,230
Expenses	(79,714,964)	(70,865,898)
Cash Flow from Operations	4,632,323,101	4,294,557,773
Tax Paid	(1,326,439,888)	(1,218,136,617)
Net Cash Generated by Operating Activities	3,305,883,213	3,076,421,156
Cash Flows from Investment Activities -		
Sale of Shares in Subsidiaries	78,210	-
Fixed Asset Disposals	272,389	-
Increase / Decrease in Term Deposits	(26,000,000)	13,000,000
Increase in Investments	(119,940,082)	(1,525,655,630)
Loans and Advances Provided	(600,000,000)	-
Fixed Asset Additions	(23,049,999)	(11,830,483)
Net Cash Used in Investment Activities	(768,639,482)	(1,524,486,113)
Cash Flows from Financing Activities -		
Loans and Advances from Group Companies	117,800,000	1,550,000,000
BOB's Contribution to Entrepreneurship Promotion Fund	-	10,000,000
Dividend Paid	(3,127,526,105)	(2,939,272,107)
Increase / Decrease in Advance to MoF	491,788,376	(49,910,265)
Net Cash Used in Financing Activities	(2,517,937,729)	(1,429,182,372)



Statement of Cash Flows (*continued*)

	Year ended 31/12/2013	Year ended 31/12/2012
Net Increase in Cash and Bank balances	19,306,002	122,752,671
Cash and Bank balances at the beginning of the year	181,475,911	58,723,240
Cash and Bank balances at the end of the year (Refer Note 11)	200,781,913	181,475,911

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

For Deloitte Haskins & Sells
Chartered Accountants

Dasho Sangay Khandu
Chairman

Karma Yonten
Chief Executive Officer

A. Bhattacharya
Partner

Kinzang Tobgay
Director, Finance

Lam Dorji
Board Director

Place : Kolkata
Date : June 25, 2014

Place: Thimphu
Date: June 25, 2014



Statement of Changes in Equity

for the year ended 31 December 2013

	Ordinary Shares		Retained Earnings*	General Reserve*	Total
	No. of Shares (issued and fully paid up)	Par value per Share			
Balance as at 1 January 2013	443,281,142	100	44,328,114,200	950,568,259	48,230,391,590
Profit after income-tax	-	-	3,176,371,835	-	3,176,371,835
Other comprehensive income for the year	-	-	519,568	-	519,568
Dividends paid	-	-	(3,127,526,105)	-	(3,127,526,105)
Transferred to Entrepreneurship Promotion Fund	-	-	(1,092,464)	-	(1,092,464)
Balance as at 31 December 2013	443,281,142	100	44,328,114,200	950,568,259	48,278,664,424
Authorized Capital:					
Authorized Share capital			As at 31 December		
			2013	2012	
5,000,000,000 equity shares of Nu. 100/- each			500,000,000,000	500,000,000,000	



Statement of Changes in Equity for the year ended 31 December 2012 (Restated)

	Ordinary Shares			Retained Earnings*	General Reserve*	Total
	No. of Shares (issued and fully paid up)	Par value per Share	Total Value of Shares			
Balance as at 1 January 2012	443,281,142	100	44,328,114,200	3,098,006,195	791,834,171	48,217,954,566
Profit after income-tax	-	-	-	2,951,709,131	-	2,951,709,131
Dividends paid	-	-	-	(2,939,272,107)	-	(2,939,272,107)
Transferred to General Reserve	-	-	-	(158,734,088)	158,734,088	-
Balance as at 31 December 2012	443,281,142	100	44,328,114,200	2,951,709,131	950,568,259	48,230,391,590

All shares are of same class and have the same rights attached.

* Retained Earnings comprise profits from previous year. Out of these profits, dividends paid for previous year in the current year is adjusted along with other adjustments. The balance amount after these adjustments is transferred to General Reserve. The current year's profits are then transferred to the Retained Earnings.

* General Reserve is the DHI's General Reserve stated in the Royal Charter through which the company was formed by His Majesty. Dividends may be declared from the General Reserve only after fulfilling the required formalities as written in the Royal Charter.



Notes to Financial Statements

1. Significant Accounting Policies

a) General Information

On 11 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.

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

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

Initially 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.

Currently there are 18 companies that come under DHI’s investment as subsidiaries, associates and portfolios. These companies are in different sectors like hydropower, telecommunication, aviation, natural resources, banking, insurance, manufacturing, infrastructure and trading.

All significant operations of the company take place within Bhutan.

The Company is a limited liability company incorporated and domiciled in Bhutan. The address of its principal place of business is 18 Thori Lam, P.O. Box No. 1127, Motithang, Thimphu, Bhutan.

These financial statements relate to the year ended 31 December 2013.

b) Basis of Preparation

The Accounting and Auditing Standards Board of Bhutan (AASBB) decided to adopt IFRS in phases



with minor changes. These standards are referred to as Bhutanese Accounting Standards (BAS). The first phase is being introduced over the period 2013 to 2015. The Company in compliance with the Companies Act of Kingdom of Bhutan has adopted all the Standards in the current period with the exception of BAS 24 on Related Party Disclosures and BAS 27 on Consolidated Financial Statements. This standard will be implemented prospectively. Accordingly, the Company is unable to make an unreserved statement of compliance with all the BAS standards. The statements have been prepared under the accrual, historical cost and going concern conventions.

- The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are:
- Income: Revenue is determined on the basis of the percentage of completion of contracts and the likely outcome of the contract.
- Fixed assets: critical judgments are expected period of use, condition of the asset, technological advances, regulation, and residual values.

Actuarial valuation of employee benefits: expected uptake of the gratuities and the discount rate used in the valuation.

The functional currency is the Bhutanese Ngultrum.

c) Application of Bhutanese Accounting Standards

The format and disclosures in these Financial Statements has been stated in line with Bhutanese Accounting Standards. The summarised impacts of the introduction of BAS are:

The Profit and Loss Account has been re-titled the Statement of Comprehensive Income. It may include some items that were previously shown as transactions through Retained Earnings. A new Statement of Changes in Equity is now included in the financial statements. This discloses all movements in the various components of Shareholder Funds in a single location. Expenses in the Statement of Comprehensive Income are classified by nature as the Company has no major economic activity and accordingly classification by functions is not required and impracticable.

Dividends are not accounted for until they have been due and meet the recognition criteria. This means all profits for the year are included in Retained Earnings and there is no appropriation of dividend in the Statement of Comprehensive Income. The dividend figure in the Statement of Changes in Equity is the dividend declared from the previous year's trading. This is a change in accounting



policy that has required the restatement of previous years' financial statements as per the minutes of DHI's meetings with Ministry of Finance (MoF) and Department of Revenue and Customs (DRC) dated 10 & 12 February 2014 and 17 March 2014.

Fixed assets are now depreciated over the period of expected useful life, instead of using rates in the Income Tax Act. This has been accounted for prospectively. The change in estimate has resulted in higher depreciation charge of Nu. 1,071,466/- with consequential impact on profit before tax by Nu. 1,071,466/- for the year ended December 2013. This causes a difference between the taxation charge for accounting purposes and the tax return. These differences give rise to a provision for Deferred Tax.

The company has decided on the early adoption of BAS 19 Employee Benefits, which is in the second phase of Bhutanese Accounting Standards. As the Accounting Standards Board has not pronounced BAS 19 the Company has applied the most recent version of the equivalent IAS 19, IAS 19 (Revised 2011), which applies for financial periods commencing on or after 1 January 2013. Employee retirement benefits are valued on an actuarial basis as it better reflects the estimated liability at balance date. Assets and obligations for the retirement benefits are netted off, so that a net early funding is disclosed.

The impact of application of Bhutanese Accounting Standards is as follows:

	2013	2012
Impact on Profit (Loss) -		
Increase / (Decrease) in Dividend Income	(1,008,935,599)	(352,478,010)
Increase / (Decrease) in Actuarial Gain	742,240	-
(Increase) / Decrease in Depreciation	(1,071,466)	-
(Increase) / Decrease in Expenses for Gratuity	733,230	-
(Increase) / Decrease in Tax Expenses	302,782,151	104,722,855
Total	(705,749,444)	(247,755,155)
Impact on Assets -		
Increase / (Decrease) in Property, Plant and Equipment	(43,885)	-
Increase / (Decrease) in Intangible Assets	(1,027,581)	-
Increase / (Decrease) in Advance to Ministry of Finance	2,939,272,107	3,394,272,107
Increase / (Decrease) in Deferred Tax	321,440	-
Increase / (Decrease) in Current Tax Assets	35,669,891	(430,574,793)
Increase / (Decrease) in Dividend Receivable	(5,702,959,538)	(2,844,023,939)
Total	(2,728,767,566)	119,673,375



Impact on Liabilities -		
Increase / (Decrease) in Proposed Dividend	(3,769,979,022)	(3,127,526,105)
Increase / (Decrease) in Provision for Income Tax	(1,664,433,244)	(1,371,737,476)
Total	(5,434,412,266)	(4,499,263,581)
Impact on Equities -		
Increase / (Decrease) in Retained Earnings	2,999,981,965	2,951,709,131
Increase / (Decrease) in General Reserve	(295,692,504)	(183,086,420)
Total	2,704,289,461	2,768,622,711
Decrease in Earnings Per Share -	(1.59)	(0.57)

d) Foreign Currency Translation

Foreign currency transactions are translated into Bhutanese Ngultrum using the exchange rates prevailing at the date of transaction/settlement. Monetary assets and liabilities in foreign currencies at balance date are translated at the rates of exchange ruling at balance date.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

e) Property, Plant and Equipment

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

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

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



Asset Class	Useful Life
IT Equipment	4 years
IT High-end Server	7 years
Vehicles	10 years with 20% residual value
Furniture and Fittings (Arts & Portraits, Curtains & Carpets, Furniture, Electrical Equipment and Office Equipment)	10 years

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other Income' or 'Other Expenses' as the case may be, in the income statement.

f) Intangible Assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 4 to 5 years as shown below:

Asset Class	Useful Life
Software	4 years
SAP Software	5 years

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

g) Investments

Investments in Subsidiaries, Associates and other companies are shown at cost. The market value of investments in listed companies is disclosed in Note 3. The value of investments is tested for impairment as and when there is an indicator of the same.

h) Financial Assets

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. The company's loans and receivables comprise 'Trade and Other Receivables' and 'Cash and Cash Equivalents' in the Statement of Financial Position (Notes 5, 8 and 11).



i) Trade and Other Receivables

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

j) Cash and Cash Equivalents

In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

k) Trade and Other Payables

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

l) Current and Deferred Income-tax

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

The current income tax charge is calculated on the basis of the tax laws enacted at the balance sheet date in the countries where the company operates and generates taxable income.

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

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

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



m) *Employee Benefits*

i) *Retirement Benefits*

Under Defined Contribution Scheme -

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

Under Defined Benefit Scheme -

The company makes retirement payments based on the final salary and years of service. The gratuity is accrued on the basis of actuarial valuation. Changes in service and interest are charged to the Statement of Comprehensive Income. Changes to actuarial valuation are charged to the Statement of Other Comprehensive Income.

ii) *Other Benefits*

Other benefits such as leave encashment and bonus are accrued at year end without actuarial valuation.

n) *Provisions and Contingent Liabilities*

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

A contingent liability is only disclosed in the notes to the account if an outflow of resources embodying economic benefits is possible.

o) *Revenue Recognition*

Revenue is measured at the fair value of the consideration received or receivable. The company recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the group's activities, as described below:

i) *Interest income -*

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



unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

ii) *Dividend income -*

Dividend income is recognised when the right to receive payment is established.

p) *Government Grants*

Grants from RGOB and other organisations relating to costs are recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate. Grants in kind are recognised at their nominal value.

q) *Comparative Information*

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

2012 comparative information has been updated where necessary to comply with the introduction of Bhutanese Accounting Standards.



2. Property, Plant and Equipment; Intangible Assets; and Capital Work-in-Progress

a) Property, Plant and Equipment

	Freehold Land	Furniture and Fittings	Electrical Equipment	Data Processing Equipment	Office Equipment	Vehicles	Total
Balance as at January 1, 2013							
Cost	-	2,992,895	444,167	21,052,232	2,257,050	5,836,777	32,583,121
Accumulated depreciation	-	(1,277,043)	(156,874)	(5,258,878)	(777,991)	(3,757,105)	(11,227,891)
Book Value as at January 1, 2013	-	1,715,852	287,293	15,793,354	1,479,059	2,079,672	21,355,230
Changes in book value during the year							
Additions	100	235,514	84,476	1,795,495	358,250	-	2,473,835
Deletion/Adjustments	-	(31,030)	(22,845)	(664,130)	(107,198)	-	(825,203)
Depreciation on deletions and adjustments	-	9,981	3,241	357,509	68,288	-	439,019
Depreciation for the year	-	(245,549)	(38,949)	(4,318,442)	(219,232)	(173,360)	(4,995,532)
Total changes	100	(31,084)	25,923	(2,829,568)	100,108	(173,360)	(2,907,881)
Balance as at December 31, 2013							
Cost	100	3,197,379	505,798	22,183,597	2,508,102	5,836,777	34,231,753
Accumulated depreciation	-	(1,512,611)	(192,582)	(9,219,811)	(928,935)	(3,930,465)	(15,784,404)
Book value as at December 31 2013	100	1,684,768	313,216	12,963,786	1,579,167	1,906,312	18,447,349

DHI was granted a land of 1.08 acre at Kawajangsa, Thimphu from the State on 6 September 2011 to construct its corporate office building. The said land is recorded in the books at nominal value of Nu. 100/-.

Physical verification of all assets was carried out in 2013 and where practical, assets were given a physical identification number. The company wrote off damaged items to the tune of Nu. 128,098/- (carrying amount as at 31 December 2013). The physical verification matched with the book records as on 31 December 2013.



b) Intangible Assets

Intangible assets of the company comprise only software. The changes in this account during the year are given below:

Balance as at January 1, 2013

Cost	12,178,804
Accumulated Amortization	(101,924)
Book Value as at January 1, 2013	12,076,880
Changes in book value during the year	
Additions	3,211,005
Deletion/Adjustments	(62,000)
Amortization on deletions and adjustments	(23,819)
Amortization for the year	(2,905,356)
Total changes	219,830
Balance as at December 31, 2013	
Cost	15,327,809
Accumulated Amortization	(3,031,099)
Net book value as at December 31, 2013	12,296,710

c) Capital Work-in-Progress

DHI was in the process of constructing its corporate office building at Kawajangsa, Thimphu on the land and an amount of Nu. 8,002,959/- was spent up to 31 December 2012 for road alignment, shifting of electric poles, design, soil testing, land development and other related activities. During the year 2013, DHI incurred Nu. 17,412,897/- for further development (supervision fee and others) and the total expenditure as on 31 December 2013 was Nu. 25,415,856/-. This has been included in capital work in progress.

The movements in this account during the year are given below:

	Office Building
Balance as at January 1, 2013	8,002,959
Additions	17,412,897
Capitalization	-
Balance as at December 31, 2013	25,415,856



3. Investments

a) Investments in Subsidiaries

	2013			2012		
	% Holding	Number of Shares	Amount	% Holding	Number of Shares	Amount
Quoted - Equity Shares fully paid up -						
Bhutan Board Products Ltd.	58%	668,334	66,833,400	58%	668,334	66,833,400
State Trading Corporation of Bhutan Ltd.	55%	917,605	10,195,611	55%	459,000	10,200,000
Dungsam Polymers Ltd.	51%	421,890	42,189,000	-	-	-
Unquoted - Equity Shares fully paid up -						
Bank of Bhutan Ltd.	80%	12,000,000	240,000,000	80%	8,000,000	240,000,000
Bhutan Telecom Ltd.*	100%	854,082	854,082,000	100%	854,082	854,082,000
Druk Green Power Corporation Ltd.*	100%	30,508,291	30,508,291,000	100%	30,508,291	30,508,291,000
Druk Air Corporation Ltd.	100%	22,252,111	2,225,211,100	100%	22,252,111	2,225,211,100
Natural Resources Development Corporation Ltd.	100%	300,000	30,000,000	100%	300,000	30,000,000
Bhutan Power Corporation Ltd.*	100%	8,190,191	7,315,673,000	100%	8,178,979	7,315,673,000
Dungsam Cement Corporation Ltd.	100%	50,739,479	5,073,947,900	100%	49,739,479	4,973,947,900
Dungsam Polymers Ltd.	-	-	-	100%	421,890	42,189,000
DHI Infra Ltd.	100%	100,000	10,000,000	100%	100,000	10,000,000
DHI Hospitality Ltd.	100%	170,376	17,037,557	-	-	-
Total Investments in Subsidiaries			46,393,460,568			46,276,427,400

b) Investments in Associates

	2013			2012		
	% Holding	Number of Shares	Amount	% Holding	Number of Shares	Amount
Quoted - Equity Shares fully paid up -						
Bhutan Ferro Alloys Ltd.	26%	385,946	38,594,600	26%	385,946	38,594,600
Penden Cement Authority Ltd.	40%	1,371,074	91,404,900	40%	1,371,074	91,404,900



Unquoted - Equity Shares fully paid up -						
Thimphu Techpark Private Ltd.	26%	195,362	19,536,200	26%	195,362	19,536,200
Koufuku International Private Ltd.	30%	150,000	15,000,000	30%	90,000	9,000,000
Total Investments in Associates			164,535,700	158,535,700		

b) Other Investments

Other Investments						
		2013			2012	
	% Holding	Number of Shares	Amount	% Holding	Number of Shares	Amount
Quoted - Equity Shares fully paid up -						
Bhutan National Bank Ltd.	12%	2,915,712	242,976,000	12%	2,915,712	242,976,000
Royal Insurance Corporation of Bhutan Ltd.	18%	441,950	17,678,000	18%	441,950	17,678,000
Total			260,654,000	260,654,000		
Investments in EPF Assets (Refer Note 5)						
Bank balance			1,478,023			2,000,000
Term deposits			23,720,346			23,000,000
Accrued interest			802,404			4,233
Investment in Go Bhutan Cold Storage			521,977			-
Total			26,522,750	25,004,233		
Total Other Investments			287,176,750	285,658,233		
Total Investments (a+b+c)			46,845,173,018	46,720,621,333		
			2013	2012		
Aggregate value of Quoted Investments			509,871,511			467,686,900
Aggregate value of Unquoted Investments			46,335,301,507			46,252,934,433
Total			46,845,173,018	46,720,621,333		
Market Value of Quoted Investments			2,829,055,920			2,827,326,780

Notes:

- All shares except as indicated by * are of Nu. 100/- each fully paid up.
- All shares indicated by * are of Nu. 1,000/- each fully paid up.
- All investments that have been made other than for trading purpose are included in this schedule.



DHI received 459,000 bonus shares from State Trading Corporation of Bhutan Ltd. (STCBL) during the year 2013. Out of total 918,000 shares DHI sold 395 shares @ Nu. 200/- each in 2013. The gain on sale of investments is shown under Other Income (See note 18).

During the year 2013 Dungsam Polymers Ltd. (DPL), a wholly owned subsidiary company of DHI, went for an IPO. DHI holds 421,890 shares as at the end of 2013. This represents 51% of the total share capital of DPL.

DHI has further injected as equity, Nu. 100,000,000/- into Dungsam Cement Corporation Ltd. (DCCL) in 2013 from its internal accruals.

Advances to Wellness Resort Project and Bhutan International Convention Centre Project as at the end of 2012 amounting to Nu. 3,619,452/- together with Nu. 13,418,105/- representing expenses incurred for the same during 2013 have been converted into equity injection to DHI Hospitality Ltd. incorporated as a subsidiary of DHI to manage these projects.

The “% of Holding” in this schedule represents the chain holding percentage. In Bhutan Board Products Ltd. DHI directly holds 48% and through Bank of Bhutan holds 9.6%. In State Trading Corporation of Bhutan Ltd. DHI directly holds 51% and through Bank of Bhutan holds 4%. In DHI Infra Ltd. DHI directly holds 5% and through Druk Green Power Corporation Ltd. holds 95%. For all other cases direct holding is equal to the chain holding.

4. Taxation

The details of the income taxes and the relevant reconciliations are given below:

Particulars	2013	2012
Income Tax Payable -		
Current Tax	1,361,972,533	1,265,803,126
Prior Period Tax	-	1,211,495
Total Income Tax Payable	1,361,972,533	1,267,014,621
Deferred Tax Payable – Current year	(321,440)	-
Total Income Tax Expense Recognized	1,361,651,093	1,267,014,621
Reconciliation of Tax on Operating Income -		
Profit Before Income-tax	4,538,022,928	4,218,723,752



Income Tax expenses calculated at 30% (2012 : 30%)	1,361,406,878	1,265,617,126
Adjustments required for:		
- Non deductible expenditure	244,215	186,000
- Difference between tax and accounting depreciation	321,440	-
Current Tax Payable	1,361,972,533	1,265,803,126
Effective Tax Rate -	30%	30%
The tax rate used for the year 2013 and 2012 reconciliations above is the comparative tax rate of 30% payable by corporate entities on taxable profits under local tax rules.		
Reconciliation of Deferred Tax	Depreciation	Total
Opening		-
Recognized during the year in relation to property, plant and equipment	321,440	321,440
Closing	321,440	321,440
Tax on Other Comprehensive Income –		
Actuarial Gain on Post Employment Benefit Obligation		Amount
Gross Income		742,240
Tax at 30%		(222,672)
Net Income		519,568

5. Entrepreneurship Promotion Fund (EPF)

During the year 2012, DHI setup Entrepreneurship Promotion Fund (EPF) to provide partial capital support to upcoming entrepreneurs in the private sector with the primary objective of promoting entrepreneurship in Bhutan. The fund was setup with DHI providing the seed capital of Nu. 15,000,000/- , and with Nu. 10,000,000/- investment from the Bank of Bhutan Limited. In the previous year, the full amount of the fund of Nu. 25,000,000/- was disclosed under reserves and surplus. In 2013, the management has studied the nature of the EPF and has decided to disclose Nu. 10,000,000/- received from Bank of Bhutan Limited plus accumulated interest earned by the fund in non-current liabilities, and to consider the Nu. 15,000,000/- representing DHI's contribution to the fund as a part of its regular investments from its reserves.

Investments are made from the Entrepreneurship Promotion Fund (EPF) into projects that are approved by the Investment Committee of the EPF formed in June 2012. During the year, the Investment Committee approved its first investment into a project called Go-Bhutan Cold Storage, a project promoted by one of the first BEGIN graduate under the DHI Private Sector Development Program. Investment of Nu. 521,977/- was made from the EPF for a 43% equity stake in the project.



The balance funds are kept mainly in term deposits. The interest income is ploughed back into the fund account, net of proportionate corporate income tax. The breakup of the EPF assets and fund are given below:

EPF Assets -

Particulars	2013	2012
Bank balance	1,478,023	2,000,000
Term deposits	23,720,346	23,000,000
Accrued interest	802,404	4,233
Investment in Go Bhutan Cold Storage	521,977	-
Total	26,522,750	25,004,233

EPF Fund -

Particulars	2013	2012
Fund balance	25,000,000	25,000,000
Accumulation due to interest earned on term deposits (net off tax @ 30%)	1,092,464	-
Total	26,092,464	25,000,000

6. Trade and Other Receivables - Non-current

Non-current trade and other receivables comprise only security deposits paid to third parties. The details of these are given below:

Particulars	2013	2012
Security deposits paid to third parties -		
Deposit with Bhutan Oil Distributor for vehicle fuel	30,000	40,000
Deposit for rental accommodation	24,000	-
Total	54,000	40,000

7. Other Financial Assets - Non-current

Particulars	2013	2012
Advances provided for projects	-	3,619,452
Loan to subsidiary company (Refer Note 10)	580,170,000	-
Total	580,170,000	3,619,452

Advances to Wellness Resort Project and Bhutan International Convention Centre Project as at the end of 2012 amounting to Nu. 3,619,452/- together with Nu. 13,418,105/- representing expenses



incurred for the same during 2013 have been converted into equity investments of DHI in DHI Hospitality Ltd., which has been incorporated as a subsidiary of DHI to manage these projects.

8. Trade and Other Receivables - Current

Particulars	2013	2012
Trade receivables -		
Trade receivables from third parties	45,741	786,830
Inter-company trade receivable	127,461	1,530,000
	173,202	2,316,830
Other receivables -		
Non-trade receivables	-	10,828,374
Security deposits with third parties	20,000	-
	20,000	10,828,374
Total	193,202	13,145,204

9. Current Tax Assets

Particulars	2013	2012
Prepaid income tax	1,381,467,234	1,419,110,963
Tax deducted at source	2,202,657	314,244
Total	1,383,669,891	1,419,425,207

10. Other Current Assets

Particulars	2013	2012
Advance payments to third parties	368,565	204,725
Loan to subsidiary company / advances	48,778,090	922,373
Advance payments to employees	20,056	45,833
Prepayments	3,333	3,329
Total	49,170,044	1,176,260

During the year 2013, DHI provided an advance amounting to Nu. 600,000,000/- to its subsidiary Dungsam Cement Corporation Limited (DCCL). This advance was converted into inter-corporate debt with effect from 1 July 2013. The agreement covers a moratorium period of 1 year on the principal amount and with no moratorium on the interest payable. The applicable rate of interest is 10% p.a. to be computed quarterly. The principal and the interest is repayable in 10 years in Equated Quarterly Instalments (EQI) starting from 1 July 2014. The current portion of the loan including accrued interest for 2013, net of TDS has been worked out to Nu. 48,330,000/-. This amount is included in the aforementioned inter-company advances/lending. However, the non-current portion of



the same is Nu. 580,170,000/- and presented under Note 7.

11. Cash and Bank Balances

Particulars	2013	2012
Bank balances -		
Local banks - Others	1,694,692	24,200,141
Balances with BOBL (Inter-company) - Others	45,758,252	4,200,427
	47,452,944	28,400,568
Short term bank deposits -		
Term Deposits - Others	152,058,900	150,000,000
Accrued Interests - Others	1,270,069	3,075,343
	153,328,969	153,075,343
Total	200,781,913	181,475,911

The cash and cash equivalent presented here excludes the relevant portion of Entrepreneurship Promotion Fund and Gratuity Fund which are disclosed under Note 5 and 7 respectively.

12. Issued Capital, Retained Earnings and General Reserve

a) Issued Capital -

Particulars	2013	2012
Authorized Capital	500,000,000,000	500,000,000,000
Issued Capital -		
443,281,142 fully paid ordinary shares of Nu. 100/- each (31 December 2012: 443,281,142)	44,328,114,200	44,328,114,200

All shares are of same class and have the same rights attached.
There is no movement of shares during the reported periods.

b) Retained Earnings -

Retained Earnings comprise profits from previous year. Out of these profits, dividends paid for previous year in the current year is adjusted along with other adjustments. The balance amount after these adjustments is transferred to General Reserve. The current year's profits are then transferred to the Retained Earnings.

c) General Reserve -

General Reserve is the DHI's General Reserve stated in the Royal Charter. Dividends may be declared from the General Reserve only after fulfilling the required formalities as written in the Royal Charter.



13. Inter-corporate borrowings

During the year 2012, DHI had taken the inter-company loans from its subsidiary companies Druk Green Power Corporation Ltd. (DGPCL), Bhutan Power Corporation Ltd. (BPCL) and Bhutan Telecom Ltd. (BTL) of Nu. 900,000,000/-, Nu. 600,000,000/- and Nu.100,000,000/-, respectively. These funds were injected as equity to its other subsidiary company Dungsam Cement Corporation Ltd. (DCCL). The cost of interest on loans is @ 8% per annum calculated on simple interest basis and payable during the year 2014, together with the principal.

14. Retirement Benefit Obligations

a) *Defined Contribution Plan*

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

Total cost of contributions for the year ended 31 December 2013 was Nu. 1,632,610/- (2012 Nu. 1,497,098/-).

b) *Defined Benefit Scheme*

Qualifying employees are members of a defined benefit plan sponsored by the Company. Employees are entitled to a lump sum payment of 60% of Total Fixed Monthly Remuneration (TFMR) for each year of service. A separate fund is maintained to cover the future liability for payments.

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

Investment risk: The discount rate for obligations is based on the best possible rate on long-term deposits with banks. All funds are held in this type of investment as required by the Department of Revenue and Customs. Current deposits are invested for periods less than the highest yielding terms, exposing the plan to a shortfall in income.

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

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



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

The valuation of the actuarial obligation of the defined benefit plan was carried out by Towers Watson, registered actuaries of Kolkata, India.

c) Statement of Financial Performance

Particulars	Amount
Current service cost	707,140
Past service cost - plan amendments	-
Curtailment cost/(credit)	-
Settlement cost/(credit)	-
Service cost	-
Net interest on net defined benefit liability/(asset)	(52,470)
Immediate recognition of (gains)/losses – other long term employee benefit plans	-
Cost recognized in Statement of Income	654,670

d) Other Comprehensive Income (OCI)

Particulars	Amount
Actuarial (gain)/loss due to liability experience	(792,090)
Actuarial (gain)/loss due to liability assumption changes	-
Actuarial (gain)/loss arising during period	(792,090)
Return on plan assets (greater)/less than discount rate	49,850
Actuarial (gains)/ losses recognized in OCI	(742,240)
Adjustment for limit on net asset	-
Cumulative Actuarial (Gain) or Loss Recognized via OCI at Prior Period End	-
Cumulative Actuarial (Gain) or Loss Recognized via OCI at Current Period End	(742,240)

e) Statement of Financial Position

Particulars	Amount
Defined benefit obligation (DBO)	(3,275,810)
Fair value of plan assets (FVA)	4,730,709
Funded status [surplus/(deficit)]	1,454,899
Effect of Asset ceiling	-
Net defined benefit asset (DBA)	1,454,899



f) Movements in the Present Value of Defined Benefit Obligation

Particulars	Amount
Opening Defined Benefit Obligation	3,280,020
Current service cost	707,140
Interest cost	270,730
Actuarial loss on experience adjusted	(792,090)
Benefits paid	(189,990)
Closing Defined Benefit Obligation	3,275,810

g) Movements in the Fair Value of Plan Assets

Particulars	Amount
Opening Fair Value of Plan Assets	3,147,350
Income on assets at the discount rate	323,200
Actual interest less than discount rate	(49,830)
Contribution by DHI	1,500,000
Benefits paid	(189,990)
Closing Fair Value of Plan Assets	4,730,730

h) Year-end Expected Benefit Payments

Particulars	Amount
December 31, 2014 (Retirement Benefit Obligations - Current)	786,100
December 31, 2015	229,810
December 31, 2016	312,050
December 31, 2017	406,590
December 31, 2018	457,780
December 31, 2019 to December 31, 2023	3,588,580

i) Weighted Average Duration of Defined Benefit Obligation is 10 years

j) Accrued Benefit Obligation at 31 December 2013 is Nu. 2,329,000/-.

k) Plan Asset Information

Asset Allocation	Percentage
Bank Deposits	100%



I) Sensitivity Analysis

<i>i) Discount Rate</i>	
Discount Rate as at 31 December 2013	8.50%
Effect on DBO due to 0.5% increase in Discount Rate	(119,710)
Effect on DBO due to 0.5% decrease in Discount Rate	128,980
<i>ii) Salary Escalation Rate</i>	
Salary Escalation Rate as at 31 December 2013	3% and every third year salary increment to be taken as 10%
Effect on DBO due to 0.5% increase in Salary Escalation Rate	123,700
Effect on DBO due to 0.5% decrease in Salary Escalation Rate	(124,190)
<i>iii) Attrition Rate</i>	
Attrition Rate as at 31 December 2012	5.00%
Effect on DBO due to 1% increase in Attrition Rate	(3,275,810)
Effect on DBO due to 1% decrease in Attrition Rate	(3,275,810)

15. Trade and Other Payables - Current

Particulars	2013	2012
Trade payable to third parties	3,499,637	5,526,893
Inter-company trade payables	343,581	690,350
Unutilized Government Grant	-	17,985,077
Credit card payables	-	3,016
Employee payables	11,345,827	10,655,271
Accrued Interest	169,062,295	-
TDS Payable	6,627,624	224,721
Outstanding liabilities - Audit fees	400,000	350,000
Outstanding liabilities - Other professional fee	20,000	-
Other liabilities	5,417,454	1,499,975
Total	196,716,418	36,935,303

See Note 18 below for explanations on the unutilized Government Grant.

16. Other Current Liabilities

Particulars	2013	2012
Advance received from Bhutan Telecom Ltd.	-	200,000
Advance received from Druk Green Power Corporation Ltd.	1,568,000,000	1,850,000,000
Advance received from Bhutan Power Corporation Ltd.	400,000,000	-
Deposits received	297,123	88,686
Total	1,968,297,123	1,850,288,686



17. Dividend Income

Particulars	2013	2012
Dividend income from Subsidiaries -		
Bhutan Board Products Ltd.	-	8,020,008
State Trading Corporation of Bhutan Ltd.	-	6,120,000
Bank of Bhutan Ltd.	264,000,000	185,600,000
Bhutan Telecom Ltd.	230,586,556	216,103,948
Druk Green Power Corporation Ltd.	3,659,592,525	3,435,635,921
Druk Air Corporation Ltd.	-	50,000,000
Natural Resources Development Corporation Ltd.	-	10,399,377
Bhutan Power Corporation Ltd.	315,595,000	254,214,285
	4,469,774,081	4,166,093,539
Dividend income from Associates and Portfolios -		
Bhutan Ferro Alloys Ltd.	23,156,760	25,086,490
Bhutan National Bank Ltd.	48,517,448	-
Penden Cement Authority Ltd.	137,107,400	137,107,400
Royal Insurance Corporation of Bhutan Ltd.	15,468,250	13,258,500
	224,249,858	175,452,390
Total	4,694,023,939	4,341,545,929

18. Other Income

Particulars	2013	2012
Sale of tender document	29,200	6,000
Gain on Sale of Investments	73,821	-
Miscellaneous income	18,170,257	296,167
Total	18,273,278	302,167

The unutilized balance as at the end of 2012 under Current Liability (Refer Note 15) amounting to Nu. 17,985,077/- which was provided by Government of India through Royal Government of Bhutan as assistance for establishment of DHI in 2008, to make certain specified payments, has been converted to income during 2013 and put under Miscellaneous Income as per the endorsement letter issued by Gross National Happiness Commission, Royal Government of Bhutan.



19. Finance Income

Particulars	2013	2012
Interest income on term deposits with BNBL -		
Others	9,217,107	5,431,455
Gratuity (Adjusted in OCI for 2013)	-	49,366
Interest income on term deposits with BOBL (Inter-company) -	2,366,703	4,233
Interest income on DCCL Loan (Inter-company)	30,000,000	-
Gain on foreign exchange fluctuation	-	650
Total	41,583,810	5,485,704

20. Operation and Maintenance Expenses

Particulars	2013	2012
Office Equipment / Furniture etc.	251,706	81,490
SAP System	2,465,179	-
Motor Vehicles	362,548	294,506
Total	3,079,433	375,996

21. Employee Benefits Expenses

Particulars	2013	2012
Payroll and related expenses -		
Salaries to Permanent Staff	26,534,774	24,148,248
Salaries to Temporary Staff	358,848	363,265
Leave Travel Allowance	2,007,874	1,844,301
Bonus	8,681,954	8,128,224
Overtime Allowances	89,545	76,107
Medical Expenses	790,830	1,123
Staff welfare	42,121	48,435
HRD Expenses	9,330,329	5,963,322
	47,836,275	40,573,025
Post employment benefits -		
Defined Contribution Plans (Provident Fund)	1,632,610	1,497,097
Defined Benefits Plan (Gratuity)	654,670	1,343,778
	2,287,280	2,840,875
Other employee benefits (Leave Encashment) -	610,373	598,269
Total	50,733,928	44,012,169



22. Other Expenses

Particulars	2013	2012
Board meetings expenses	568,989	236,113
Board sitting fees	1,383,244	1,113,576
Fees and subscription	134,400	118,207
Printing and stationery	1,031,069	693,045
Advertisement	469,676	436,244
Office expenses	4,330,139	3,597,521
Office rent	1,838,400	1,533,850
Travelling expenses - Foreign	5,475,963	8,585,605
Travelling expenses - Local	1,458,629	1,866,746
Communication, internet and telephone charges	994,573	1,210,735
Rates and taxes	24,017	12,702
License and registration	5,000	55,000
Electricity charges	290,058	244,880
Hospitality expenses	1,673,849	1,182,096
Books and periodicals	24,802	-
CSR expenses	2,892,419	3,800,054
Loss on disposal/retirement of property, plant and equipment	151,976	-
Miscellaneous expenses	368,007	3,201,033
Consulting charges	4,589,219	7,074,094
Audit fees and expenses (Refer Note 26)	673,114	350,000
Total	28,377,543	35,311,501

23. Finance Costs

Particulars	2013	2012
Interest on inter-company borrowings	128,000,000	47,462,295
Bank charges – Local	4,100	25,159
Bank charges - Inter-company	37,207	94,861
Loss on foreign exchange fluctuation	-	2,991
Total	128,041,307	47,585,306

24. Earnings Per Share

Particulars	2013	2012
Profit after income-tax	3,176,371,835	2,951,709,131
Other comprehensive income for the year	519,568	-
Profit used to determine basic earnings per share	3,176,891,403	2,951,709,131



Weighted average number of ordinary shares in issue	443,281,142	443,281,142
Basic and Diluted Earnings per Share	7.17	6.66

25. Managerial Remuneration

Particulars	2013	2012
Remuneration to the Chairman of the company -		
Salary and allowances	2,252,730	2,091,965
Other benefits	1,075,064	1,043,753
Provident fund contribution	135,156	131,921
Gratuity contribution	48,296	99,405
Sitting fees	165,000	165,000
	3,676,246	3,532,044
Remuneration to the Chief Executive Officer of the company -		
Salary and allowances	1,832,001	1,768,330
Other benefits	934,832	907,603
Provident fund contribution	117,516	114,708
Gratuity contribution	41,996	86,438
Sitting fees	150,000	172,500
	3,076,345	3,049,579
Sitting fees paid to the other Board of Directors	940,000	1,090,000

26. Auditor's Remuneration

Particulars	2013	2012
Statutory audit fee	400,000	350,000
Other audit expenses	273,114	-
Total	673,114	350,000

27. Reclassification statement for the year 2012

a) **Share Capital - Nu. 44,328,114,200/-**

Presented as Share Capital under Equity.

b) **Reserves and Surplus - Nu. 1,143,654,679/-**

Restated and reflected under Retained Earnings and General Reserve under Equity, and Entrepreneurship Promotion Fund under Non-current Liabilities.



c) Unsecured Loans - Nu. 1,600,000,000/-

Presented as Non-current Borrowings under Non-current Liabilities.

d) Fixed Assets (net block) - Nu. 33,432,110/-

Presented under Non-current Assets as Property, Plant and Equipment for Nu. 21,355,230/- and Intangible Assets for Nu. 12,076,880/-.

e) Capital Work-in-progress - Nu. 8,002,959/-

Presented as Capital Work-in-progress under Non-current Assets.

f) Investments - Nu. 46,695,617,100/-

Presented as Investments in Shares under Non-current Assets.

g) Sundry Debtors - Nu. 2,846,340,769/-

Presented as Trade and Other Receivables to the tune of Nu. 2,316,830/- under Current Assets and the balance amount of Nu. 2,844,023,939/- being the net dividend receivable, which has been stated at gross during the restatement.

h) Cash and Bank Balances - Nu. 206,547,344/-

Nu. 178,400,568/- representing the unrestricted portion is shown as Cash and Cash Equivalent under Current Assets and Nu. 3,146,776/- representing the Gratuity Bank Balance and Term Deposits is shown as Net Retirement Benefit Obligations being netted off with Gratuity Fund Assets, and Nu. 25,000,000/- representing Bank Balance and Term Deposits of Entrepreneurship Promotion Fund is shown as Entrepreneurship Fund Assets under Non-current Assets.

i) Other Current Assets - Nu. 1,853,394,395/-

Nu. 1,850,000,000/- representing Advance to Ministry of Finance is shown under Current Assets with the same nomenclature. The Tax Deducted at Source amounting to Nu. 314,244/- is shown as Current Income Tax Assets. Accrued Interest amounting to Nu. 3,075,343/-, Nu. 575/- and Nu. 4,233/- representing the unrestricted portion, Gratuity Fund and Entrepreneurship Promotion Fund are shown under Cash and Cash Equivalents, Net Retirement Benefit Obligations being netted off and Entrepreneurship Promotion Fund Assets respectively.

j) Loans and Advances - Nu. 15,664,087/-

Advance for Projects amounting to Nu. 3,619,452/- is shown under Other Financial Assets-Non-current. Nu. 40,000/- representing Security Deposits is shown under Trade and Other Receivables-Noncurrent. Nu. 10,828,374/- is shown under Trade and Other Receivables-Current. Advance to



Suppliers, Employees and Prepaid Expenses amounting to Nu. 1,176,261/- is shown under Other Current Assets.

k) Current Liabilities - Nu. 84,686,284/-

Interest Payable on Inter-corporate Borrowings amounting to Nu. 47,462,295/- is shown under Trade and Other Payables-Current. Nu. 36,935,303/- is shown under Trade and Other Payables-Current and Nu. 288,686/- is shown under Other Current Liabilities.

l) Provisions - Nu. 4,502,543,601/-

Outstanding Liability for Gratuity amounting to Nu. 3,280,020/- is divided into Non-current Retirement Benefit Obligation by Nu. 3,211,510/- and Current Retirement Benefit Obligation by Nu. 68,510/-. Further, Non-current Retirement Benefit Obligation is netted off by Nu. 3,147,351/- that represents Gratuity Fund Assets and the net amount of Nu. 64,159/- is presented. Proposed Dividend Payable amounting to Nu. 3,127,526,105/- is shown under Statement of Changes in Equity. Provision for Corporate Income Tax amounting to Nu. 1,371,737,476/- has been adjusted with Advance Tax under Current Assets.

28. Reclassification statement for the year 2011

a) Share Capital - Nu. 44,328,114,200/-

Presented as Share Capital under Equity.

b) Reserves and Surplus - Nu. 1,062,291,502/-

Restated and reflected under Retained Earnings and General Reserve under Equity.

c) Fixed Assets (net block) - Nu. 23,946,552/-

Presented under Non-current Assets as Property, Plant and Equipment for Nu. 23,506,395/- and Intangible Assets for Nu. 440,157/-.

d) Capital Work-in-progress - Nu.10,314,710 /-

Presented as Capital Work-in-progress under Non-current Assets.

e) Investments - Nu. 44,784,428,100/-

Presented as Investments in Shares under Non-current Assets.

f) Inventories - Nu. 181,807/-

Inventories is shown under Other Current Assets.



g) Sundry Debtors - Nu. 2,864,278,987/-

Presented as Trade and Other Receivables to the tune of Nu. 1,209,548/- under Current Assets and the balance amount of Nu. 2,863,069,439/- being the net dividend receivable, which has been stated at gross during the restatement.

h) Cash and Bank Balances - Nu. 476,027,646/-

Unrestricted portion of Bank Balance amounting to Nu. 58,723,240/- is shown as Cash and Cash Equivalents. Unrestricted portion of Term Deposits amounting to Nu. 416,058,900/- is shown under Trade and Other Receivables - Current. Nu. 1,245,506/- representing Bank Balance and Term Deposit for Gratuity is shown under Net Retirement Benefit Obligations (Non-current) being netted off with Gratuity Fund Assets.

i) Other Current Assets - Nu. 1,481,286,717/-

Nu. 1,405,610,000/- representing Advance to Ministry of Finance is shown under Current Assets with the same nomenclature. The Tax Deducted at Source amounting to Nu. 73,303,211/- is shown as Current Income Tax Assets. Out of the balance amount of Nu. 2,373,506/- representing Accrued Interest and Others, Nu. 11,592/- being the relevant portion of Gratuity is shown under Net Retirement Benefit Obligations being netted off and Nu. 2,361,914/- is shown under Trade and Other Receivable - Current.

j) Loans and Advances - Nu. 15,590,995/-

Nu. 14,416,727/- is shown under Trade and Other Receivable-Current. Nu. 30,125/- representing Security Deposits is shown under Trade and Other Receivable-Noncurrent. Advance to Suppliers and Employees amounting to Nu. 1,144,143/- is shown under Other Current Assets.

k) Current Liabilities - Nu. 31,959,197/-

Nu. 17,985,077/- is shown as Trade and Other Payables-Noncurrent. Nu. 13,608,881/- is shown under Trade and Other Payable-Current. Nu. 365,239/- is shown under Other Current Liabilities.

l) Provisions - Nu. 4,233,690,615/-

Outstanding Liability for Gratuity amounting to Nu. 2,029,656/- is shown under Retirement Benefit Obligation (Non-current) and is netted off by Nu. 1,257,098/- that represents Gratuity Fund Assets and the net amount of Nu. 772,558/- is presented. Proposed Dividend Payable amounting to Nu. 2,939,272,107/- is shown under Statement of Changes in Equity. Provision for Corporate Income Tax amounting to Nu. 1,292,388,852/- has been adjusted with Advance Tax under Current Assets.



29. Other Information

During the year 2012, DHI had 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 Ltd. Further, during 2013, DHI's contingent liability has gone up by Nu. 1,133,000,000/- on account of guarantees provided to Bhutan National Bank Limited (Nu. 533,000,000/-) and National Pension and Provident Fund (Nu. 600,000,000/-) for sub-ordinate debt extended to Dungsam Cement Corporation Ltd.

DHI with Assetz Property Group, Singapore has provided Corporate Guarantee for Thimphu Tech Park Pvt. Ltd. on loan taken from Bank of Bhutan Ltd. amounting to Nu. 97,100,000/-.

Outstanding capital commitment as on 31 December 2013 is Nil (Previous year Nu. 1,673,966/-).

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

The current year's financial statements cover the period from 1 January 2013 to 31 December 2013.



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