



# Annual Report 2015



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# INTRODUCTION

## Who we are

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

We are the largest and the only government-owned holding company in Bhutan. Our portfolio spreads across various strategic sectors such as energy and resources, communication and transportation, financial services, real estate and construction and trading. Presently, we have twenty portfolio companies, of which 11 are fully owned (DHI-Owned Companies), three are controlled (DHI-Controlled Companies-shareholding of more than 50%) and six are linked companies (DHI-Linked Companies-shareholding of 50% and below).

DHI was established in 2007 upon issuance of the Royal Charter by His Majesty the King on November 11, 2007. The Ministry of Finance is the sole shareholder of DHI.

His Excellency Lyonpo Om Pradhan was appointed as the first Chairman of DHI in 2007. Mr. Karma Yonten served as the first Chief Executive Officer of DHI from 2007 to 2014. Our current Chairman, Dasho Sangay Khandu succeeded the former Chairman in 2014. In 2015, Dasho Karma Yezer Raydi was appointed as the Chief Executive Officer of DHI.

## MISSION

## Our Mandate

As the holding company of the Government linked companies, DHI is mandated to strengthen corporate governance in the companies and enhance their performance, besides ensuring flow of fund to the government in the form of dividends. DHI is also mandated to raise funds for investments and maximize return on investments. One of our key mandates enshrined in the Royal Charter is to catalyze the development of our private sector.

DHI's mission is "to safeguard and enhance national wealth for all generations of Bhutanese through prudent investments."

## ision

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



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

- Act as the holding company for the GLCs
- Strengthen corporate governance
- Enhance performance of GLCs
- Maximize return on investments
- Stimulate private sector growth

**CORE VALUES**  
Integrity Honesty Excellence Prudence  
Teamwork Responsibility



# DHI Portfolio Companies

Financial Services

**80%**  
Bank of Bhutan Ltd.

**11.5%**  
Bhutan National Bank Ltd.

**18.4%**  
Royal Insurance Corporation of Bhutan Ltd.

Real Estate & Construction

**100%**  
Construction Development Corporation Ltd.

**100%**  
DHI-INFRA Ltd.

**100%**  
Thimphu Tech Park Ltd.

Communication & Transportation

**100%**  
Druk Air Corporation Ltd.

**100%**  
Bhutab Telecom Ltd.

**57%**  
State Trading Corporation of Bhutan Ltd.

## Energy & Resources

**100%**  
Natural Resources Development Corporation Ltd.

**100%**  
Bhutan Power Corporation Ltd.

**100%**  
State Mining Corporation Ltd.

**100%**  
Druk Green Power Corporation Ltd.

## Manufacturing

**40.3%**  
Penden Cement Authority Ltd.

**30%**  
Koufuko International Pvt. Ltd.

**25.7%**  
Bhutan Ferro Alloys Ltd.

**80%**  
Dungsam Cement Corporation Ltd.

**100%**  
Wood Craft Center Ltd.

**51%**  
Dungsam Polymers Ltd.

**47.7%**  
Bhutan Board Products Ltd.



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

	Share Holding (in %)	DPC Categories	Net Worth*/Market Capitalization (in million Nu.)
<b>Energy &amp; Resources</b>			
Druk Green Power Corporation Ltd.	100	DOC	42,877.56
Bhutan Power Corporation Ltd.	100	DOC	13,717.57
Natural Resources Development Corporation Ltd.	100	DOC	583.14
State Mining Corporation Ltd.	100	DOC	34.19
<b>Communications &amp; Transportation</b>			
Bhutan Telecom Ltd.	100	DOC	3,714.69
Drukair Corporation Ltd.	100	DOC	2,450.54
<b>Financial Services</b>			
Bank of Bhutan Ltd.	80	DCC	3,806.63
Bhutan National Bank Ltd. **	11.5	DLC	1,183.78
Royal Insurance Corporation of Bhutan Ltd.**	18.4	DLC	830.87
<b>Trading</b>			
State Trading Corporation of Bhutan Ltd.**	57	DCC	175.31
<b>Manufacturing</b>			
Dungsam Cement Corporation Ltd.	80	DOC	3,782.29
Wood Craft Center Ltd.	100	DOC	115.14
Dungsam Polymers Ltd.**	51	DCC	80.16
Penden Cement Authority Ltd.**	40.3	DLC	822.64
Bhutan Ferro Alloys Ltd.**	25.7	DLC	231.57
Bhutan Board Products Ltd.**	58	DLC	80.63
Koufuko International Pvt. Ltd.	30	DLC	23.94
<b>Other (Real Estate and Construction )</b>			
DHI-INFRA Ltd.	100	DOC	205.50
Thimphu Tech Park Ltd.	100	DOC	168.94
Construction Development Corporation Ltd.	100	DOC	452.77

### Accompanying Notes:

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

\*\*Market Capitalization is reflected for listed DHI Linked Companies

### 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 of 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 co-ordination divisions for several years. In 1998, he was appointed as the Director, Department of Budget and Accounts. During his long association with the Ministry of Finance, he served as Director in the Boards of various government corporations. In December 2007, DHI appointed him as the Chairman of the Bhutan Telecom Board of Directors.



## Mr. Pema Chewang

### ***Secretary, National Land Commission of Bhutan***

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 the 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.



## Mr. Tenzin Dhendup

### ***Secretary, Ministry of Agriculture & Forests***

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.



## Mr. Ugyen Rinzin

### ***Chairman, Yangphel Pvt. Ltd***

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



## Mr. Karma Tsetop Rinchhen

### ***CEO, A Middle Path to Bhutan***

Mr. Karma Tsetop Rinchhen is the CEO of 'A Middle Path to Bhutan', a tour operation business in Bhutan. He also owns a well-established trading business providing quality eco-friendly products and services. Prior to venturing into business, he worked in the Ministry of Foreign Affairs (MoFA) from 1992 to 2005. During his tenure in the MoFA, he handled various bilateral, regional, and multilateral issues of economic, social, and political nature. He also served in MoFA office in Geneva, Switzerland, and New Delhi, India before resigning as Deputy Director of Policy and Planning Division. In the recent past, he served as the Board Director of Druk Air Corporation Ltd. and State Trading Corporation of Bhutan Ltd. Mr. Karma Tsetop Rinchhen holds a Bachelor of Arts Degree in English (honours) from St. Stephen's College, Delhi University, India.

## Dasho Karma Yezer Raydi,

### ***The CEO, DHI***

Dasho Karma Yezer Raydi is the chief executive officer of Druk Holding and investments Ltd. He brings in rich leadership experience having served the tsa-wa-sum for 27 years. He was awarded Blue Scarf by His Majesty the king on having been appointed as an Eminent member of the National Council in 2008 and 2013 and Red Scarf on 17th December, 2012. An engineer by education, he started his career as an Industrial Engineer for BDFC in 1989 and served for many years. He worked as an Executive Engineer in the Department of National Properties, Ministry of Finance till 2000. In 2000 he joined the Department of Urban Development & Housing, Ministry of Works & Human Settlement as a Superintending Engineer for six years and steadily rose to become the Director for Standard & Quality Control Authority, Thimphu. In 2006, he was appointed as the Chairman of Bank of Bhutan and later appointed as Chairperson of the House Committee, National Council, in 2008.







DHI team





# Directors' report

On behalf of the Board and the Management of DHI, I am pleased to report to the Ministry of Finance (MoF), shareholder of DHI, the performance of the company for the period January 1, 2015 to December 31, 2015.

DHI actively pursued its primary mandates through the annual compact that was signed with its Board. The key achievements are outlined below:

## Operational Performance

### *Performance improvement*

DHI continued to play an integral role towards cultivating a performance-driven and customer-oriented culture in its portfolio companies, thereby enhancing their performances.

In 2015, DHI signed performance compacts with all its fully owned companies as well as the controlled companies, namely Bank of Bhutan Ltd. (BoB) and Dungsum Polymers Ltd. (DPL). The performances of the companies were monitored and evaluated against the compacts, following which performance based incentives were paid.

Towards enhancing corporate governance, DHI provided professional directorship training to the companies' board directors using both in-house and international experts. An orientation program was also conducted for all newly appointed board directors.

DHI also conducted an assessment of Corporate Governance (CG) Compliance by DHI Owned Companies (DOCs) and, based on the feedback and comments received, the DHI CG Code developed in 2013 was amended. Following this, several awareness programs on the amended CG Code were also conducted with the companies.

### *Resource optimization*

In order to maximize returns on investments through optimal use of resources, DHI reviewed and finalized the enterprise architecture of DHI and its subsidiaries to better align IT to business goals. A team was formed to consolidate the annual maintenance contracts (AMCs) of the DOCs' Enterprise Resource Planning (ERP) systems. The initiative is expected to save about Nu. 10 million in the first year. The team is also developing a fully local ERP solution for the State Mining Corporation Ltd. (SMCL).

DHI also developed Corporate Strategic Plans, various internal systems and process manuals and conducted Organizational Development (OD) exercises for Construction Development Corporation Ltd. (CDCL) and Wood Craft Center Ltd. (WCCL). These companies were taken over by DHI as fully owned subsidiaries from MoF in January 2015.

Further, DHI facilitated the refinancing of the high cost debt of Dungsum Cement Corporation Ltd. (DCCL). Borrowings from a consortium of Indian banks with

interest rates of over 12%, amounting to about Nu. 1,000 million was refinanced through the issue of bonds with coupon rates of 8%. High cost loans amounting to about Nu. 400 million at 13.19% were also refinanced through the bond issue. Change in debt instrument resulted in interest rate savings and reduction in cash outflows through deferred principal repayments. Additional capital injections through issue of additional equity by private placement amounting to Nu. 1,300 million and inter-corporate loans were made to ease cash flow pressures. Similarly, DHI helped Dungsum Polymers Ltd. (DPL) reduce its cash flow burden by arranging inter-corporate loans at lower costs from within the group.

On the operational front of DCCL, DHI initiated sourcing of coal from Coal India Ltd. (CIL). The arrangement ensured an uninterrupted supply of coal even when Meghalaya Coalmines, considered the main source of coal for DCCL coal in the DPR, were shut down. Additionally, DHI incorporated SMCL and identified two coalmines to be implemented by first quarter of 2016 for supply to DCCL.



### New investments

#### State Mining Corporation Ltd.

In the backdrop of the government recognising mining sector as one of the five jewels to strengthen the economy, SMCL was established following a government order to set up a state-owned mining corporation. SMCL was incorporated on 31st December, 2014 and projects initiated by DHI were handed over to SMCL. The company has been mandated to carry out exploration and mining of strategic minerals.

SMCL started with coalmines and completed the topographical survey and geological studies of the Habrang coalmine in 2015. Also, work to conduct Final Mines Feasibility Studies (FMFS) was awarded.

#### Glulam Plant

Natural Resources Development Corporation Ltd. (NRDCL) and Royal Academy Project (RAP) entered into a Memorandum of Understanding (MoU) to set up glulam (glued and laminated timber) plant as a pilot project for supply and use of glulam products in the ongoing construction of the Academy. DHI invested Nu. 15 million as equity injection and for carrying out the initial study for the project.

#### Bhutan Power Trading Corporation

In partnership with International Finance Corporation (IFC), DHI carried out a feasibility study to set up a Power Trading Corporation (PTC) in India to trade power from Bhutan to India.

#### Loden – DHI Fund

DHI signed an agreement with the Loden Foundation (LF) to launch a special funding window called ‘Loden –DHI Fund’ under Loden Foundation. The fund is expected to help address the limited accessibility to finance, identified as one of the growing constraints in starting businesses in Bhutan. DHI provided a total fund of Nu. 20 million to be managed by LF. The fund will provide collateral and interest free loans to entrepreneurs interested in starting a new business or expanding an existing one.

The project is currently on hold because of regulatory and policy related challenges in selling power in the Indian power exchange market. The project will depend on how the regulation on power trading from Bhutan to India evolves.

#### Others

DHI also carried out all the necessary works to realize two other projects, Fused Dolomite and Caustic Soda projects. However, due to unfavorable market conditions and downturn in fuel prices in India, the projects have been kept on hold.

### Private Sector Development

#### Organic Mushroom Cultivation Project

As part of DHI’s mandate to conduct Research and Development (R&D) activities and to support the private sector, DHI collaborated with a Japanese company, Haruka International (HI) to explore the possibility of developing an organic mushroom cultivation farm in Bhutan.

In collaboration with the National Mushroom Centre (NMC), Bhutan, pilot production of three strains viz. Shiitake, Oyster and Wood ear mushroom was conducted in April 2015 using HI’s technology. The three strains were harvested successfully and the pilot project concluded in September 2015.

DHI and HI are working together to set up a laboratory for multiplication of strains and a marketing firm to export mushrooms.

### Financial Performance

Under financial performance, we would like to report that with DHI spearheading the implementation of International Financial Reporting Standards (IFRS) through the Bhutanese Accounting Standards (BAS), we have successfully consolidated the Group accounts. We are happy to share that standalone accounts was cleared without a qualification. However, on consolidated accounts a few spillover DOCs qualifications have been observed. The following table summarizes the two accounts for the year ended December 2015:

Table 1: Consolidated and DHI standalone accounts

Particulars	Consolidated (in million Nu)			DHI Standalone (in million Nu)		
	2015	2014	Var	2015	2014	Var
Total Assets	154,452.48	154,641.13	-0.12%	52,426.97	51,071.10	2.65%
Net worth	76,501.27	73,500.59	4.08%	49,766.23	48,400.43	2.82%
Income	39,160.47	29,809.42	31.37%	6,291.27	5,744.67	9.51%
Expenditure	28,345.06	20,465.50	38.50%	112.75	191.81	-41.22%
PBT	10,815.41	9,343.92	15.75%	6,178.53	5,552.86	11.27%
Tax	5,261.77	5,034.90	4.51%	1,855.80	1,666.15	11.38%
PAT	5,553.64	4,309.02	28.88%	4,322.76	3,886.70	11.22%

### Consolidated financial statement

As can be noted in the table, the group total assets decreased marginally by 0.12% and the net worth increased by 4.08%. The decrease in total asset was mainly due to decrease in ‘receivables and advances’ (by about 21%) and ‘cash and bank balances’ by about 7%) as compared to 2014. However, the net worth grew mainly on account of Penden Cement Authority Ltd. (PCAL)<sup>1</sup> being classified as a subsidiary in 2015 accounts.

The consolidated total income for the year also saw an increase of 31.24%. It was mainly driven by increased revenues of DOCs under energy and resource (by about 20% or Nu. 3,392.17 million) and trading (by about 200% or Nu. 1,402.31 million) segments.

Similarly, the consolidated expenditure for the year increased by 38.31%. This was mainly due to increase in two major accounts; (i) direct costs of sales increased by 56%, from Nu. 7,800.84 million in 2014 to Nu. 12,169.90 million in 2015, and (ii) personnel and other cost increased by 35.37%, on account of salary revision approved during the year, from Nu. 5,645.60 million 2014 to Nu. 7,802.14 million in 2015.

However, the year saw an increase in both consolidated profit before tax (PBT) by 15.75% and consolidated profit after tax (PAT) by about 29%.

Finally, the consolidated income tax also increased by 4.51%, from Nu. 5,034.90 million in 2014 to Nu. 5,261.77 million for the year.

<sup>1</sup> As per BAS, BFRS 10 on consolidation, PCAL has been reclassified as subsidiary, in 2015 accounts, on the merit that DHI retains control over PCAL in spite of holding 40% of shares and the test of “control” as per BAS being met.

## DHI standalone financial statements

With respect to the standalone accounts, DHI's total assets increased by 2.65% and the net worth increased by 2.82%. The reasons behind increase in both total assets and net worth are the increase in investments in subsidiaries (under assets) and increase in share capital (under liabilities), on account of the following:

- Receipt of Nu. 204.58 million from Government of India (GoI) in conformity with clause 3.4 of the Inter-Governmental Agreement signed between RGoB and GoI as DGPC's share of equity to the Kholongchhu Hydro Energy Ltd. (KHEL);
- Allotment of equity shares worth Nu. 34.93 million to DHI by Bhutan Power Corporation Ltd. (BPC) on account of taking over of Gaeddu Distribution Assets; and
- Transfer of shares of WCCL worth Nu. 73.32 million and CDCL worth Nu. 421.38 million from the MoF to DHI.

Further, increase in investment was also due to allotment of Nu. 400 million worth of DHI's shares in DCCL to BPC

from the existing paid up equity shares held by DHI in consideration of DHI's advance from BPC in year 2013. Similarly, increase in total asset was also on account of improved cash and cash equivalents from Nu. 5.02 million in 2014 to Nu. 368.01 million in 2015.

The year also saw an increase in the total income by 9.51%. This was mainly on account of increased dividend income by 8%, from Nu. 5,702.96 million in 2014 to Nu. 6,147.57 million in 2015. The dividend income from BPC grew by 170%, from Nu. 206.08 million in 2014 to Nu. 702.08 million in 2015 and from Bhutan Telecom Ltd. (BT) by 56%, from Nu. 216.01 million in 2014 to Nu. 337.01 million in 2015.

We would also like to report that starting 2015, DHI introduced and levied Brand and Management fees to DOCs. It contributed Nu. 108.28 million to the revenue.

On the expenditure side, it reduced by 41.22%, from Nu. 191.81 million in 2014 to Nu. 112.75 million in 2015. This was due to reduction of finance cost by about 81%, from Nu. 67.71 million in 2014 to Nu. 13.19 million in 2015. This impacted the PAT positively by 11.22%, from Nu. 3,886.70 million in 2014 to Nu. 4,322.38 million in 2015.

and performance of DHI to achieve its mandates bestowed in the Royal Charter.

At the end of 2015, the DHI Board consisted of seven Directors including the Chairman and the CEO. Dr. Damber Singh Kharka attended the Board Meetings in the capacity of the Officiating CEO until Dasho Karma Yezzer Raydi was appointed as the CEO of DHI in November, 2015.

Nine board meetings were held in 2015 and the gap between two meetings did not exceed three months in accordance with the Companies Act 2000. Further, Board Committees for Performance Management (BCPM) and Nomination and Governance (NGC) also met regularly to consider various aspects of DHI and its subsidiary companies.

## Corporate Social Responsibility (CSR)

In 2015, under the CSR charitable contributions DHI mostly supported religious, educational and youth related activities, followed by health, community activities and sports categories. We provided financial support to about 49 different activities amounting to a total contribution of Nu 2.6 million.

Charitable contributions were made mainly to Civil Society Organizations (CSO) and other agencies working towards helping rural children's education, empowering youth through programs such as art camp and children's work initiatives in the community. DHI also rendered financial support to big events like the "6th Golden Youth Award" organized by Bhutan Youth Development Fund, and the "Mountain Echoes Festival."

Further, DHI joyfully contributed Nu. 20 million towards celebrating 60th Birth Anniversary of His Majesty the Fourth Druk Gyalpo. We also supported the initiative to set up a Plastic Waste to Fuel Project with Thimphu Thomdey. The project entails setting up of polymer energy plant for processing 10 ton per day of post consumer plastic wastes conversion to crude polymer oil/ fuel oil/ hydrocarbon derivatives and setting up of 10 dry waste collection center under a public private partnership framework. The Group agreed to contribute Nu. 40 million towards this project. Thimphu Thomde informed DHI that the land for the project has been approved and also floated a Request for Proposal. However, Thimphu Thomde has kept the project on hold at the moment.

Apart from the support provided by the company, DHI employees also made voluntary contributions towards Jangsa Animal Saving Trust and Nepal Earth Quake Relief Fund.

## Statutory Audit Report

M/s ASA and Associates LLP was appointed as the statutory auditors for the year 2015 by the Royal Audit Authority (RAA). The firm audited Standalone Accounts for 2015 from 7th March to 17th March 2016 and Consolidated Accounts from 16th May to 1st June. The audit was carried out in accordance with the International Standards on Auditing (ISAs) and accounts were prepared to comply in all material respects with the BAS Phase I to the extent applicable to the company and the relevant provisions of the Companies Act of the Kingdom of Bhutan, 2000.

The Auditors' Report for Standalone Accounts does not have any qualifications on the Accounts of the Company. The Auditors concur that the Accounts along with Schedules, significant Accounting Policies and Notes to Accounts are in compliance with the requirements of the Bhutanese Accounting Standards and Companies Act of the Kingdom of Bhutan.

However, the Auditor's Report for Consolidated accounts has made a few observations, which are spillover of DOC qualifications. The Board and management would like to assure the Shareholder that the comments and observations will be addressed in a phased manner.

## Dividends and taxes

For FY 2015, dividend amount of Nu. 3,689.73 million was recognized. Additionally, Corporate Income Tax (CIT) amounting to Nu. 1,855.77 million was settled with the Department of Revenue and Customs (DRC).

## Corporate Governance

In order to strengthen CG DHI continued to strengthen the role of the Board, its Chairman and the CEO of the company through professional directorship training and orientation programs.

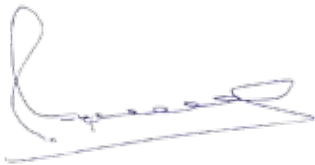
At the holding level, DHI Board is entrusted with the ultimate responsibility of guiding the strategic direction



On behalf of the DHI Board, I would like to take the opportunity to offer our heartfelt gratitude to His Majesty The King for the wisdom and guidance bestowed upon DHI. We also owe our sincere gratitude to the Ministry of Finance, the Royal Government of Bhutan, and all other ministries and departments. We thank the regulatory agencies, CSOs and private sector agencies for rendering cooperation that enabled us to achieve our mandates. We also wish to thank the Government of India and international agencies for supporting many of our initiatives.

We would also like to extend our appreciation to the Boards, CEOs and employees of DHI and its companies for their unrelenting efforts toward achievement of our shared common goals.

Thank you!



(Sangay Khandu)  
Chairman, DHI

# Acknowledgement



Corporate Governance Report

Being entrusted with the mandate of strengthening corporate governance, DHI continued with the adoption of CG best practices in DHI and its companies. For FY 2015, DHI fully complied with the Companies Act of the Kingdom of Bhutan 2000, all other statutory requirements and our own CG Code.

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

The Board of Directors is entrusted with the ultimate responsibility of guiding the strategic direction and performance of DHI to achieve the mandates bestowed in the Royal Charter. The management of DHI is headed by the Chairman and the Chief Executive Officer for the management of the day-to-day affairs of the Company.

As at the end of December 2015, DHI Board consisted of seven board directors including the Chairman and the CEO.

Composition of the Board and attendance in 2015

Name of Director	Category	Profile	No. of BM attended in 2015	No. of Directorship on other DHI owned/controlled companies	
				Chairman	Member
Dasho Sangay Khandu	Non-independent Executive	Chairman, DHI	9	1. DGPC 2. Drukair 3. DCCL	
Mr. Lam Dorji	Non-independent Non-executive	Secretary, MoF	6		
Mr. Tenzin Dhendup	Independent Non-executive	Secretary, MoAF	6	1. BTL	
Mr. Pema Chhe-wang	Independent Non-executive	Secretary, NLC	7	1.DHI Infra	
Mr. Ugyen Rinzin	Independent Non-executive	Chairman, Yangphel Private Limited	6		
Mr. Karma Tsetop Rinchhen	Independent Non-executive	CEO, Middle Path to Bhutan	9		
Dr. Damber Singh Kharka	Non-independent Executive	Officiating CEO, DHI	6		1.BTL, 2. Drukair
Dasho Karma Yezer Raydi	Non-independent Executive	CEO, DHI	2		

Dr. Damber Singh Kharka attended the board meetings in the capacity of the Officiating CEO until Dasho Karma Yezer Raydi was appointed as the CEO in November 2015.

Nine board meetings were held in 2015 and in accordance with the Companies Act 2000 the gap between two meetings did not exceed three months.

Additionally, the Board Committee for Performance Management (BCPM) held twelve mid-term review meetings for 2015 compacts and twelve meetings to negotiate and finalize compacts for 2016 with the DOCs and BoB.

The BCPM meetings for the mid-term review 2015 compacts with the DOCs and BoB were held on the following dates:

1. Bhutan Telecom Corporation Ltd.	10 <sup>th</sup> August 2015
2. Bank of Bhutan Ltd.	12 <sup>th</sup> August 2015
3. Construction Development Corporation Ltd.	12 <sup>th</sup> August 2015
4. DHI-INFRA Ltd.	13 <sup>th</sup> August 2015
5. Thimphu Tech Park Ltd.	13 <sup>th</sup> August 2015
6. Dungsam Cement Corporation Ltd.	14 <sup>th</sup> August 2015
7. State Mining Corporation Ltd.	14 <sup>th</sup> August 2015
8. Bhutan Power Corporation Ltd.	17 <sup>th</sup> August 2015
9. Druk Green Power Corporation Ltd.	17 <sup>th</sup> August 2015
10. Wood Craft Centre Ltd.	18 <sup>th</sup> August 2015
11. Natural Resources Development Corporation Ltd.	18 <sup>th</sup> August 2015
12. Drukair Corporation Ltd	10 <sup>th</sup> September 2015

The BCPM meetings for 2016 compact negotiation and finalization were held on the following dates:

Details of the NGCs held in 2015 are as follows:

1. DHI-INFRA Ltd.	1 <sup>st</sup> December 2015
2. Bank of Bhutan Ltd.	1 <sup>st</sup> December 2015
3. Drukair Corporation Ltd.	2 <sup>nd</sup> December 2015
4. State Mining Corporation Ltd.	2 <sup>nd</sup> December 2015
5. Druk Green Power Corporation Ltd.	3 <sup>rd</sup> December 2015
6. Dungsam Cement Corporation Ltd.	3 <sup>rd</sup> December 2015
7. Natural Resources Development Corporation Ltd.	4 <sup>th</sup> December 2015
8. Bhutan Telecom Corporation Ltd.	4 <sup>th</sup> December 2015
9. Wood Craft Centre Ltd.	14 <sup>th</sup> December 2015
10. Construction Development Corporation Ltd.	14 <sup>th</sup> December 2015
11. Thimphu Tech Park Ltd.	15 <sup>th</sup> December 2015
12. Bhutan Power Corporation Ltd.	15 <sup>th</sup> December 2015

<b>1. Drukair</b>		
1 <sup>st</sup> NGC	18 <sup>th</sup> March 2015	
2 <sup>nd</sup> NGC	20 <sup>th</sup> April 2015	
3 <sup>rd</sup> NGC	3 <sup>rd</sup> July 2015	
4 <sup>th</sup> NGC	7 <sup>th</sup> August 2015	
5 <sup>th</sup> NGC	15 <sup>th</sup> August 2015.	
<b>2. BPC</b>		
1 <sup>st</sup> NGC	2 <sup>nd</sup> May 2015	
2 <sup>nd</sup> NGC	3 <sup>rd</sup> June 2015	
<b>3. SMCL</b>		
1 <sup>st</sup> NGC	23 <sup>rd</sup> May 2015	
2 <sup>nd</sup> NGC	4 <sup>th</sup> June 2015	
3 <sup>rd</sup> NGC	15 <sup>th</sup> October 2015	
4 <sup>th</sup> NGC	25 <sup>th</sup> December 2015	

Three Nomination and Governance Committees (NGCs) were formed in 2015 for reappointment and new appointment of CEOs in BPC, Drukair and SMCL.



## Highlights of corporate social responsibility initiatives

The DHI Corporate Social Responsibility Guideline-2013 provides the overall approach to corporate social responsibility for the DHI companies. The guideline creates a more systematic approach to CSR funding and CSR activities carried out by DHI and DHI companies. The CSR approach at DHI is maintained keeping an important aspect in mind, that the dividends provided to the Ministry of Finance by DHI and DHI companies will ultimately enable the government to support social causes on a much larger scale. Following are the highlights of CSR initiatives carried out during 2015:

### Education and Youth

Supported the eighth “**Golden Youth Award Camp**” organized by the Bhutan Youth Development Fund

Donated library books to **Ministry of Education** for distribution in Schools

Supported **Tarayana Foundation** in it’s projects to help the vulnerable youths and rural community

### Spiritual

Donated for renovation of **Zangkhar Lhakhang**, Pangbesa, Paro and **Geling Gonpa**, Chukha. The Lhakhangs were damaged by the earthquake in 2011.

Supported **Jigten Wangchuk Tshogpa** in conducting the 3-day ceremony of Zhabdrung Kuchoe in Punakha.

Donated for reconstruction of **Galing Sanga Choling Monastery**, Nepal. The monastery was damaged by the earthquake in 2015

Contributed for the construction of **Ney-khang** at Nganglam

### Community

Donated to suport the **Old Age Home** at Begana, Thimphu

Supported the sixth edition of the **Mountain Echoes**

Supported the Taktse community to construct a house for a destitute family at Kumiding village, initiated by the **Institute for Language and Cultural Studies (ILCS)**

### 60<sup>th</sup> BCC Celebration

Contributed Nu. 5 million for ‘**Plastic to Oil**’ project , a project initiated by DHI in partnership with Thimphu City Corporation

Contributed Nu. 2.5 million for the construction of ‘**Recreational Park**’ at Dochula

Contributed Nu. 2.5 million to **60th Birth Anniversary Celebration Committee**

## Financial Review

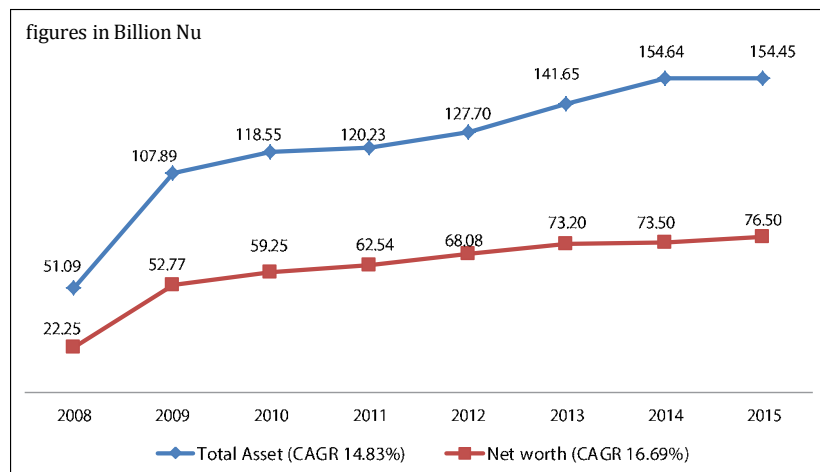
### Financial highlights

## FINANCIAL REVIEW

### Financial highlights

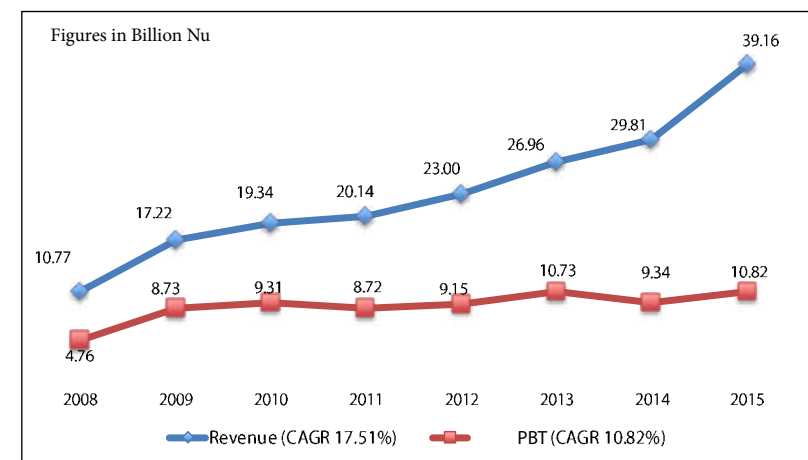
#### Group Net worth and Total Asset

(in million Nu)	2008	2009	2010	2011	2012	2013	2014	2015	CAGR
Total Asset	51,091.89	107,892.19	118,548.23	120,228.71	127,703.22	141,654.36	154,641.13	154,452.59	14.83%
Net Worth	22,253.84	52,771.70	59,248.86	62,544.34	68,076.25	73,196.33	73,500.59	76,501.27	16.69%

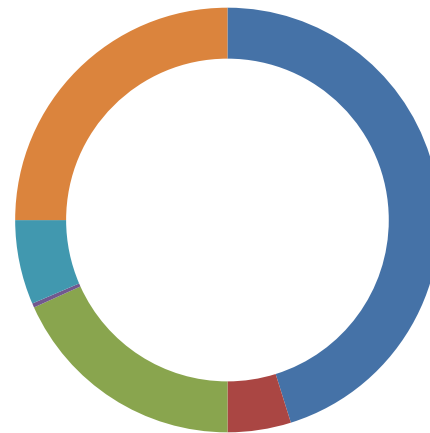


#### Group Revenue and PBT

(in million Nu)	2008	2009	2010	2011	2012	2013	2014	2015	CAGR
Total Revenue	10,771.45	17,216.92	19,344.92	20,143.78	23,001.61	26,957.94	29,809.42	39,160.47	17.51%
Total Expenditure	6,016.41	8,490.05	10,036.09	11,424.28	13,869.79	16,225.53	20,465.50	28,345.06	21.38%
Profit Before Tax(PBT)	4,755.05	8,726.87	9,308.83	8,719.50	9,148.14	10,732.41	9,343.92	10,815.41	10.82%



#### Asset by sector

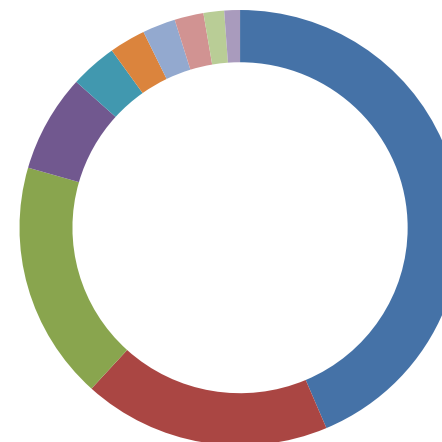


Sector	Percentage	2015 Total Assets (in million Nu.)
Energy & Resources	45.17%	97,272.72
Communications & Transportation	4.82%	10,385.39
Financial Services	18.25%	39,305.61
Trading	0.32%	693.40
Manufacturing	6.42%	13,833.26
Others	25.01%	53,851.97
Total	100%	215,342.36
Inter-company elimination		60,889.77
Net Total Assets		154,452.59

Note:

- Inter-company elimination worth Nu. 60,889.77 million has not been accounted in the Total Assets.
- Sector 'Other' means DHI, Real Estate and Construction.

#### Percentage contribution to the national revenue (fiscal year 2014-2015)



	2014-15	2013-14	2014 - 15	2013 - 14
DHI	5,257.88	5,384.34	20.49%	22.76%
TCB	2,191.32	1,103.87	8.54%	4.67%
DGPC	2,134.07	2,311.91	8.31%	9.77%
RSTA	872.165	307.94	3.40%	1.30%
BPC	415.285	335.97	1.62%	1.42%
BNB	321.031	218.34	1.25%	0.92%
DGM	292.88	238.62	1.14%	1.01%
BT	255.48	238.30	1.00%	1.01%
RICB	181.09	155.86	0.71%	0.66%
BOB	139.04	278.14	0.54%	1.18%
Total	12,060.25	10,573.29	46.99%	44.69%
Total National Revenue (in million Nu.)	25,665.77	23,659.90	25,665.77	23,659.90



# KEY FINANCIAL HIGHLIGHTS OF THE COMPANIES

## Financial Performance of DOCs for 2015 and 2014

Company	Particulars	2015	2014	Variance
DGPC	Total Assets	55,590.88	57,474.21	-3.28%
	Net Worth	42,877.56	42,208.65	1.58%
	Income	14,258.09	13,905.77	2.53%
	Expenditure	6,855.54	6,686.26	2.53%
	PBT	7,402.55	7,219.51	2.54%
	Tax	2,244.98	2,188.13	2.60%
	PAT	5,157.57	5,031.38	2.51%
BPCL	Total Assets	25,185.46	24,651.64	2.17%
	Net Worth	13,717.57	13,035.62	5.23%
	Income	9,769.65	7,273.88	34.31%
	Expenditure	7,798.03	5,680.79	37.27%
	PBT	1,971.62	1,593.09	23.76%
	Tax	590.88	590.12	0.13%
	PAT	1,380.74	1,002.97	37.67%
BTL	Total Assets	4,769.02	4,291.25	11.13%
	Net Worth	3,714.69	3,535.06	5.08%
	Income	2,717.14	2,401.47	13.14%
	Expenditure	1,967.66	1,701.63	15.63%
	PBT	748.69	697.03	7.41%
	Tax	232.65	222.29	4.66%
	PAT	516.04	474.74	8.70%
NRDCL	Total Assets	696.11	672.10	3.57%
	Net Worth	583.14	545.13	6.97%
	Income	428.38	396.60	8.01%
	Expenditure	401.18	388.98	3.14%
	PBT	27.20	7.62	257.11%
	Tax	8.67	1.77	389.31%
	PAT	18.53	5.85	217.03%
DCL	Total Assets	5,616.37	4,052.17	38.60%
	Net Worth	2,450.54	2,488.40	-1.52%
	Income	2,897.26	2,973.51	-2.56%
	Expenditure	2,918.80	3,076.32	-5.12%
	PBT	-21.54	-102.81	-79.05%
	Tax	-10.90	-27.13	-59.82%
	PAT	-32.44	-129.94	-75.03%

DHI-INFRA Ltd.	Total Assets	290.63	315.89	-8.00%
	Net Worth	205.50	213.46	-3.73%
	Income	11.41	84.09	-86.43%
	Expenditure	21.98	78.98	-72.17%
	PBT	-10.57	5.12	-306.45%
	Tax	-	1.73	-100.00%
	PAT	-7.31	3.38	-316.27%
DCCL	Total Assets	11,751.32	11,294.95	4.04%
	Net Worth	4,727.86	4,163.93	13.54%
	Income	2,579.43	1,598.43	61.37%
	Expenditure	3,619.21	2,885.84	25.41%
	PBT	-1,039.78	-1,287.41	-19.23%
	Tax	-302.08	-377.42	-19.96%
	PAT	-737.70	-909.98	-18.93%
CDCL	Total Assets	823.94	719.28	14.55%
	Net Worth	452.77	461.83	-1.96%
	Income	475.39	402.53	18.10%
	Expenditure	435.05	401.79	8.28%
	PBT	40.34	0.75	5283.28%
	Tax	12.10	1.44	741.10%
	PAT	28.24	-0.69	4195.57%
WCCL	Total Assets	138.99	131.98	5.31%
	Net Worth	115.14	110.73	3.99%
	Income	79.35	80.41	-1.31%
	Expenditure	73.38	70.87	3.55%
	PBT	5.97	9.54	-37.42%
	Tax	1.61	3.45	-53.27%
	PAT	4.36	6.09	-28.45%
TTPL	Total Assets	306.94	302.68	1.41%
	Net Worth	168.94	155.60	8.57%
	Income	16.26	13.00	25.05%
	Expenditure	14.50	19.75	-26.56%
	PBT	1.75	-6.74	-125.99%
	Tax	-	-	
	PAT	1.75	-6.74	-125.99%
SMCL	Total Assets	37.16		
	Net Worth	34.19		
	Income	0.28		
	Expenditure	11.63		
	PBT	-11.35		
	Tax	-0.04		
	PAT	-11.39		

## Financial Performance of DCCs for 2015 and 2014

Company	Particulars	2015	2014	Variance
BOBL	Total Assets	39,138.32	39,650.53	-1.29%
	Net Worth	4,758.29	4,305.89	10.51%
	Income	2,719.37	2,586.24	5.15%
	Expenditure	1,582.81	1,429.29	10.74%
	PBT	1,136.56	1,156.96	-1.76%
	Tax	340.95	342.98	-0.59%
	PAT	795.61	813.98	-2.26%
STCBL	Total Assets	693.40	581.22	19.30%
	Net Worth	354.17	282.92	25.19%
	Income	2,298.04	716.19	220.87%
	Expenditure	2,195.37	704.91	211.44%
	PBT	102.68	11.28	810.28%
	Tax	30.85	3.38	812.72%
	PAT	71.82	7.89	810.27%
DPL	Total Assets	216.73	198.21	9.34%
	Net Worth	31.33	36.58	-14.35%
	Income	145.99	105.35	38.58%
	Expenditure	151.26	133.70	13.13%
	PBT	-5.27	-28.35	-81.41%
	Tax	-	-	
	PAT	-5.27	-28.35	-81.41%

## Financial Performance of DLCs for 2015 and 2014

Company	Particulars	2015	2014	Variance
BBPL	Total Assets	313.70	317.57	-1.22%
	Net Worth	291.99	294.22	-0.76%
	Income	340.72	329.93	3.27%
	Expenditure	330.11	321.04	2.83%
	PBT	10.61	8.89	19.35%
	Tax	3.12	2.67	16.85%
	PAT	7.49	6.22	20.42%
PCAL	Total Assets	1,363.00	1,496.84	-8.94%
	Net Worth	1,122.63	1,275.81	-12.01%
	Income	1,653.28	1,856.04	-10.92%
	Expenditure	1,479.54	1,547.16	-4.37%
	PBT	173.74	308.88	-43.75%
	Tax	54.91	100.87	-45.56%
	PAT	118.83	208.01	-42.87%
KIPL	Total Assets	97.45	95.11	2.46%
	Net Worth	23.94	50.00	-52.12%
	Income	0.59	-	
	Expenditure	26.65	6.05	340.50%
	PBT	-26.06	-	
	Tax	-	-	
BFAL	Total Assets	1,559.59	1,415.37	10.19%
	Net Worth	942.93	988.91	-4.65%
	Income	2,053.41	2,025.09	1.40%
	Expenditure	1,957.32	1,739.33	12.53%
	PBT	96.09	285.76	-66.37%
	Tax	29.58	96.41	-69.32%
RICBL	Total Assets	15,187.30	12,332.66	23.15%
	Net Worth	3,050.87	2,675.32	14.04%
	Income	3,597.18	2,707.26	32.87%
	Expenditure	2,873.22	2,136.88	34.46%
	PBT	723.95	570.38	26.92%
	Tax	220.45	169.09	30.37%
BNBL	Total Assets	30,929.45	29,123.58	6.20%
	Net Worth	7,368.91	6,890.08	6.95%
	Income	2,665.08	2,228.48	19.59%
	Expenditure	1,378.46	1,172.72	17.54%
	PBT	1,286.62	1,055.76	21.87%
	Tax	500.74	312.11	60.44%
PAT		785.88	743.65	5.68%



# Portfolio and core investments



## Energy and resources Druk Green Power Corporation Ltd.

### Financial highlights

- DGPC's total revenue for the year was Nu. 14,258.09 million, an increase of 2.53% from Nu. 13,905.77 million in 2014. The increase is attributed to increase in generation and, therefore, increase in export and domestic sales; and
- DGPC made a PAT of Nu. 5,157.57 million, an increase of 2.51% from Nu. 5,031.38 million in 2014.
- The net energy exported to India, of 5,149.17 MU during 2015, was a slight increase over previous year's export of 4,991.89 MU;
- The domestic energy consumption of 2,142.17 MU during 2015 that was supplied to BPC was slightly higher by 3.77% over the domestic consumption of 2,064.30 MU during 2014; and

### Operational highlights

- **DGPC's four-hydropower plants (Tala, Chhukha, Kurichhu and Basochhu)** collectively generated 7,381.60 million units (MU) of electricity during 2015, an increase of 3.28% from the aggregate generation of 7,147.10 MU in 2014. This increase in generation was on account of better hydrological flows mainly in the Wangchhu as well as the additional generation of 67.35 MU from the Tsibjalumchhu Diversion Scheme to the Tala Hydropower Plant (THP);
- Consequently, there was a decrease in the import of power from India to 158.46 MU in 2015 from 187.37 MU in 2014 with part of the shortfall in the eastern part of Bhutan being met from the generation in western Bhutan with West-East link interconnected at Jigmeling;
- DGPC achieved a power plant availability of 98.16% and overall average water utilization factor of perfect 99.99%.

### Generation augmentation projects

- **Tsibjalumchhu diversion scheme:** The construction of civil and hydro-mechanical works for the Tsibjalumchhu Diversion Scheme was completed at a cost of Nu. 285.76 million. With the diversion of the Tsibjalumchhu into the Tala reservoir, an additional energy of 67.346 MU was generated during 2015; and

- **Modification of Lubichhu intake:** DGPC completed a study to modify the intake structure for the Lubichhu diversion scheme to handle the sediment load. The modification of the silt flushing system is planned over the next 1-2 years.

### Projects under investigations

- **Kuri-I Hydropower Project:** DGPC completed the preparation of the Detailed Project Report (DPR) for the 1,125 MW Kuri-I Hydropower Project during 2015 at a cost of Nu. 149 million using mostly expertise available within DGPC;
- **Kurichhu Augmentation Project:** DGPC completed the DPR study to augment the existing 60 MW Kurichhu Hydropower Plant (KHP) during 2015 based on the potential to generate additional energy for optimal utilization of the Kuri discharge;
- **Nyera Amari-I&II Integrated Hydropower Project:** DGPC started the preparation of the DPR for the 442 MW Nyera Amari-I&II Integrated Hydropower Project and a number of the DPR activities such as the topographical survey and mapping and geological investigations (drilling) were awarded during 2015; and
- **Pre-feasibility study of Jomori Hydropower Project:** DGPC took an active part in the preparation of the pre-feasibility study (PFS) for the Jomori Hydropower Project with the Ministry of Economic Affairs (MoEA). As per the study, the Jomori could be considered for an installed capacity of 85 MW with an annual design energy of 362 MU.



# Bhutan Power Corporation Ltd.



## *Financial highlights*

- BPC's total revenue for the year was Nu. 9,769.65 million, an increase of 34.31% from 2014's revenue of Nu. 7,273.88 million. The growth is attributed to increase in revenue from all sources with significant increase in earnings from construction contracts;
- The average tariff for the year was Nu. 2.27 per kWh as compared to Nu. 1.966 per kWh in 2014; and
- BPC made a PAT of Nu. 1,380.74 million, an increase of 37.67% from Nu. 1,002.97 million in 2014.

## *Operational highlights*

- The power purchase from DGPC increased by 3.77%, from 2,064.30 MU in 2014 to 2,142.17 MU in 2015 due to increased domestic consumptions. Of the total purchases, royalty energy accounted for 1,093.953 MU for the year as compared to 1,059.200 MU in the previous year;
- The total electricity sales increased by 4.04% from 1,977.18 MU in 2014 to 2,057.14 MU in 2015;
- BPC also generated 14.68 MU of electricity from embedded mini and micro-hydels owned by the company;
- It wheeled 5,541.76 MU of electricity to India for DGPC in 2015 as compared to 5,044.33 MU in 2014;
- Of the total energy of 7,703.296 MU received by the system during the year, 7,598.900 MU was the total utilization of energy. Hence, the global energy loss for the year was reduced to 1.35% as compared to 1.13% in 2014. Similarly, BPC contained the domestic Transmission & Distribution (T&D) loss at 4.83% for 2015; and
- 

- BPC added 8,483 customers during the year, taking the total to about 168,279 customers. The addition has been mostly through service connection of the rural homes in the country side brought about by extensive Rural Electrification coverage made by the company;

## *Rural Electrification (RE) Project*

- BPC electrified 730 households for ADB-V and 494 households for JICA-2 additional funding totaling to 1,224 households through RE and 793 households through RE fill-in on grid supply in 2015;
- A total of 43,273 households are electrified as of December 2015 against Government's mandate to electrify 40,257 households by 2013 as per the 10th FYP. BPC made significant progress with the RE works and today about 99% of Bhutanese homes have access to grid electricity supply;

## *Transmission lines for hydropower development*

- Construction of two numbers 400kV D/C transmission lines taken up as a deposit work for PHPA I for the evacuation of power from Punatsangchhu-I Hydro Electric Project to India progressed well. BPC achieved a physical progress of 79.42% for 'Package A' and 72% for package B as on December 2015;
- Construction of two numbers 400kV D/C transmission lines taken up as a deposit work for MHPA for the evacuation of power from Mangdechhu Hydro Electric Project made progress of 64% as of December 2015. BPC casted 235 tower foundations and completed 10Kms of stringing works during the year;
- The contract for construction of 400kV D/C Transmission line from pothead yard Punatsangchhu

II in Wangdue to Jigmeling, Sarpang taken up as a deposit work for PHPA II, was awarded to M/s KEC International Ltd., India on January 16, 2014 at a contract value of Nu. 1,809.112 million. BPC achieved a physical progress of 41.43% as on December 2015;

- For the construction of the 66 kV Transmission Line from Thimphu to Gasa, which was awarded to Joint Venture of Bhutan Engineering Company Pvt. Ltd. and Bhutan Engineering Power Co. Pvt. Ltd. in 2014, BPC achieved a progress of 25% as on December 2015;

## *Transmission lines and substations for System Expansion*

- BPC carried out construction works of 33/11 kV substation in Samdrup Jongkhar, 33/11 kV substation at Khalangzi Power House, Mongar 2x5 MVA substation in RBA Lungtenphu colony, Thimphu and 2x3MVA substation in Sipsoo.
- BPC also carried out works for up-gradation of 2x2.5MVA substation to 2x5 MVA substation at RICBL, Thimphu and 66kV Paro substation with 2x20MVA, 66/33kV power transformer.
- Further, the company carried works for re-alignment of 220kV Rurichhu-Tsirang transmission line (rt42-rt43) at Dogorthang for PHPA-II dumping yard, 132kV Dewathang-Rangia line for industrial estate and changed the current transformer at 220kV substation, Semtokha. It also carried out retrofitting of relays at Haa substation, shifting of 8MVA transformer from Paro to Watsa and started works on the up-gradation of Singyegaon substation to Gas Insulated Switchgear (GIS) substation.



# Natural Resources Development Corporation Ltd.



## Financial Highlights

- NRDCL's total revenue for the year was Nu. 428.38, an increase of 8.01%, from Nu. 396.60 million in 2014
- NRDCL made a PAT of Nu. 18.53 million, a substantial increase from Nu. 5.85 million in 2014. The increase in PAT is attributed to increase in sale of timber and sand, control in expenditure and reduction in loss from crushing plants with the sale of two 100 TPH plants and suspension of operation of three stone quarries;



## Operational highlights

- NRDCL extracted 1.76 million cft. of timber, 318,443.11 m<sup>3</sup> of sand, 4.08 million cft of Stone/boulder and 1.249 million cft stone chips during 2015;
- The company disposed 1.96 million cft. of timber, 330,132.36 m<sup>3</sup> of sand, 3.01 million cft. stone/boulder and 1.90 million cft. of stone chips during 2015;
- NRDCL constructed timber storage sheds (both temporary and permanent) in the depots, and wherever required, to protect the timber from deterioration and decay;
- It set up sawmill at Ramtokto to add value to the old and unsold timbers in the timber depots across the country;
- In collaboration with the Royal Academy Project, the company started a pilot Glu-lam timber (glued and laminated timber) production unit at Pangbisa, Paro to meet the special-sized timber requirements and maximize timber utilization;
- Further, as a part of reforestation program, NRDCL carried out tree plantation in 64.89 hectares of land and raised 137,650 seedlings; and
- In the process of timber extraction, NRDCL constructed 18.77km road and approximately 443.55km was maintained.







# State Mining Corporation Ltd.

- **Tshophangma Coalmine:** For this project, the mandatory public and sectorial clearances were obtained. Also, the topographical survey, geological investigation and FMFS were completed; and
- **Stone Quarry for Kholongchu Hydroelectric Project (KHP):** After, the initial five quarry sites, handed over by the Government, were found to be not feasible, SMCL applied for release of a new stone quarry at Dzongthung in Bartsham, Trashigang. Thereafter, the study to assess the reserve and stone quality for non-wearing concrete in hydropower structures achieve good progress during 2015.

## Operational Highlights

- Commenced operation from its head office located at Gurung Basti in Samtse town with 23 staff (5 on contract, 15 regular and 3 ESP); and
- All required internal systems and process manuals were put in place during the year.

## Projects

- **Habrang Coalmine in Bhangtar (Samdrupcholing):** SMCL completed topographical survey and geological investigation, Final Mine Feasibility Study (FMFS) and Environment Impact Assessment (EIA) during 2015;
- **Dumsidara Dolomite:** SMCL completed the topographical survey and geological investigation for Dumsidara Domolite Project during 2015. It also progressed well with the next phase of study on FMFS and EIA;





## Communication and transportation

### Bhutan Telecom Ltd.

#### *Financial highlights*

- BT's total revenue for the year was Nu. 2,717.14 million, an increase of 13.14% from Nu. 2,401.47 million 2014.
- BT made a PAT of Nu 516.04 million, an increase of 8.7% from Nu. 474.74 million in 2014.

#### *Operational highlights*

- The company's mobile network witnessed some major expansion works during 2015. Expansion on the Core network involved replacement of Mobile Packet Backbone Network (MPBN) with new routers and switches supporting 10 Gbps connections both on the access and ISP sides;
- Radio Network Controller was upgraded to 1.5 Gbps from 250 Mbps mainly to support the increasing number of 3G users;
- About 27 Node Bs were installed at various locations to augment capacity and expand 3G coverage. Further, 18 2G BTS sites were installed to extend mobile services to the rural areas which previously had weak or no mobile network coverage;
- Thimphu-east domestic backbone capacity was increased from 2.5 Gbps to 40 Gbps using the DWDM technology; and
- BT launched B-secure service to enhancing security for private and public properties, including important and historical sites. The company also partnered with HP Enterprises and Microsoft to host cloud services at the company's Data Centre in Phuentsholing;







### Financial highlights

- Drukair's total revenue for 2015 was Nu. 2,897.26 million, a decrease of 2.56% Nu. 2973.51 million in 2014. The year saw a decrease in revenue due to decline in high yield dollar paying passengers;
- Drukair made a significant improvement by reducing its loss from Nu. 129.94 in 2014 to Nu. 32.44 million loss in 2015.

### Operational highlights

- Drukair operated 4,193 flights in 2015 and carried 209,422 passengers. While the number of flights operated increased by 2%, passengers carried decreased by 2% compared to 2014;
- The company cancelled 83 scheduled flights on account of Nepal earthquake. Capacity reduced by 30%, from 56,206 seats in 2014 to 39,157 seats in 2015. This affected the load factor for the year, which stagnated at previous year's 68%. To substantiate further, there was no growth in overall passengers, as the total passengers carried during 2015 (including those who flew with the competitor) dropped to 260,031 from 260,955 in 2014;
- Bangkok sector saw a drop of 4% compared to 2014. Some 25 direct flights had to be cancelled due to poor load. As a result capacity reduced by 8.5% compared to 2014. Drukair, however, retained 67% market share on the route amounting to 55,286 passengers;
- While there was increase in total passengers carried (by 11,922 passengers), it was mainly on the lower yield fare base. The local fare paying passengers increased by 7% and high yield passengers decreased by 6%. As the increase in local passengers did not compensate for the 6% drop in dollar paying passengers, the overall revenue for the year took a drop;



- The ATR42- aircraft had an average load factor of 62% during 2015. This was primarily due to the fact that although it could carry full capacity inbound there was huge load penalty especially during the summer months as capacity outbound was limited to only 20 seats or even less on certain flights.
- Overall, Drukair retained 74% market share in 2015, recording gain of 2% compared to 2014. Drukair started gaining the market share from June onwards particularly on the Bangkok and Kathmandu route after revision of fares and terms; and
- Mail and excess baggage recorded about 5% and 36% increase respectively, but Cargo declined by 29%. Cargo ferried in 2015 was 377,850 kg, Mail carried was 118,684 kg and Excess baggage carried was 73,829 kg.



# Financial Services

## Financial highlights

- BOB's total revenue for the year was Nu. 2,719.37 million, an increase of 5.15% from Nu. 2,586.24 million in 2014. The growth was mainly triggered by increase in interest income from Nu. 2,166 million in 2014 to Nu. 2,397 million in 2015 and increase in fees & commission income by Nu. 59 million in 2015; and
- BOB made a PAT of Nu. 795.61 million, a decrease of 2.26% from Nu. 813.98 million in 2014.

## Operational highlights

- Customer deposits decreased from Nu. 33.49 billion in 2014 to Nu. 32.25 billion in 2015. However, deposits by Banks stood at Nu. 147 million, an increase by Nu. 7 million compared to previous year's Nu. 140 million;
- The total capital and reserves of the bank increased by 10.50 percent in 2015, an increase from Nu. 4,305.88 million in 2014 to Nu. 4,758.28 million in 2015;
- The bank started the construction of the Thimphu corporate office at the location of the old branch premises, which is expected to be completed in three (3) years;
- BOBL's loans market share increased to 37.04% in June 2015, making it the leader in overall market share for loans;
- BOBL launched mobile banking application, M-BoB in May 2015, enhancing convenience to the valued customers; and
- In order to further improve the services, the bank is also changing its Core Banking System (CBS) from FLEXCUBE to BaNCS in partnership with Tata Consultancy Services (TCS). With change in CBS, the bank will be able to introduce new and innovative products quickly.

DHI COMPANIES



Financial services  
Bank of Bhutan Ltd.





# Manufacturing

## Dungsam Cement Corporation Ltd.

### *Financial highlights*

- DCCL's total revenue for the year is Nu. 2,579.43 million, an increase of 61.37% from Nu. 1,598.43 million in 2014. The revenue increased due to increase in sales during 2015;
- The company, however, incurred a loss of Nu. 737.70 million, a decrease of 18.93% from Nu. 909.98 million loss in 2014. Depreciation cost of Nu. 421.03 million and financial charges of Nu. 663.68 million on borrowings contributed to its loss.

### *Operational highlights*

- The plant produced 375,870.38 MT of clinker against the installed capacity of 990,000 MT and 469,302 MT of cement produced against the installed capacity of 1.3 million MT.
- DCCL sold 38% of cement produced in export market and 73% in domestic market. Within the domestic market 12% was sold to the trade segment and 50% to the institutional buyers like hydropower projects;
- DCCL appointed 88 dealers in domestic market and 36 distributors in export market during 2015;







# Wood Craft Center Ltd

## Financial highlights

- WCCL's revenue for the year was Nu. 79.35 million, a decrease of 1.31% from Nu. 80.41 million in 2014;
- WCCL made a PAT of Nu. 4.36 million, a decrease of 28.45% from Nu. 6.09 million in 2014.

## Operational highlights

- The company, following its enlistment under the DHI Group from January 2015, developed/conducted and implemented Corporate Strategic Plan (CSP) and Organizational Development exercises (OD); and
- WCCL also put in place required internal systems and process manuals viz. Performance Management System, Services Rules and product costing system.



# Dungsam Polymers Ltd

## Financial highlights

- DPL's revenue for the year was Nu. 145.99 million, an increase of 38.58% from Nu. 105.35 million in 2014. The revenue increased as a result of increased sale of PP bags (55% increase compared to 2014);
- DPL made a loss of Nu. 5.27 million which is a significant decrease from Nu. 28.35 million loss in 2014;

## Operational highlights

- DPL produced 1,105.28 MT of fabric during 2015 as compared to 668.91 MT 2014, an increase of 65%.

On account of higher fabric production, the company produced 15.22 million PP bags during 2015, an increase of 61% as compared to 9.47 million in 2014.

- DPL aimed to produce 80% of the installed capacity presuming that the production of DCCL would pick up at 65% of its installed capacity. However, the target didn't materialize as expected due to various unforeseen circumstances and natural calamities; and
- Capacity utilization for the year remained below 48.54% as compared to the targeted 80%. This was mainly due to DCCL, DPL's main market, not being able to pick up its sales, expected at 65% capacity utilization, during 2015.







# Real Estate

## DHI-INFRA Ltd.

### Financial highlights

- DHI-INFRA's revenue for the year is Nu. 11.41 million. The company had made a revenue of Nu. 84.09 million in 2014.
- DHI-INFRA made a loss of Nu. 7.31 million compared to a profit of Nu. 3.38 million in 2014.

### Operational highlights

- **Amochhu Land Reclamation and Township Project:**  
For this project, following progresses were made during 2015:
  - Awarded contract worth Nu. 82.40 million for the preparation of Integrated Detailed Project Report (IDPR);
  - Completed topographical survey of the project area worth;
  - Completed identification of site and concept plan for social housing to accommodate Bhutanese living across the border; and
- **Power Transmission Construction Project:**  
For this project, following progresses were made during 2015:
  - Signed MoU with BPC on the national capacity building in transmission lines construction;
  - Associated with BPC in conducting preliminary survey and identification of transmission line route from Jemina to Changedaphu; and
  - Completed Business Plan for transmission lines construction and, subsequently, amended its Articles of Incorporation.







# Construction Development Corporation Ltd.

## Financial highlights

- CDCL's revenue for the year is Nu. 475.39 million, an increase of 18.10% from Nu. 402.53 million in 2014. The increase was brought about by more projects acquired by the company during 2015; and
- CDCL made a profit of Nu. 28.24 million, a significant improvement compared to Nu. 0.69 million loss in 2014.

## Operational highlights

- Upon enlistment as DHI subsidiary starting January 2015, CDCL reviewed Corporate Strategic Plans

(CSP), conducted OD exercise and revised internal systems and process manuals viz. Service Rules and PMS system;

- CDCL developed business plan to undertake hydropower construction works and established Hydropower Services Department as one of the key strategic business unit to undertake hydropower constructions works and initiated procurement of major hydropower construction equipment and machineries;
- The company entered into Joint Venture MoU with CMC di Ravenna of Italy for hydropower construction works; and



- CDCL signed MoU with DGPC to undertake exploratory works for the Nyera Amari I & II.
- **Projects:** CDCL also made significant progresses on following bridge and road projects during 2015:
  - **Yangbari suspension baily bridge:** construction completed and handed over to Mongar Dzongkhag Administration;
  - **Nikachu bridge** – construction completed and

handed over to Tangsibji Hydro Energy Ltd.;

- **Decchencholing bridge** – completed 72.5% of physical work;
- **Hejo Bridge** - completed 75% of physical work;
- Bongdeyma bridge - completed 77.5% of physical work;
- **Samdrupchoking-Sambrang road** – construction completed and handed over to Department of Roads (DoR);
- **East-West road widening (Dochula site)** – construction completed and handed over to DoR; and
- **Tobjikha workshop construction** - completed 93.3% of physical work.







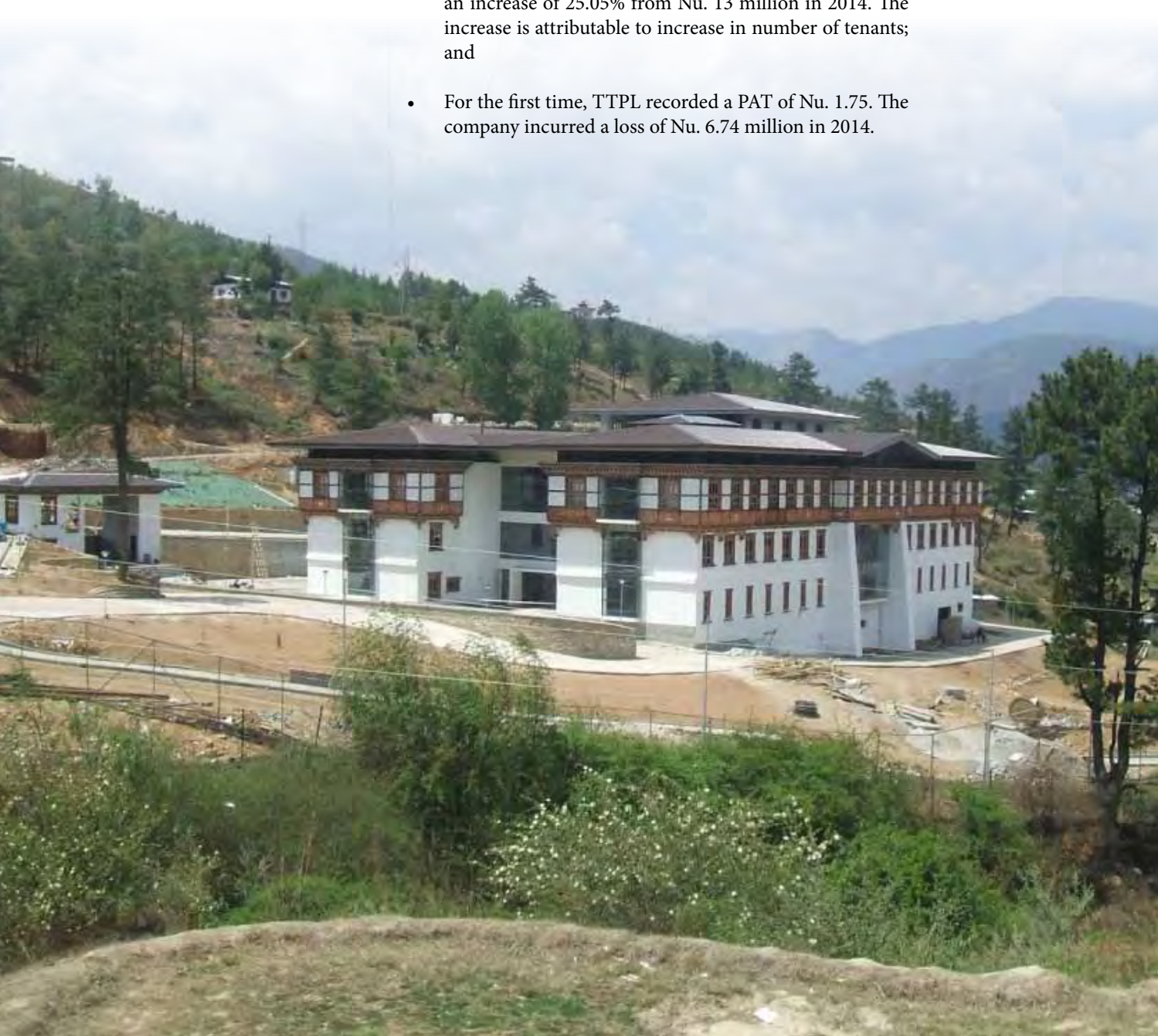
# Thimphu Tech Park Ltd.

## Financial highlights

- TTPL's total revenue for the year was Nu. 16.26 million, an increase of 25.05% from Nu. 13 million in 2014. The increase is attributable to increase in number of tenants; and
- For the first time, TTPL recorded a PAT of Nu. 1.75. The company incurred a loss of Nu. 6.74 million in 2014.

## Operational highlights

- TTPL developed space on the second floor and created additional spaces with a total carpet area of 1,330 sqft by partitioning space within the common areas and also partially leased out the space;
- Besides commercial mandate, the company was able to create direct employment opportunities for over 600 youth at the IT Park during 2015;
- Managed the operation of Bhutan Innovation and Technology Centre, which houses a business incubator and a Tier-2 Data Centre under the Design Build Operate Transfer (DBOT) contract with the Department of IT & Telecom, Ministry of Information and Communications (MoIC); and
- Conducted entrepreneurship-training programs with the Ministry of Labour and Human Resources (MoLHR);

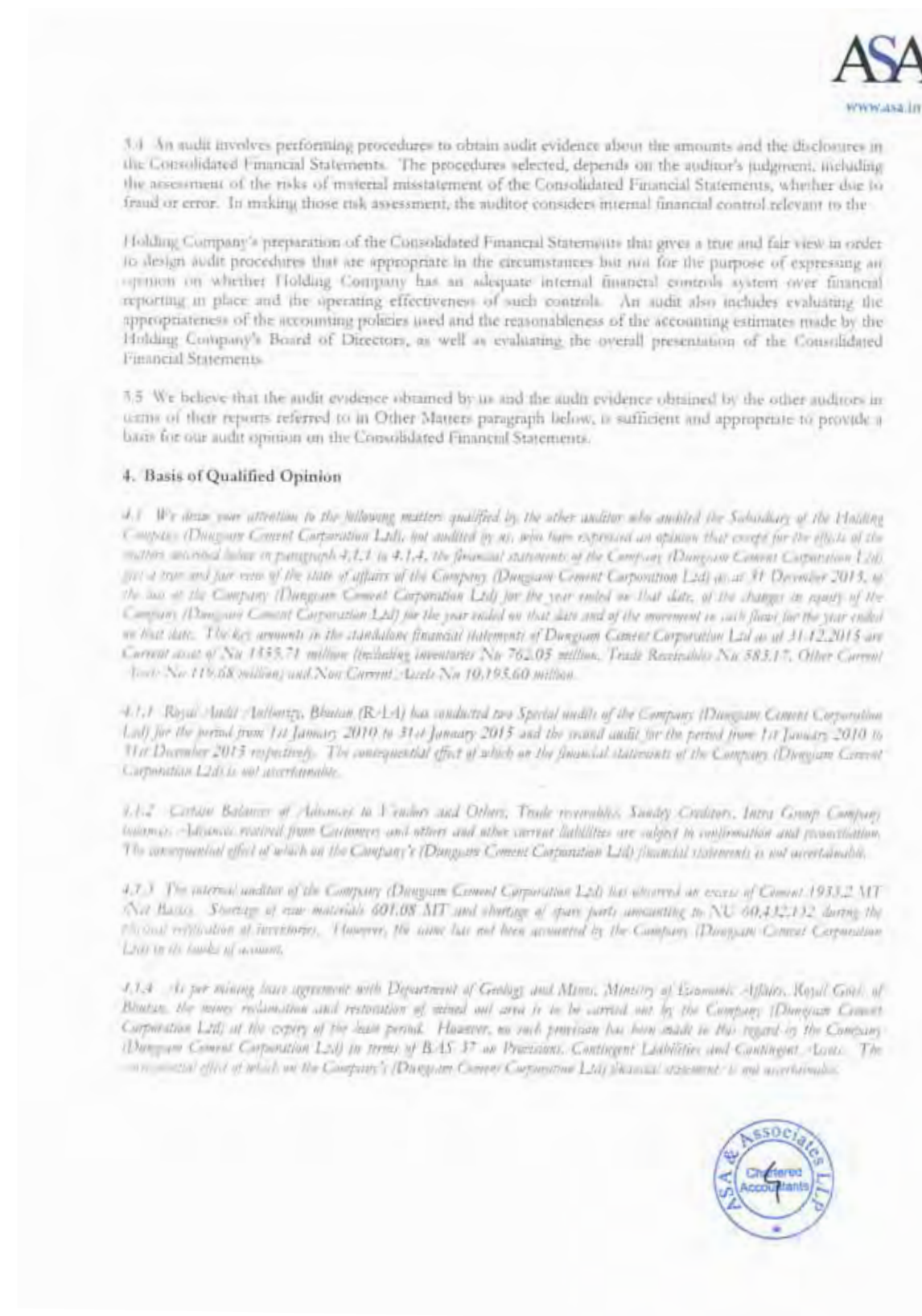
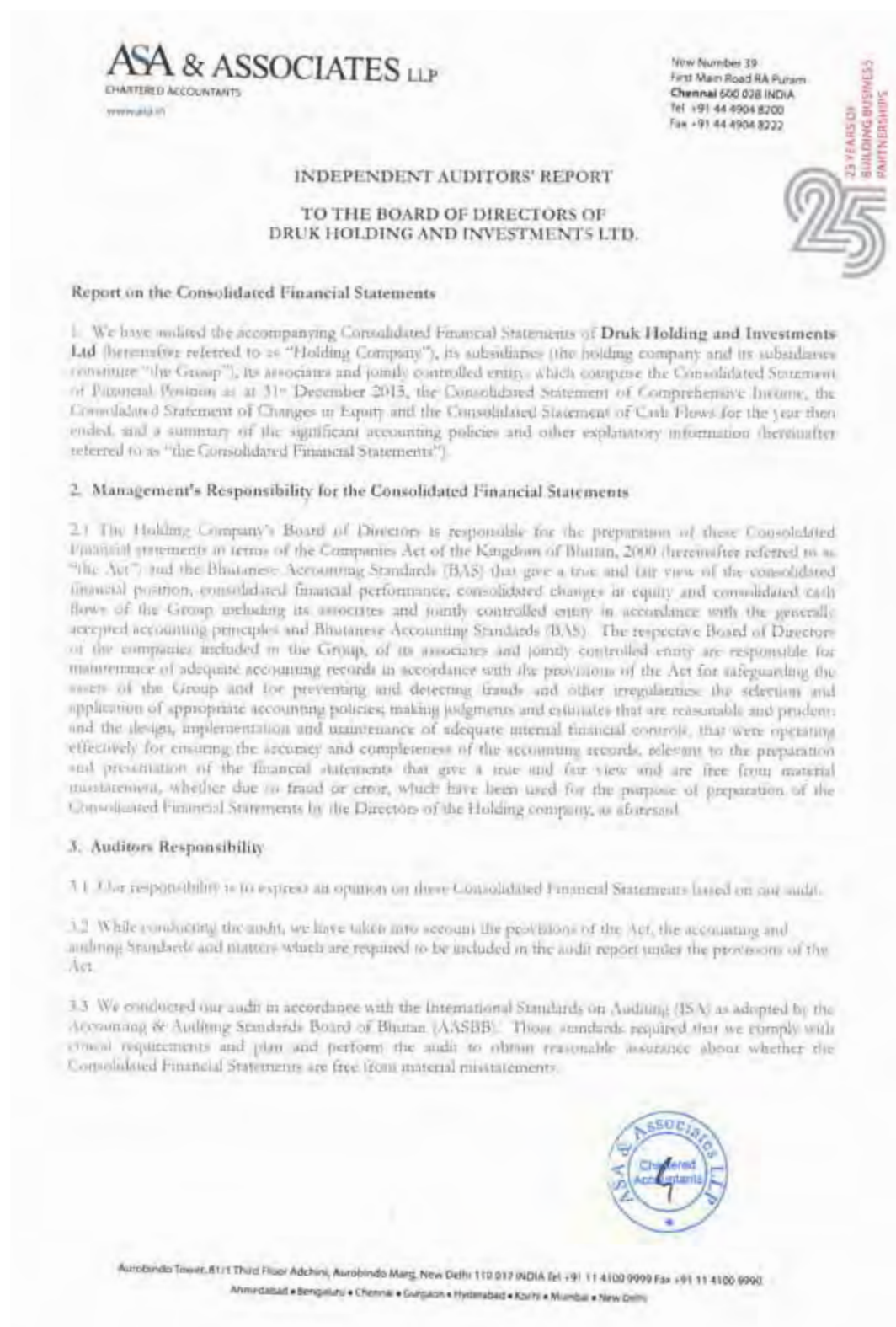




Auditors’  
**REPORT**



# DHI Consolidated Financial Statements 2015







4.2 We draw your attention to the following matters qualified by the other auditor who audited the Subsidiary of the Holding company (Penden Cement Authority Ltd), not audited by us, who have expressed an opinion that except for the effects of the matters described below in paragraph 4.2.1 to 4.2.3, the financial statements of the Company (Penden Cement Authority Ltd) give a true and fair view of the state of affairs of the Company (Penden Cement Authority Ltd) as at 31 December 2015, of the profit of the Company (Penden Cement Authority Ltd) for the year ended on that date, of the changes in equity of the Company (Penden Cement Authority Ltd) for the year on that date and of the movement in cash flows for the year on that date.

4.2.1 B-15 To: Property plant and equipment require that the residual life and the useful life of an asset shall be reviewed at least at each financial year end and significant parts/components are required to be depreciated over their estimated useful life. The Company (Penden Cement Authority Ltd) has neither reviewed the useful life in the year nor identified any significant parts/components the useful life of the assets has neither been assessed nor disclosed.

4.2.2 Non availability of balance confirmation for various receivables and payables which on subsequent reconciliation/confirmations may have financial impact on the profitability and certain disclosures.

4.2.3 Debt from NHPC and JUD cement, amounting to Nu 9.8 million which in our opinion is doubtful of recovery and needs to be provided for.

### 5. Qualified Opinion

In our opinion and to the best of our information and according to the explanation given to us, except for the matters referred to in Paragraph 4 above, the aforesaid Consolidated Financial Statements give the information required by the Act and BAS in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted, of the consolidated state of affairs of the Group as at 31st December 2015, and the consolidated profit and the consolidated changes in the equity and the consolidated cash flows for the year ended on that date.

### 6. Emphasis of Matter

We draw your attention to the following matters:

6.1 In the case of the Subsidiary of the Holding company - Bank of Bhutan Ltd, not audited by us, the other auditor who audited Bank of Bhutan Ltd has drawn attention, without qualifying his opinion, to the following emphasis of matter (i) regarding to non adjustment of Debits Nu 67.78 million and Credits Nu 89.4 million relating to unmatched entries in the Accounts with State Bank of India including NOSTRO Accounts and (ii) regarding to non adjustment of Credits Nu 8.52 million relating to unmatched entries in the Accounts with other Banks including NOSTRO Accounts.

6.2 In the Consolidated Financial Statements, we have noted a difference of Nu 1,104.45 million in the movement of Cost (Gross amount) of Property plant and equipment (Note 2 under Note 7 a of the Consolidated Financial Statements) for the period 1.1.2015 and 31.12.2015 which has been added to the Cost of the assets in the Property plant and equipment movement schedule. The Group is in the process of reconciling this difference. However the Net Book Value as at 31.12.2015 of Property plant and equipment was reconciled to the audited financial statements of the Holding company.



### 7. Other Matters

We did not audit the financial information of 21 subsidiaries, whose financial information reflects total assets (net) of Nu. 76,389.13 Million as at 31<sup>st</sup> December 2015, total revenues of Nu. 39,085.02 Million and cash flows for the year amounting to Nu. 1356.4 Million for the year ended on that date, as considered in the consolidated financial statements. The consolidated financial statement also includes the Group's share of net loss of Nu. 40.03 Million for the year 31<sup>st</sup> December 2015, as considered in the consolidated financial statements, in respect of 3 associates and 1 joint venture, whose financial information have not been audited by us. These financial information have been audited by other auditors whose reports have been furnished to us by the management and our opinion, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and associates, is based solely on the reports of the other auditors. Our opinion is not qualified in respect of this matter with respect to our reliance on the work done and the reports of the other auditors and the financial statements certified by the Management.

For ASA & ASSOCIATES LLP

Chartered Accountants

Firm Reg No: 009571N/N500006

Name: D K Giridharan

Partner

Membership No: 028738

Date: 6-6-2016

Place: Chennai



# CONSOLIDATED FINANCIAL STATEMENT

For the year ended 31 December 2015

## Druk Holding and Investments Limited

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

### Consolidated Statement of Comprehensive Income for the year ended 31 December 2015

	Note	31-Dec-15	31-Dec-14
<b>PROFIT OR LOSS:</b>			
<b>INCOME</b>			
Revenue	2	37,304.61	28,915.99
Other Income	3	1,855.86	754.67
Share of Profits of Associates	4	0.00	138.76
<b>Total Income</b>		<b>39,160.47</b>	<b>29,809.42</b>
<b>EXPENDITURE</b>			
Direct Costs of Sales	5	12,169.90	7,800.64
Personnel and Other Costs	6	7,642.56	5,645.60
Finance Cost		2,890.64	2,378.05
Depreciation and amortisation	7a, 11a	5,566.21	4,759.70
Impairment losses		35.72	-118.49
Share of Losses of Associates and joint Venture	4	40.03	0.00
<b>Total Expenditure</b>		<b>28,345.06</b>	<b>20,465.50</b>
<b>Profit from Operations before Tax</b>		<b>10,815.41</b>	<b>9,343.92</b>
Less: Income Tax Expenses	8	5,261.77	5,034.90
<b>Profit from Operations after Tax</b>		<b>5,553.64</b>	<b>4,309.02</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Actuarial gains/(loss) on Post-Employment benefits		-170.27	-71.00
Currency translation variances		-4.66	-59.41
Share of other comprehensive income of Associate Companies	13	0.00	3.78
Tax on Other Comprehensive Income		0.39	29.21
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>5,379.10</b>	<b>4,211.60</b>
<b>Attributable to shareholders of DHI</b>		<b>5,196.81</b>	<b>4,103.38</b>
Attributable to Non- Controlling Interest		182.29	108.22
<b>Basic and Diluted Earnings per Share (Nu.)</b>	<b>9</b>	<b>12.38</b>	<b>9.72</b>

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

For ASA & Associate LLP  
Chartered Accountants.  
Firm Registration No.0097571N/N500006

D.K Giridharan  
Partner  
Membership No.028738



Place: Chennai  
Date: 6<sup>th</sup> June 2016

DASHO SANGAY KHANDU  
Chairman

LODAY PHINTSHO  
Manager  
Group Accounts



Group Accounts  
Place: Thimphu  
Date: 6<sup>th</sup> June 2016

DASHO KARMA Y. RAYDI  
Chief Executive Officer

TENZIN DHENDUP  
Board Director



## Druk Holding and Investments Limited

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

## Consolidated Statement of Financial Position as at 31 December, 2015

	Note	31-Dec-15	31-Dec-14
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Property, Plant and Equipment	7	97,002.21	96,652.40
Investment Property	10	269.09	249.64
Intangible Assets	11	823.41	597.58
Goodwill	12	11.95	11.95
Investments	13	819.79	1,129.51
Deferred Tax Assets	8	749.01	146.21
Long Term Financial Assets	14	550.00	350.00
Banking Loans and Advances		18,280.12	17,736.09
Long Term Employee Benefits		12.59	13.16
Other Non Current Assets	15	1,229.92	326.56
<b>Total Non-current Assets</b>		<b>119,748.09</b>	<b>117,213.10</b>
<b>Current Assets</b>			
Inventory	16	3,279.45	2,260.20
Trade Receivables	17	2,157.62	1,887.74
Other Receivables and Advances	18	9,558.01	12,058.82
Cash and Bank Balances	19	19,709.41	21,221.27
<b>Total Current Assets</b>		<b>34,704.49</b>	<b>37,428.03</b>
<b>TOTAL ASSETS</b>		<b>154,452.58</b>	<b>154,641.13</b>



## Druk Holding and Investments Limited

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

## Consolidated Statement of Financial Position as at 31 December, 2015 (Contd...)

	Note	31-Dec-15	31-Dec-14
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Paid up Share capital	20	45,067.72	44,333.51
Reserves	21	31,433.55	29,167.08
Non-controlling Interests		4,763.83	3,030.66
<b>Total Equity</b>		<b>81,265.10</b>	<b>76,531.25</b>
<b>LIABILITIES</b>			
<b>Non-current Liabilities</b>			
Long Term Borrowings	22	29,395.01	30,344.52
Customer Deposits in Banking Sector		28,610.37	29,994.45
Deferred Government Grants	23	1,132.87	1,072.13
Long Term Employee Benefits		433.97	666.80
Deferred Tax Liabilities	8	690.05	482.37
Other Non- Current Liabilities	24	1,158.75	1,285.37
<b>Total Non-current Liabilities</b>		<b>61,421.02</b>	<b>63,845.64</b>
<b>Current Liabilities</b>			
Current Portion of Long Term Borrowings	22	2,849.73	3,117.51
Income Tax Payable		2,898.64	2,433.36
Trade and Other Payables	25	2,118.46	5,747.76
Other Current Liabilities	26	3,899.63	2,965.61
<b>Total Current Liabilities</b>		<b>11,766.46</b>	<b>14,264.24</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>154,452.58</b>	<b>154,641.13</b>

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

For ASA & Associate LLP  
Chartered Accountants.  
Firm Registration No.0097571N/N500006

D.K. Giridharan  
Partner  
Membership No.028738



Place: Chennai  
Date: 6<sup>th</sup> June 2016

Dashed Sangay Khandu  
Chairman

Loday Phintsho  
Manager  
Group Accounts



Group Accounts  
Place: Thimphu  
Date: 6<sup>th</sup> June 2016

Dasho Karma Y. Raydi  
Chief Executive Officer

Tenzin Dhendup  
Board Director



## Druk Holding and Investments Limited

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

## Consolidated Statement of Changes in Equity for the year ended 31 December, 2015

	Share Capital	Retained Earnings	Group Investment Reserve	Statutory and Restricted Reserves	Other Reserves	Total Shareholder Equity	Non Controlling Interests	Total Equity
Opening Balance 1 January 2015	44,333.51	13,828.93	1,511.80	5,016.72	8,809.63	73,500.59	3,030.66	76,531.25
Share of profit and other adjustment (Note 1)		759.40				759.40	493.40	1,252.80
<b>Sub Total:</b>	<b>44,333.51</b>	<b>14,588.33</b>	<b>1,511.80</b>	<b>5,016.72</b>	<b>8,809.63</b>	<b>74,259.99</b>	<b>3,524.06</b>	<b>77,784.05</b>
Operating Profit for the year		5,371.59				5,371.59	182.05	5,553.64
Other Comprehensive Income for the year		-174.78				-174.78	0.24	-174.54
Dividends Paid		-3,689.74				-3,689.74	-242.52	-3,932.26
Transfers to Reserves		-745.45	100.30	631.60	13.55	0.00		0.00
Increase in paid up Share capital	734.21					734.21	1,300.00	2,034.21
<b>Closing Balance 31 December 2015</b>	<b>45,067.72</b>	<b>15,349.95</b>	<b>1,612.10</b>	<b>5,648.32</b>	<b>8,823.18</b>	<b>76,501.27</b>	<b>4,763.83</b>	<b>81,265.10</b>

Note 1 - Share of profit and other adjustment includes share of brought forward profit of the subsidiaries, which have come under the Holding Company's control in respect of new investments in subsidiaries during the year.

## Consolidated Statement of Changes in Equity for the year ended 31 December, 2014

Opening balance 1 January 2014	44,328.11	14,235.26	935.72	4,896.65	8,800.59	73,196.33	2,918.17	76,114.50
Operating Profit for the year		4,200.36	0.00	0.00	0.00	4,200.36	108.66	4,309.02
Other Comprehensive Income for the Year		-96.98	0.00	0.00	0.00	-96.98	-0.44	-97.42
Dividends Paid		-3,769.98	0.00	0.00	0.00	-3,769.98	-73.23	-3,843.21
Acquisition of Subsidiary		-34.54	0.00	0.00	0.00	-34.54	0.00	-34.54
Transfer to Reserves		-705.19	576.08	120.07	9.04	0.00	0.00	0.00
Increase in Paid Up Share Capital	5.40					5.40	77.50	82.90
<b>Closing Balance 31 December 2014</b>	<b>44,333.51</b>	<b>13,828.93</b>	<b>1,511.80</b>	<b>5,016.72</b>	<b>8,809.63</b>	<b>73,500.59</b>	<b>3,030.66</b>	<b>76,531.25</b>



## Druk Holding and Investments Limited

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

## Consolidated Statement of Cash flow for the year ended 31 December 2015

	31-Dec-15	31-Dec-14
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Sales of Goods and Services	34,727.23	27,416.21
Interest Received	2,952.84	2,544.57
Dividends received	114.36	203.02
Other Income	482.44	354.80
Expenses	-21,887.52	-14,723.07
Interest Paid	-1,933.89	-1,581.42
<b>Cash Flows from Operations</b>	<b>14,455.46</b>	<b>14,214.11</b>
Tax Paid	-5,048.29	-3,314.54
Movements in Banking Loans and Deposits		
-Increase/(Decrease) in Customer Deposits	-1,384.07	7,398.22
- Decrease/(Increase) in Customer Loans	-532.76	-1,641.80
<b>OPERATING CASH FLOWS</b>	<b>7,490.34</b>	<b>16,655.99</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sale of Property, Plant and Equipment	11.19	19.24
Investment in Investment Property	-7.86	0.00
(Increase)/Decrease in Other Investments	-1,547.07	1,439.60
Purchase of Property, Plant and Equipment	-4,525.98	-7,875.18
Investment in Associates and Joint Ventures	287.99	0.00
Acquisition of Subsidiary	0.00	-31.11
<b>INVESTING CASH FLOWS</b>	<b>-5,781.73</b>	<b>-6,447.45</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Government Grants received	140.71	25.22
Outside shareholders contributions to paid up capital	1,300.00	77.89
Increase/(Decrease) in Borrowings	-914.24	2,284.52
(Increase)/Decrease in Advance to MOF	-22.20	-1,182.36
Dividends Paid	-3,932.26	-4,017.49
<b>FINANCING CASH FLOWS</b>	<b>-3,427.99</b>	<b>-2,812.22</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>-1,719.38</b>	<b>7,396.32</b>
Opening Cash and Bank Balances	21,221.27	13,765.54
Opening cash and bank balances of newly acquired Co*	200.49	0.00
Foreign currency movements on year end translation	-4.66	59.41
<b>Closing Cash and Bank Balances**</b>	<b>19,697.72</b>	<b>21,221.27</b>

\*Cash and Cash Equivalents of Companies that has come under the control of DHI in the financial year 2015.

\*\*Refer Note 19 for the composition of cash and Bank balances.

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

For ASA & Associate LLP  
Chartered Accountants.  
Firm Registration No.0097571N/N500006

D.K Girdharan  
Partner  
Membership No.028738

Place: Chennai  
Date: 6<sup>th</sup> June 2016



Dasho Sangay Khandu  
Chairman

Loday Phintsho  
Manager  
Group Accounts



Group Accounts  
Place: Thimphu  
Date: 6<sup>th</sup> June 2016

Dasho Karma Y. Raydi  
Chief Executive Officer

Tenzin Dhendup  
Board Director



## Druk Holding and Investments Limited

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

### A. General Information

Druk Holding and Investments Limited was constituted through a Royal Charter on 11 November 2007. DHI was subsequently incorporated into a limited liability company under the Companies Act of the Kingdom of Bhutan, 2000 on 16th November 2007.

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

Initially shares held by the Ministry of Finance, Royal Government of Bhutan, in 14 companies amounting to Nu. 15,998,982,400/- was transferred to Druk Holding & Investments Limited as it's issued and subscribed capital divided into 159,989,824 equity shares of Nu. 100/- each. In subsequent years the Royal Government of Bhutan has handed over various projects to the Company and the relevant share capital has been issued to the Ministry of Finance.

Currently there are 26 companies that come under DHI's investment as subsidiaries, associates and joint venture. These companies cover the segments like hydropower, telecommunication, aviation, natural resources, banking, insurance, manufacturing, infrastructure and trading.

All significant operations take place within Bhutan. The ultimate parent is the Royal Government of Bhutan. These financial statements relate to the year-ended 31 December 2015.

### B. Significant Accounting Policies

#### 1. Reporting Entity

The financial statements cover Druk Holding and Investments Ltd (DHI), the Parent company and the consolidated statements of all companies in the DHI Group.

The principal activity of the Parent company is the holding company for investments. The major activities of subsidiary companies include electricity generation and distribution, telecommunication, airline, manufacturing, and banking. All significant operations take place within Bhutan. The ultimate parent is the Royal Government of 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, Thimphu, Bhutan.

These financial statements relate to the year ended 31 December 2015.

#### 2. 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 was introduced over the period 2013 to 2015. The consolidated financial

## Druk Holding and Investments Limited

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

statements of the group have been prepared in accordance with Bhutanese Accounting Standards. The financial statements have been prepared under the accrual, historical cost except for investment property measured at fair value and going concern conventions.

The preparation of financial statements is in conformity with BAS that requires the use of certain critical accounting estimates. It also requires management to exercise its 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 for period of use, condition of the asset, technological advances, regulation, and residual values.
- **Actuarial valuation of employee benefits:** Expected uptake of the gratuities and the discount rate used in the valuation.
- **Investment properties:** Investment property is measured at fair value and movements in the fair value are included in reported income. The valuation of investment property involves assumptions on changes in costs and useful life of the asset.
- **Tax:** The Group is subject to taxes in Bhutan and other jurisdictions in which it operates. The application of tax law to specific circumstances and transactions require the exercise of judgment by management.

The functional currency and presentation currency is the Bhutanese Ngultrum.

#### 3. Application of Bhutanese Accounting Standards

The Financial Statements have been prepared in line with Bhutanese Accounting Standards. Standards implemented as appropriate include all standards in the first phase of implementation, plus the following standards from the second and third phase of implementation: IAS 28 Accounting for Associates (revised 2011), IAS 40 Investment Property, IFRS 6 Exploration for and Evaluation of Mineral Resources and IFRS 10 Consolidated Financial Statements, IFRS 11 Joint arrangement and IFRS 12 Disclosure of Interest in Other Entities.

#### 4. Segment reporting

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

#### 5. Consolidation

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





## Druk Holding and Investments Limited

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

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

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

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

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

### 6 Foreign currency translation

a) Transactions in foreign currencies are initially recognized in the financial statements using exchange rates prevailing on the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated to the relevant functional currency at the exchange rates prevailing at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary assets and liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction. Foreign currency differences arising on translation are recognized in the income statement for determination of net profit or loss during the period.

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

### 7 Property, plant and equipment

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

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

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



## Druk Holding and Investments Limited

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

Asset Class	Useful life
Land Development Cost	30-40 Years
Buildings and civil structures	30-40 Years
Plant and machinery and other equipment	05-20 years
Furniture and fixtures	07-10 Years
Computers and office equipment	03-07 Years
Cables and power system	05-10 Years
Vehicles	07-10 years
Capital tools and spare parts	05-10 Years
Aircraft fleet	15-17 Years
Other aviation assets	10 years
Transmission and Distribution lines	30 years

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

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

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

### 8 Intangible assets

#### Computer software

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 3 to 10 years.

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

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

### 9 Business Combination

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

Business combinations have been accounted for, using the acquisition method. The cost of acquisition is measured at the fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed at the date of acquisition. The cost of acquisition also includes the fair value of any





## Druk Holding and Investments Limited

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

contingent consideration. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value on the date of acquisition.

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

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

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

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

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

### 10. Goodwill

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

### 11. Investment Property

The Group acquired full ownership of a company engaged in the provision of rental premises on 1 October 2014. The company had been using Indian Accounting Standards and was required to change to using Bhutan Accounting Standards once it became a subsidiary. Since the company would have been obliged to value the premises in line with IAS 40 Investment Properties from 2016, it was decided to adopt that standard immediately.

The fair value of the TTPLs' building has been assessed using the cost approach or depreciated replacement cost approach. This approach is based on the economic theory of substitution. The fair market value of the building on a valuation date is its cost of reproduction on that date minus the depreciation from the date of completion of the building to the date of its valuation. This approach is used as there is no useful or relevant evidence of recent sales transactions due to specialized nature of the assets.

The movement in valuation for the 2015 has been allocated on a straight-line basis over the year



## Druk Holding and Investments Limited

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

### 12. Research and Development costs

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

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

### 13. Investments

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

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

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

Other investments include entities where the Group is not in the position of being able to control or have significant influence over the decisions of the entity. This is indicated by a shareholding of less than 20%. The investments are held for the dividends only and the investment is shown at cost.

### 14. Exploration (or) Evaluation of mineral resources

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

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

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

### 16. 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. These are classified as non-current assets. The company's loans and receivables comprise 'loans to customers', 'trade and other receivables' and 'cash and Bank balances' in the balance sheet (notes 15, 17, 18 and 19).

### 17. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises design costs,





## Druk Holding and Investments Limited

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raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs.

### 18. 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.

### 19. Cash and cash equivalents

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

### 20. 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.

### 21. Current and deferred income tax

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

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

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

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

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

### 22. Borrowing costs

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

## Druk Holding and Investments Limited

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

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

### 23. Employee benefits

#### a) Retirement Benefits

Under defined contribution scheme

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

Under Defined Benefit Scheme

The Company makes retirement payments based on the final salary and years of service.

The gratuity is accrued on the basis of actuarial valuation. Changes in service and interest cost are charged to Profit or loss under Statement of Comprehensive Income. All actuarial gains and losses arising from defined benefit plan are recognised in Other Comprehensive Income.

#### b) Other benefits

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

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

### 24. Lease Payments

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

The DHI Group currently has no financial leases.

### 25. Provisions and Contingent Liabilities

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

A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognizes any impairment loss on the assets associated with that contract.





## Druk Holding and Investments Limited

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### 26. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for sale of goods and rendering of services, stated net of discounts, returns and taxes. The company recognises revenue when the amount of revenue can be reliably measured and when it is probable that future economic benefits will flow to the company.

Airlines ticket sales include a provision of a loyalty program. Revenue relating to the loyalty program is deferred till the points are redeemed and the liability for the same is recognised based on actuarial valuation. All other sales are treated as revenue at the time the services are rendered.

### 27. 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.

### 28. Dividend income

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

### 29. Construction Contracts

Construction contracts are performed on either a fixed contract basis or a cost-plus basis.

For fixed price contracts, if the outcome of the contract can be reliably estimated, revenue and expenses are recognised to the stage of completion of the contract activity at the balance date ("percentage of completion method"). When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

For cost plus contracts, Revenue is recognised by reference to the recoverable costs incurred during the year plus the fixed mark up under the contractual terms. The costs incurred as shown as an expense for the year.

Advances are received ahead of the work to be undertaken. The difference between advances received and revenue recognised to date is included in Current Liabilities.

### 30. Government grants

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

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



## Druk Holding and Investments Limited

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

### 31. Impairment of Non-financial assets

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

#### Reversal of impairment loss:

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

### 32. Earnings Per Share

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

### 33. Comparative information

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

### 34. Changes in Accounting Policies

Following the buy-out of shares in a company engaged in the rental property business, the group has early adopted IAS 40 Investment Property. The property is re-valued each year using the depreciated replacement method. Movements in the valuation are included in Sundry Income in the Operating statement. The company changed from an Associate to a subsidiary on 1 October 2014, so the impact on reported profits is not material. Investment Property is disclosed as a separate asset in the Statement of Financial Position and isn't included in Property Plant and Equipment.

Penden Cement Authority Limited (PCAL) has been reclassified as a subsidiary from 1 January 2015, which was earlier, treated as an associate on the merit that DHI has control over PCAL in spite of holding 40% of shares as there are large numbers of other shareholders holding small number of shares.





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### C. Notes to the Financial Statements

#### 1. Segmental Reporting

##### Description of Segments

Energy and Resources include companies involved in electricity generation and distribution and forestry and mining.

Communications and Transport are companies dealing in telecommunications and airline operations

Manufacturing include companies involved in the manufacture of cement, polymers and wood products

Trading is a company involved in trading activities at commercial and retail levels

Finance covers banking and share broking services

Other includes the holding company and the minor segments of Real Estate and Hospitality

All companies operate in Bhutan so there are no geographical segments

A full list of companies in the Group, their segment and percentage of shareholding is provided in Note 29.



## Druk Holding and Investments Limited

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

Year ended 31 December 2015

	Energy & Resources	Communication & Transport	Manufacturing	Finance	Trading	Other	Total	Eliminations	Grand Total
Revenue	11,649.57	5,220.02	4,609.13	2,464.86	2,103.00	297.70	26,344.28	-30.99	26,313.29
Revenue from PTC (India)	10,991.32	0.00	0.00	0.00	0.00	0.00	10,991.32	0.00	10,991.32
Revenue from group	277.02	80.69	15.32	129.37	77.13	123.53	703.06	-703.06	0.00
Interest Received	292.13	70.41	18.43	23.52	0.30	32.11	436.90	-93.89	343.01
Other Income	699.62	242.82	110.40	8.63	117.61	6,392.61	7,371.69	-6,058.84	1,512.85
<b>Total Income(A)</b>	<b>23,909.66</b>	<b>5,613.94</b>	<b>4,753.28</b>	<b>2,626.38</b>	<b>2,298.04</b>	<b>6,845.95</b>	<b>46,047.25</b>	<b>-6,886.78</b>	<b>39,160.47</b>
Direct Cost of Sales	6,107.63	1,493.22	2,463.40	959.83	1,984.26	167.23	13,175.57	-1,005.68	12,169.89
Personnel and Other Costs	3,238.14	2,057.70	1,958.76	452.99	114.16	427.71	8,249.46	-566.86	7,682.60
Finance Cost	1,177.70	185.54	692.37	31.21	8.42	24.23	2,119.47	-771.17	2,890.64
Depreciation and Amortisation	3,772.43	1,153.97	492.00	46.04	5.52	45.13	5,515.09	-51.12	5,566.21
Impairment losses	-0.03	-3.65	2.31	-45.96	83.01	0.04	35.72	0.00	35.72
Income Tax	2943.39	243.80	-242.88	354.67	30.85	1,864.62	5,194.45	-67.32	5,261.77
<b>Total Expenses(B)</b>	<b>17,239.26</b>	<b>5,130.58</b>	<b>5,365.96</b>	<b>1,798.78</b>	<b>2,226.22</b>	<b>2,528.96</b>	<b>34,289.76</b>	<b>-682.93</b>	<b>33,606.83</b>
<b>Net Profit after tax(A-B)</b>	<b>6,670.40</b>	<b>483.36</b>	<b>-612.68</b>	<b>827.60</b>	<b>71.82</b>	<b>4,316.99</b>	<b>11,757.49</b>	<b>-6203.85</b>	<b>5,553.64</b>
OCI	-90.93	-4.57	1.71	0.00	-0.57	-0.37	-94.73	79.81	-14.54
Current assets	12,649.37	2,005.21	2,922.21	19,174.35	553.69	1,045.83	38,350.66	-3,646.17	34,704.49
Non-Current assets	84,623.35	8,380.18	10,911.04	1,678.15	139.71	52,806.14	158,538.57	-57,070.60	1,01,467.97
Assets - Bank			18,453.13				18,453.13	-173.01	18,280.12
<b>Total assets</b>	<b>97,272.72</b>	<b>10,385.39</b>	<b>13,833.25</b>	<b>39,305.63</b>	<b>693.40</b>	<b>53,851.97</b>	<b>215,342.36</b>	<b>-60,889.78</b>	<b>154,452.58</b>
Current Liabilities	8,384.78	1,508.80	1,863.60	555.67	313.85	2,911.34	15,538.04	3,771.58	11,766.46
Non-Current Liabilities	26,245.94	2,711.35	5,683.17	861.03	25.38	347.19	35,874.06	-3,063.41	-32,810.65
Liabilities - Bank				33,128.45			33,128.45	-4,518.08	28,610.37
<b>Total Liabilities</b>	<b>34,630.72</b>	<b>4,220.15</b>	<b>7,546.77</b>	<b>34,545.15</b>	<b>339.23</b>	<b>3,258.53</b>	<b>84,540.54</b>	<b>-11,353.07</b>	<b>73,187.48</b>





## Druk Holding and Investments Limited

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

Year ended 31 December 2014

	Energy & Resources	Communication & Transport	Manufacturing	Finance	Trading	Other	Total	Eliminations	Grand Total
Revenue	8,123.93	5,147.04	1,989.56	2,238.22	700.69	1.93	18,201.37	16.31	18,217.68
Revenue from PTC, (India)	10,698.31	0.00	0.00	0.00	0.00	0.00	10,698.31	0.00	10,698.31
Revenue from group	175.08	47.34	0.76	98.22	0.00	4.19	325.59	-325.59	0.00
Interest Received	306.37	29.58	0.73	73.29	1.30	54.51	465.78	-158.94	306.84
Other Income	223.85	97.38	38.03	23.10	14.19	5,775.10	6,171.65	-5,585.06	586.59
<b>Total Income(A)</b>	<b>19,527.54</b>	<b>5,321.34</b>	<b>2,029.08</b>	<b>2,432.83</b>	<b>716.18</b>	<b>5,835.73</b>	<b>35,862.70</b>	<b>-6,053.28</b>	<b>29,809.42</b>
Direct Cost of Sales	4,233.87	1,859.63	1,056.66	0.00	609.11	56.37	7,815.64	-15	7,800.63
Personnel and Other Costs	2,524.99	1,749.24	942.83	473.29	79.73	120.37	5,890.45	-244.85	5,645.60
Finance Cost	948.95	64.23	690.73	864.23	0.18	70.16	2,638.48	-260.43	2,378.05
Depreciation and Amortisation	3,148.53	1,047.65	476.89	70.49	3.93	10.21	4,759.70	-	4,759.70
Impairment losses	-0.07	6.36	2.19	-155.83	9.95	18.90	-118.50	0.00	-118.49
Income Tax	2,764.09	249.07	5.29	315.70	3.38	1,668.16	5,005.69	29.21	5,034.90
<b>Total Expenses(B)</b>	<b>13,620.36</b>	<b>4,976.18</b>	<b>3,174.59</b>	<b>1,567.88</b>	<b>708.28</b>	<b>1,944.17</b>	<b>25,991.46</b>	<b>-491.07</b>	<b>25,500.39</b>
<b>Net Profit after tax(A-B)</b>	<b>5,907.18</b>	<b>345.16</b>	<b>-1,145.51</b>	<b>864.95</b>	<b>7.90</b>	<b>3,891.56</b>	<b>9,871.24</b>	<b>-5,562.21</b>	<b>4,309.02</b>
OCI	-8.65	-7.17	-0.96	-81.58	0.10	0.84	-97.42	0	-97.42
<b>Total assets</b>	<b>101,201.73</b>	<b>8,339.49</b>	<b>11,498.35</b>	<b>39,797.48</b>	<b>588.56</b>	<b>51,698.47</b>	<b>213,124.08</b>	<b>-58,482.95</b>	<b>154,641.13</b>
Current assets	16,764.80	1,656.30	1,218.54	20,653.13	507.29	4,478.43	45,278.49	-7,850.46	37,428.04
Non-Current Assets	84,436.93	6,683.19	10,279.81	671.13	81.27	47,220.04	149,372.37	-49,895.37	99,477
Assets-Bank	-	-	-	18,473.22	-	-	18,473.22	-737.13	17,736.09
Current Liabilities	11,698.19	1,123.13	2,277.24	516.77	305.64	2,685.96	18,606.93	-4,342.69	14,264.24
Non-Current Liabilities	27,358.77	1,192.56	5,083.50	871.62	-	236.70	34,743.15	-891.96	33,851.19
Liabilities-bank	-	-	-	34,101.06	-	-	34,101.06	-4,106.61	29,994.45
<b>Total Liabilities</b>	<b>39,056.96</b>	<b>2,315.69</b>	<b>7,360.74</b>	<b>35,489.45</b>	<b>305.64</b>	<b>2,922.66</b>	<b>87,451.14</b>	<b>-9,341.26</b>	<b>78,109.88</b>



## Druk Holding and Investments Limited

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

## 2. Revenue

	31-Dec-15	31-Dec-14
Sales of:		
- Goods	4,609.33	2,357.09
- Services	27,679.61	23,603.68
- Trading	2,536.68	700.69
- Interest	2,478.99	2,254.53
<b>Total</b>	<b>37,304.61</b>	<b>28,915.99</b>

## 3. Other Income

	31-Dec-15	31-Dec-14
Dividends Received	81.64	50.93
Grants and Subsidies	192.72	72.20
Interest Received	343.01	306.84
Other Income	1,238.49	324.70
<b>Total</b>	<b>1,855.86</b>	<b>754.67</b>

## 4. Share of profit/(losses) of associates and Joint Ventures

	31-Dec-15	31-Dec-14
Bhutan Ferro Alloys Limited	19.35	55.08
Penden Cement Authority Limited	-	83.89
Thimphu Techpark Limited	-	-1.24
Koufuku International Private Limited	-7.82	0.00
Kholongchu Hydro Energy Limited	-51.48	-
Royal Securities Exchange of Bhutan Limited	-0.08	1.03
<b>Total</b>	<b>-40.03</b>	<b>138.76</b>

## 5. Direct Costs of Sales

	31-Dec-15	31-Dec-14
Energy and wheeling charges	323.11	372.78
Aircraft fuel, oil and operating Costs	1,406.00	1,799.55
Cost of Goods Sold	6,497.48	3,373.42
Material used in infrastructure development	3,942.32	2,254.07
Other costs	0.99	0.82
<b>Total</b>	<b>12,169.90</b>	<b>7,800.64</b>

## 6. Personnel and Other Costs

	31-Dec-15	31-Dec-14
Payroll and Related Costs	3,061.76	2,274.56
Employee Related Costs	435.18	317.69
Other Costs	2,854.41	1,908.66
Maintenance	1,298.52	1,209.27
Gains/losses on Foreign Exchange Fluctuations	-7.31	-64.58
<b>Total</b>	<b>7,642.56</b>	<b>5,645.60</b>





## Druk Holding and Investments Limited

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

### 7. Property Plant and Equipment

#### a) Property, Plant and Equipment for year ended 31 December 2015

	Cost			Depreciation			Net Book Value
	Opening Note 1	Additions	Adjust- ments Note 2	Disposals	Closing	Opening Note 1	
Land and Buildings	54,431.43	7,558.76	2,564.60	-17.09	64,537.70	6,496.98	55,988.10
Plant and Equipment	31,322.01	7,003.03	-1,471.64	-76.40	36,777.00	16,416.18	18,330.73
Furniture and Office Equipment	1,892.22	336.29	14.03	-24.03	2,218.51	1,220.03	817.35
Vehicles	786.93	124.13	-2.58	-19.46	889.02	519.05	305.55
Aircraft and other aviation assets	4,055.28	2,730.89	-0.01	-9.74	6,776.42	2,321.44	4,056.68
Transmission and Distribution Lines	17,401.48	1,044.68	0.05	-33.70	18,412.51	3,806.44	14,034.89
<b>Totals</b>	<b>109,889.35</b>	<b>18,797.78</b>	<b>1,104.45</b>	<b>-180.42</b>	<b>129,611.16</b>	<b>30,780.14</b>	<b>93,533.30</b>

Note 1: Opening balance of cost and accumulated depreciation includes the related amounts of subsidiaries, which have come into the control of the Holding company in 2015.

Note 2: Adjustments to Cost represents difference in the movement of Gross cost of Property, Plant and Equipment for the year 2015 (between the closing cost as per audited financial statements of 2014 and closing balance of cost according to the trial balance as at 31 December 2015) which is in the process of reconciliation by the Holding company.



## Druk Holding and Investments Limited

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

#### Property, Plant and Equipment for year ended 31 December 2014

	Cost			Depreciation			Net Book Value
	Opening Note 1	Additions	Disposals / Adjustments Note 2	Closing	Opening Note 1	Adjustments / Disposals	
Land and Buildings	52,949.66	4,859.37	-3,968.48	53,840.55	9,003.74	-4,549.78	47,589.63
Plant and Equipment	18,775.67	6,680.38	4,169.24	29,625.29	9,008.25	4003.01	14,695.74
Furniture and Office Equipment	1,700.89	157.00	-56.55	1,801.34	883.51	59.35	655.98
Vehicles	668.97	73.78	-1.18	741.57	427.98	-9.10	253.68
Aircraft and other aviation assets	4,043.78	59.43	-47.92	4,055.28	2,091.61	-65.29	1,733.85
Transmission and Distribution Lines	14,562.26	2,839.21	-	17,401.47	3,275.82	133.70	13,595.03
<b>Total</b>	<b>92,701.23</b>	<b>14,669.17</b>	<b>95.11</b>	<b>107,465.51</b>	<b>24,690.91</b>	<b>-428.11</b>	<b>78,523.91</b>





## Druk Holding and Investments Limited

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

## b) Capital Work in Progress (by Segment)

	31-Dec-15	31-Dec-14
Electricity Generation	1,976.80	14,327.73
Power Distribution	1,173.74	2,435.72
Manufacturing	12.03	18.82
Others	306.34	1,346.22
<b>Total</b>	<b>3,468.91</b>	<b>18,128.49</b>

## 8. Taxation

	31-Dec-15	31-Dec-14
<b>Income Tax Payable -</b>		
Current Tax	5,307.01	4,882.63
Prior Period Tax	2.49	2.14
<b>Total Income Tax Expenses Recognised</b>	<b>5,309.50</b>	<b>4,884.77</b>
Deferred Tax Expenses/(Benefit)	-47.73	150.13
<b>Total Tax on Operating Income</b>	<b>5,261.77</b>	<b>5,034.90</b>

## Reconciliation of Tax on Operating Income -

Profit Before Income-tax from Operations	10,815.41	9,343.92
Tax at 30%	3,244.62	2,803.18
Adjustments required for:		
- Non-deductible expenditure & Non Assessed Income	58.78	16.16
- Tax losses	20.99	-406.72
- Other Adjustments (Timing)	79.51	-24.76
- Tax on Dividends from subsidiaries	1,837.97	1,654.19
- Tax paid in foreign countries	10.90	27.14
<b>Current Tax Expenses</b>	<b>5,261.77</b>	<b>4,882.63</b>

<b>Effective Tax Rate -</b>	<b>49%</b>	<b>52%</b>
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## Reconciliation of Tax on Operating Income

The future tax benefit of losses incurred has been recognised in the calculation of Tax. A benefit can only be obtained if profits earned in the coming three years are sufficient to be able to offset the losses.



## Druk Holding and Investments Limited

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

<b>Reconciliation of Deferred Tax -</b>	<b>31-Dec-15</b>	<b>31-Dec-14</b>
Opening	-336.16	-131.58
Recognised during Year	-47.13	-43.06
Restatement of prior years	442.25	-161.52
<b>Closing</b>	<b>58.96</b>	<b>-336.16</b>
Deferred Tax Assets	749.01	146.21
Deferred Tax Liabilities	-690.05	-482.37
<b>Total</b>	<b>58.96</b>	<b>-336.16</b>

## Deferred tax Assets/(Liabilities) in respect of:

Depreciation	-1,056.94	-375.79
Impairment of Debtors and Inventory	75.94	5.83
Proposed utilisation of business losses for setting off against income tax	1,020.20	0.00
Employment Related Costs	19.76	33.80
<b>Total</b>	<b>58.96</b>	<b>-336.16</b>

<b>Tax on Comprehensive Income</b>	<b>31-Dec-15</b>	<b>31-Dec-14</b>
Actuarial (Gain)/Loss on Post-employment benefit	170.27	71.00
Less : Tax	0.39	29.21
<b>Total</b>	<b>169.88</b>	<b>41.79</b>
Currency translation Variance	4.66	59.41
<b>Total</b>	<b>174.54</b>	<b>101.20</b>

## 9. Earnings per Share

	<b>31-Dec-15</b>	<b>31-Dec-14</b>
Profit after tax from Continuing Operations	5,553.64	4,309.02
Weighted Average number of Share Issued	448.62	443.28
<b>Basic and Diluted Earnings per Share (Nu)</b>	<b>12.38</b>	<b>9.72</b>

## 10. Investment Property

The Group acquired full ownership of a company engaged in the provision of rental premises on 1 October 2014. The company had been using Indian Accounting Standards and was required to change to using Bhutan Accounting Standards once it became a subsidiary. Since the company would have been obliged to value the premises in line with IAS 40 Investment Properties from 2016, it was decided to adopt that standard immediately.

The fair value of the TTPLs' building has been assessed using the cost approach or depreciated replacement cost approach. This approach is based on the economic theory of substitution. The fair market value of the building on a valuation date is its cost of reproduction on that date minus the depreciation from the date of completion of the building to the date of its valuation. This approach is





## Druk Holding and Investments Limited

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

used as there is no useful or relevant evidence of recent sales transactions due to specialized nature of the assets.

The movement in valuation for the 2015 has been allocated on a straight-line basis over the year.

	31-Dec-15	31-Dec-14
Value on 1st January 2015(PY 1 <sup>st</sup> Oct 2014)	249.64	245.14
Increase in Valuation for the year	19.45	4.50
<b>Closing Value</b>	<b>269.09</b>	<b>249.64</b>

### 11. Intangible Assets

	31-Dec-15	31-Dec-14
<b>a) Software</b>		
<b>Cost</b>		
Opening	590.25	348.52
Additions less disposals	500.12	241.73
<b>Closing</b>	<b>1,090.37</b>	<b>590.25</b>
<b>Amortisation</b>		
Opening	151.50	109.71
Additions less disposals	115.46	41.79
<b>Closing</b>	<b>266.96</b>	<b>151.50</b>
<b>Total</b>	<b>823.41</b>	<b>438.75</b>

### b) Pre-Operative Expenses

	31-Dec-15	31-Dec-14
Opening	158.83	0.00
Additions	0.00	197.94
Amortisations*	158.83	39.11
<b>Closing</b>	<b>-0.00</b>	<b>158.83</b>
<b>Total(a+b)</b>	<b>823.41</b>	<b>597.58</b>

\* This amortisation has been accounted in statement of comprehensive income under personal and other costs.

### 12. Goodwill

Goodwill on Consolidation is the difference between the acquisition amount paid for subsidiaries and the net identified assets acquired on that date. Goodwill will be reviewed on a regular basis to ensure that the carrying amount has not been impaired.

### Acquisition of Subsidiary

On 1 October 2014, DHI purchased the remaining shares in Thimphu TechPark Pvt Ltd (TTPL). Prior to that date, DHI owned 26% of TTPL and accounted for the investment as an Associate Company. The purchase of the remaining shares meant that TTPL became a 100% owned subsidiary. TTPL is engaged in the provision of rental premises. The details of the

## Druk Holding and Investments Limited

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

assets and liabilities of TTPL on the date of acquisition, and the goodwill arising from the acquisition, are as follows.

Consideration Paid	33.12
Add: Carrying value of TTPL as an Associate	9.36
<b>Total</b>	<b>42.48</b>
Identifiable Assets and liabilities	
Property, Plant and Equipment	14.10
Investment Property	244.56
Trade and Other Receivables	0.69
Cash and Bank Balances	1.26
<b>Total assets</b>	<b>260.61</b>
Long Term Borrowings	114.06
Trade and Other Payables	116.02
<b>Total Liabilities</b>	<b>230.08</b>
<b>Net Identifiable Assets</b>	<b>30.53</b>
<b>Excess of Net Cash Outflow over Net Assets Acquired</b>	<b>11.95</b>

### 13. Investments

#### a) Associate Companies

	% of holding	31-Dec-15	31-Dec-14
Bhutan Ferro Alloys Ltd	29.10	274.29	287.67
Penden Cement Authority Limited		0.00	468.86
Koufuku International Private Ltd	30.00	7.18	15.00
Royal Stock Exchange of Bhutan Ltd	25.00	24.03	4.80
Kholongchu Hydro Energy Limited	50.00	153.09	0.00
<b>Total</b>		<b>458.59</b>	<b>776.33</b>

#### b) Other Investments in Companies

	31-Dec-15	31-Dec-14
Bhutan National Bank Ltd	242.98	242.98
Bhutan Development Bank Ltd	12.73	7.50
Royal Insurance Company of Bhutan Ltd	17.68	17.68
Druk Ferro Alloy Ltd	23.65	23.65
Bhutan Carbides and Chemicals Ltd	16.26	16.26
Financial Institutions Training Institute	18.00	18.00
Entrepreneur Promotion Fund	28.15	27.11
Credit Information Bureau	1.75	0.00
<b>Total</b>	<b>361.20</b>	<b>353.18</b>
<b>Total Associates and Other Investments</b>	<b>819.79</b>	<b>1,129.51</b>





## Druk Holding and Investments Limited

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

## Summarised Information on Associate Companies

	31-Dec-15	31-Dec-14
Long Term Assets	756.42	1,059.70
Current Assets	1,006.94	2,033.73
	<b>1,763.36</b>	<b>3,093.43</b>
Long Term Liabilities	136.84	453.22
Current Liabilities	557.04	306.28
Equity	1,069.48	2,333.93
	<b>1,763.36</b>	<b>3,093.43</b>
DHI Group Share of Equity	307.13	776.33
Sales	2,067.38	3,892.27
Net Profit after Tax	40.14	397.47
Other Comprehensive Income	0.00	13.01
DHI Group share of Profits after Tax	11.45	142.54

## Joint Venture

	% of holding	31-Dec-15	31-Dec-14
Kholongchu Hydro Energy Limited	50	204.58	0.00

## Summarised Information of Joint Venture

Long Term Assets	54.06	0.00
Current Assets	292.72	0.00
Long Term Liabilities	0.77	0.00
Current Liabilities	39.83	0.00
Equity	306.18	0.00
Sales	0.39	0.00
Net Profit after Tax	-102.97	0.00
Other Comprehensive Income	0.00	0.00
DHI Group share of Profits after Tax	-51.49	0.00

## 14. Long Term Financial Assets

	31-Dec-15	31-Dec-14
Debt Securities		
- Listed	550.00	350.00
-Unlisted	0.00	0.00
<b>Total</b>	<b>550.00</b>	<b>350.00</b>



## Druk Holding and Investments Limited

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

## 15. Other Non-current assets

	31-Dec-15	31-Dec-14
Trade Receivables	51.48	12.53
Term Deposits with Bank and Financial Institutions	890.89	261.13
Advance Payments to Suppliers	212.52	1.10
Prepaid Expenses	75.03	51.80
<b>Total</b>	<b>1,229.92</b>	<b>326.56</b>

## 16. Inventories

	31-Dec-15	31-Dec-14
Raw material	769.48	432.02
Work in progress	199.66	202.83
Finished goods	519.82	343.18
Other inventory	350.78	125.09
Stores, spares and loose tools	1,439.71	1,157.08
<b>Total</b>	<b>3,279.45</b>	<b>2,260.20</b>

## 17. Trade Receivables

	31-Dec-15	31-Dec-14
Receivable in Ngultrum	1,500.35	1,019.49
Receivable in foreign currency	794.67	1,049.31
Less: Provision for Impairment	-137.40	-181.06
<b>Total</b>	<b>2,157.62</b>	<b>1,887.74</b>

## 18. Other Receivables and Advances

	31-Dec-15	31-Dec-14
Non Trade Receivables and Advances	4,164.79	7,753.30
Term deposits with financial institutions	3,445.54	2,307.18
Other Financial Assets	647.18	374.82
Advance payments to vendors	1,063.84	1,365.83
Advance payments to employees	52.65	26.44
Prepaid expenses	153.89	191.52
Income Tax Paid in Advance	30.12	39.73
<b>Total</b>	<b>9,558.01</b>	<b>12,058.82</b>





## Druk Holding and Investments Limited

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

## 19. Cash and Bank Balances

	31-Dec-15	31-Dec-14
Cash in hand	729.30	634.823
Cash at bank	2,975.23	1,887.88
Short-term deposits	3,328.44	3,616.53
Cash Reserve and Balances with RMA*	12,666.65	15,082.03
Margin money and unclaimed dividend	9.75	0
<b>Closing cash balance</b>	<b>19,709.41</b>	<b>21,221.27</b>
Less: Bank overdraft used for cash management purposes	(11.69)	0
<b>Cash and cash equivalents for the statement of cash flows</b>	<b>19,697.72</b>	<b>-</b>

\*Restricted Cash

## 20. Paid up capital

	31-Dec-15	31-Dec-14
<b>Authorised Capital</b>		
5,000,000,000 equity shares of Nu. 100/- each	500,000.00	500,000.00
<b>Issued and Paid up capital</b>		
Opening 443,335,142 equity shares	44,333.51	44,328.11
Issued during the year 7,342,027 Equity shares	734.21	5.40
<b>Closing</b>	<b>45,067.72</b>	<b>44,333.51</b>

All shares are classified as ordinary share and have the same rights in respect to dividends, voting and in a winding up. The sole shareholder is the Ministry of Finance on behalf of the Royal Government of Bhutan.

On 1 January 2015 Ministry of Finance (MoF), Royal Government of Bhutan (RGoB) by virtue of Share Transfer Agreement signed between MoF and Druk Holding and Investments Limited (DHI) transferred 733,177 (100%) number of equity shares of Nu. 100/- each of Wood Craft Center Limited (WCCL), Government linked companies (the GLC's) amounting to Nu. 73,317,700/- to DHI. Upon such transfer DHI got the absolute ownership of WCCL. This amount of Nu. 73,317,700/- is reflected in the books of DHI as DHI's investments to WCCL with corresponding liability as share capital of MoF and included in the issued capital stated above.

On 1 January 2015 Ministry of Finance (MoF), Royal Government of Bhutan (RGoB) by virtue of Share Transfer Agreement signed between MoF and Druk Holding and Investments Limited (DHI) transferred 421,383 (100%) number of equity shares of Nu. 1,000/- each of Construction Development Corporation Limited (CDCL), Government linked companies (the GLC's) amounting to Nu. 421,383,000/- to DHI. Upon such transfer DHI got the absolute ownership of WCCL. This amount of Nu. 421,383,000/- is reflected in the books of DHI as DHI's investments to CDCL with corresponding liability as share capital of MoF and included in the issued capital stated above.

## 21. Reserves

**Retained Earnings** are the undistributed profits of the DHI group since incorporation. They are held in the parent and subsidiary companies.

## Druk Holding and Investments Limited

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

**Group Investment Reserve** represents profits that have been retained by subsidiaries and will be used for investments by the DHI Group.

**Statutory Reserves** are funds set aside to meet the requirements of legislation and regulations. The Reserves can only be utilised in line with the relevant legislation.

**Restricted Reserves** are earnings that are not available for distribution for various reasons. The restriction may arise because they have been applied for increases in paid up capital and to make good a deficit in Retained Earnings at the time of acquisition. They include Reserves that may only be distributed with the approval of His Majesty the King and the undistributed portion of profits of associate companies and jointly controlled entity.

**Other Reserves** are monies set aside by companies for various purposes. When the affected company has met the requirements of the Reserve, any balance will be transferred back to Retained Earnings and thus become available for distribution.

## 22. Borrowings

	31-Dec-15	31-Dec-14
Borrowings from:		
Banks and Financial Institutions in Bhutan	3,178.70	2,670.12
Banks and Financial Institutions in other countries	18,798.33	19,730.24
Foreign Governments	5,806.88	8,315.42
Bonds listed by the RSEB	4,460.83	2,746.25
	<b>32,244.74</b>	<b>33,462.03</b>
Less Portion repayable within 1 year	2,849.73	3,117.51
<b>Net Long Term Borrowings</b>	<b>29,395.01</b>	<b>30,344.51</b>

Loans secured against the property, plant and equipment of particular companies (including loans where the security is in the process of registration) total Nu 9,612.70 million (2014 Nu.7,681.05 million). Interest rates range from 0 to 13% (no change from 2014). There are a variety of loan repayments periods from short-term loans requiring annual repayment to a maximum of 24 years. DHI has guaranteed certain borrowings of subsidiaries (see Note 30 Commitments and Contingent Liabilities).

## 23. Deferred Government Grants

	31-Dec-15	31-Dec-14
Opening Balance	1,072.12	1,068.94
Add: Receipts during the year	253.47	25.22
Less: Amortisation against expenditure	-192.72	-22.03
<b>Closing Balance</b>	<b>1,132.87</b>	<b>1,072.13</b>

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





## Druk Holding and Investments Limited

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

### 24. Other Non-Current Liabilities

	31-Dec-15	31-Dec-14
Trade and other payables	572.66	257.98
Advances	108.69	923.59
Retention money payable	377.40	2.21
Deposits received	100.00	101.59
<b>Total</b>	<b>1,158.75</b>	<b>1,285.37</b>

### 25. Trade and Other Payables

	31-Dec-15	31-Dec-14
Trade Payables	626.86	5,022.11
Payables relating to Visa	74.24	51.52
TDS Payable	67.15	31.62
Employee and other payables	920.12	218.10
Accrued expenses	424.03	412.15
Unclaimed Dividend	6.06	12.26
<b>Total</b>	<b>2,118.46</b>	<b>5,747.76</b>

### 26. Other Current Liabilities

	31-Dec-15	31-Dec-14
Advances and Deposits Received	1,505.47	370.02
Construction Contracts	566.66	1,695.74
Listed Bonds repayable	216.34	53.29
Working Capital Loans from Banks	756.93	537.88
Retention money payable	827.06	296.42
Provision*	27.17	12.26
<b>Total</b>	<b>3,899.63</b>	<b>2,965.61</b>

\* The Provision is made for Assets replacement amounting to Nu.9.42 million (2014: Nil) and the rest is provided for other provision (2014: 12.26 million)

### 27. Construction Contracts

	31-Dec-15	31-Dec-14
Gross Advance Received	12,977.59	9,094.09
less: Recognised as Revenue	12,410.93	7,398.35
<b>Total</b>	<b>566.66</b>	<b>1,695.74</b>
Construction contracts		
-with net work in progress	-485.81	-422.90
-with advances received in respect of revenue booked	1,052.47	2,118.64
<b>Total</b>	<b>566.66</b>	<b>1,695.74</b>

## Druk Holding and Investments Limited

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

### 28. Related Party Transactions.

	2015 % of Holding	2014 % of Holding
Parent (State) : Ministry of Finance (MoF)	100	100
Other Portfolios: Bhutan National Bank Ltd	12	12
Royal Insurance Corporation of Bhutan Ltd	18	18

State Owned Enterprises: Bhutan Development Bank Ltd  
Bhutan Postal Corporation Ltd  
Kuensel Corporation Ltd  
Bhutan Broadcasting Services Corporation Ltd  
Food Corporation of Bhutan  
Bhutan Chamber and Commerce Industry

### Managerial Remuneration

Remuneration paid to the chairman of the company

	31-Dec-15	31-Dec-14
Salary and allowances	2.18	1.85
Other Benefits	0.64	0.00
Provident fund contribution	0.15	0.11
Sitting fees	0.18	0.11
<b>Total</b>	<b>3.15</b>	<b>2.07</b>

Remuneration paid to the Chief Executive Officer of the company

	31-Dec-15	31-Dec-14
Salary and allowances	0.15	1.89
Other Benefits	0.00	0.92
Provident fund contribution	0.01	1.21
Sitting fees	0.03	0.14
<b>Total</b>	<b>0.19</b>	<b>4.16</b>

	31-Dec-15	31-Dec-14
Sitting fees paid to the other Board of Directors of the company	1.01	0.53
Remuneration, separation benefit etc, paid to the former chairman of the company		
1. Remuneration and other benefits	0.15	0.15
2. Separation benefits	-	0.98
Benefits paid to the former Chief Executive Officer of the company.	0.90	-





## Druk Holding and Investments Limited

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

## Transactions with Other Portfolios -

Bonus shares received (13,258,500 shares of Nu. 10/- each)

Dividend income	71.76	42.22
Interest income on bank deposits	3.68	4.47
Insurance of vehicles	0.19	0.04
Medical insurance	0.49	-
Actuarial valuation fee	0.02	0.01

## Balance as at the end of the year with Other Portfolios -

Current account balances	0.01	0.98
Fixed deposits	373.73	9.59

## Outstanding Balance with Other Portfolios -

Accrued interest on bank deposits	1.32	0.31
Actuarial valuation fee payable	0.02	0.01
Transactions with SoEs -		
Purchase of assets	-	0.01
Media and publication expenses	0.72	1.12
Hall hiring charges	-	0.40
Postage charges	0.09	0.11
Outstanding Balances with SoEs -		
Media and publication expenses payable	0.06	0.06
Postage charges payable	-	0.01

The list of related parties including the subsidiaries, associates and portfolio companies are provided in note 13 and note 29.



## Druk Holding and Investments Limited

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

## 29. Companies in the DHI Group

A. The following companies are members of the DHI Group of companies. Their assets and liabilities and their results of operations are included in the consolidated financial statements. The segment shown is listed in Note 1 Segment Reporting, where a description of the segment is shown. The percentage shareholding shown includes shares held by DHI and the appropriate percentage of shareholdings by other group companies.

All companies are domiciled in Bhutan.

Company	Segments	31-Dec-15	31-Dec-14
		% Shareholding	% Shareholding
Druk Holding and Investments Ltd	Holding Company	100.00	100.00
Bank of Bhutan Ltd	Finance	80.00	80.00
BoB Securities Ltd	Finance	80.00	80.00
Dungsam Cement Corporation Ltd	Manufacturing	80.00	100.00
Dungsam Polymers Ltd	Manufacturing	51.00	51.00
Bhutan Board Products Ltd	Manufacturing	57.60	57.60
Bhutan Board Exports Ltd	Manufacturing	57.60	57.60
State Trading Corporation of Bhutan Ltd	Trading	56.60	56.60
DHI Infra Ltd	Real Estate	100.00	100.00
Thimphu TechPark Ltd (previously named Thimphu TechPark Private Ltd)	Real Estate	100.00	100.00
State Mining Corporation Ltd	Non-trading	100.00	100.00
Bhutan Telecom Ltd	Communications and Transport	100.00	100.00
Drukair Corporation Ltd	Communications and Transport	100.00	100.00
Druk Green Power Corporation Ltd	Energy and Resources	100.00	100.00
Bhutan Power Corporation Ltd	Energy and Resources	100.00	100.00
Natural Resources Development Corporation Ltd	Energy and Resources	100.00	100.00
Dagachu Hydropower Corporation Ltd	Energy and Resources	59.00	59.00
Bhutan Hydropower Services Corporation Ltd	Energy and Resources	51.00	51.00
Tangsibji Hydro Energy Ltd	Energy and Resources	100.00	100.00
Wood Craft Centre Limited	Manufacturing	100.00	
Construction Development Corporation Limited	Real Estate	100.00	
Penden Cement Authority Ltd	Manufacturing	40.00	40.00

## Changes in Group Companies

- a) Tangsibji Hydro Energy Ltd was incorporated in May 2014 to develop the Nikachhu hydropower scheme. The construction phase is expected to take 4 years.





## Druk Holding and Investments Limited

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

- b) Thimphu Tech Park Pvt Ltd was acquired with effect from 1 October 2014. The company was previously an Associate Company to the Group.
- c) Following a review of Group investments, it was decided that DHI should not be involved in the Hospitality segment and would exit current investments.
  - DHI Hospitality Ltd ceased development of hospitality projects and was placed into liquidation. The liquidation was completed in February 2015.
- d) State Mining Corporation Ltd was registered on 31 December 2014 and there were no transactions on that date.
- e) Penden Cement Authority Limited (PCAL) has been reclassified as a subsidiary, which was earlier, treated as an associate on the merit that DHI has control over PCAL in spite of holding 40% of shares as there are large numbers of other shareholders holding small number of shares.

B. The following companies are associates where the shareholding range is 20% to 50% and Joint Venture. The Consolidated Financial statement accounts investment in associates and joint venture using the equity method.

Associate Companies	Shareholding %	
	2015	2014
Bhutan Ferro Alloys Ltd	29.1	29.1
Konfuku International Pvt Ltd	30	30
Royal Securities Exchange of Bhutan Ltd	25	25
<b>Joint Venture</b>		
Kholongchu Hydro Energy Limited	50	-

## 30. Commitments and Contingent Liabilities

### a) Commitments

Commitments for capital expenditure by various members of the Group total Nu 9,297.82 million (2014: Nu 9,923.64 million).

### b) Contingent Liabilities

There are contingent liabilities for transactions arising in the normal course of banking operations.

	31-Dec-15	31-Dec-14
Liability for Acceptances Endorsements and other Obligations	1,101.67	1,712.03
Guarantees issued and outstanding and bill payable	4,261.83	2,178.53
<b>Total</b>	<b>5,363.50</b>	<b>3,890.36</b>

Guarantees have been provided for loans owing by subsidiary and associate companies amounting to Nu. 5947.87 million (2014: Nu 3,356.80 million). No loss is expected on these guarantees.

## Druk Holding and Investments Limited

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

DHI's investments totaling Nu. 3,460 million (2014: Nu. 1,900.00) in some of the subsidiaries have been pledged in support of the guarantee.

Various companies have outstanding legal claims totaling Nu 269.86 million (2014 Nu 79.24 million). Provision for payment hasn't been included in these financial statements as no liability is anticipated.

## 31. Capital Management

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

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

## 32. Events After Balance Sheet Date

On 24 March 2016 the Board of Directors proposed the payment of a dividend of Nu 3,690 million representing 8.1% on paid up capital.





# DHI Standalone Financial Statement for the year 2015



**ASA & Associates LLP**  
Chartered accountants (A member firm of ICAI Global)  
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## INDEPENDENT AUDITORS' REPORT

To  
The Members of Druk Holding and Investments Limited  
Thimphu - Bhutan

### 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 31<sup>st</sup> December, 2015, 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 and presentation 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 International Standards on Auditing (as adopted by the Accounting & Auditing Standards Board of Bhutan (AASBB)) 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 31<sup>st</sup> December, 2015;
- 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 ASA& ASSOCIATES LLP  
Chartered Accountants  
Firm Reg No: 009571N/N500006

  
Name: D K Girdharan  
Partner  
Membership No. : 028738

Date: 25 March 2016  
Place: Chennai



### 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. The fixed assets were not revalued during the year.
- 3) As informed to us, the Company had not taken unsecured loans from the Companies during the previous year.
- 4) The Company had granted loans to Subsidiary Companies during the year. In our opinion and according to the information and explanations given to us during the course of the audit, the rate of interest and other terms and conditions of such loan are prima facie not prejudicial to the interest of the Company. The principal along with the interest have been paid during the year as per agreement except in case of loan to a subsidiary where interest of Nu 10.77 Million was capitalised and the repayment term was extended from November 2015 to September 2016 for Nu 153.73 Million. The Company had given guarantees for loans taken by the Subsidiary companies from other lenders of Nu. 2,486 Million in the earlier years and Nu. 1,500 Million during the current year (Refer Note 28 to the Financial Statements). The guarantees are active during the year as the loans against which such guarantees were given have not been fully repaid.
- 5) The parties to whom the loans and advances have been given by the Company are generally regular in repaying the amounts as stipulated except in case of loan to a subsidiary where interest of Nu 10.77 Million was capitalised and the repayment term was extended from November 2015 to September 2016 for Nu 153.73 Million.
- 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 is not engaged in manufacturing or trading activities or sale of services, hence the question of purchasing or selling goods or services does not arise.
- 9) (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.







(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 – deduction of December 2015 remitted subsequently in 2016.	105,794

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) 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.

14) 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 31<sup>st</sup> December, 2015.

15) 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.

16) 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.

17) In our opinion, the Company has established an effective budgetary control system.

18) 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 25 of Notes to Financial Statements.

19) According to the information and explanations given to us, the directives of the Board have been complied with.



20) Based on information and explanation provided to us, adequate documents and records are maintained for loans and advances granted, agreements have been drawn up and timely entries have been made therein.

21) During the course of our audit we have not come across any investments (shares) that would require provision for permanent diminution.

22) 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.

The clauses 3,4,5,6,14,15,16,17,21,22,23, 24, 25, 26, 27, 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, 3, 4, 7, 8, 9, 10, 11, 12 and 13 for Finance and Investment Company, all the clauses for Trading Company and clauses 1, 2, 3 and 4 for other service sector Companies are not applicable.

#### COMPUTERISED ACCOUNTING ENVIRONMENT

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

2. The Company has adequate safeguard measures and backup facilities.

3. As regards back up facilities and disaster recovery measures, we are given to understand that the back-up files are kept at different locations.

4. The operational controls are found adequate to ensure correctness and validity of input data and output information.

5. Measures taken by the Company to prevent unauthorized access over the computer installation and files are generally adequate.

#### GENERAL

##### 1. Going Concern Problems:

Based on the Company's financial statements for the year ended 31<sup>st</sup> December 2015 audited by us, the Company has earned sufficient profit during the year under audit and we have no reason to believe that the Company is not a going concern. Accordingly, the financial statements have been prepared under the going concern basis.







## 2. Ratio Analysis.

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

Ratios	Basis	2015	2014
Earnings per share	(Profit After Tax/ No. of shares issued)	9.63	8.77
Net Profit Ratio ( % )	(Net Profit/ Turnover * 100)	68.7	67.66
Return on Assets ( % )	(Net Profit/ Total Assets *100)	8.24	7.61
Return on Equity ( % )	(Net Profit/ Owner's Equity *100)	8.69	8.03
Dividend Coverage Ratio	(Net Profit available to equity shareholders/ Dividend paid to Equity shareholders)	1.17	1.03
Dividend Payout Ratio (%)	(Dividend per share/ Earnings per share *100)	95	97
Current Ratio	Current Asset/ Current Liability	1.77	1.55

## 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 Incorporation relevant to the financial statements and we are unable to state whether the Company has been complying with applicable laws (other than the Companies Act), rules and regulation, systems, procedures and practices.



## Druk Holding and Investments Limited

(All figures in Bhutanese Ngultrum unless otherwise stated)

### Statement of Financial Position as at 31 December 2015

	Notes	31 December 2015	31 December 2014
<b>ASSETS</b>			
<b>Non-current Assets -</b>			
Property, Plant and Equipment	2a	18,918,024	14,604,948
Intangible Assets	2b	6,839,015	9,167,839
Capital Work-In-Progress	2c	12,311,362	12,861,362
Investments	3	47,688,202,314	46,898,702,587
Deferred Tax Assets	4	421,993	469,230
Net Employee Benefit Assets - Gratuity	14b	2,326,165	3,417,413
Trade and Other Receivables	6	70,000	30,000
Other Financial Assets	7	10,805,087	-
<b>Total Non-current Assets</b>		<b>47,745,893,960</b>	<b>46,939,253,379</b>
<b>Current Assets -</b>			
Trade and Other Receivables	8	293,021	2,411,557
Advance to Ministry of Finance	9	4,143,831,009	4,121,631,009
Other Assets	10	168,945,634	2,783,690
Cash and Cash Equivalents	11	368,005,677	3,019,830
<b>Total Current Assets</b>		<b>4,681,075,341</b>	<b>4,131,846,095</b>
<b>Total Assets</b>		<b>52,426,969,301</b>	<b>51,071,099,474</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves -</b>			
Share Capital	12a	45,067,716,900	44,333,514,200
Retained Earnings	12b	2,999,981,965	2,999,981,965
General Reserve	12c	1,698,533,577	1,066,932,701
<b>Total Equity</b>		<b>49,766,232,442</b>	<b>48,400,428,866</b>
<b>Non-current Liabilities -</b>			
Entrepreneurship Promotion Fund	5	13,148,515	12,106,208
Net Employee Benefit Obligations - Annual Leave Accumulation	14c	798,182	-
<b>Total Non-current Liabilities</b>		<b>13,946,697</b>	<b>12,106,208</b>
<b>Current Liabilities -</b>			
Trade and Other Payables	13	17,870,630	79,796,361
Borrowings	13	-	350,000,000
Net Employee Benefit Obligations - Annual Leave Accumulation	14c	27,056	-
Net Current Tax Liabilities	16a	383,656,506	108,691,699
Other Liabilities	16b	2,243,235,950	2,120,076,340
<b>Total Current Liabilities</b>		<b>2,646,790,162</b>	<b>2,658,564,400</b>
<b>Total of Equity and Liabilities</b>		<b>52,426,969,301</b>	<b>51,071,099,474</b>

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

For ASA & Associates LLP  
Chartered Accountants  
Firm Registration No. 00957171/NS00006

D. K. Girdharan  
Partner  
Membership No. 028738

Place : Chennai  
Date : 25 March 2016



Dashi Sangay Khandu  
Chairman

Karma Y. Rayeli  
Chief Executive Officer

Pashi Lhamo  
Director, Finance

Lam Dorji  
Board Director

Place : Thimphu  
Date : 24 March 2016





## Druk Holding and Investments Limited

(All figures in Bhutanese Ngultrams unless otherwise stated)

### Statement of Comprehensive Income for the year ended 31 December 2015

	Notes	Year ended 31 December 2015	Year ended 31 December 2014
<b>PROFIT OR LOSS -</b>			
<b>INCOME :</b>			
Dividend Income	17	6,147,566,837	5,702,959,538
Consultancy Income		-	1,200,000
Brand Management Fee		105,277,008	-
Other Income	18	16,840,997	7,489,092
Finance Income	19	21,586,146	33,020,573
<b>Total Income</b>		<b>6,291,270,988</b>	<b>5,744,669,203</b>
<b>EXPENDITURE :</b>			
Operation and Maintenance Expenses	20	3,516,899	3,027,595
Employee Benefits Expense	21	59,514,861	58,582,401
Other Expenses	22	28,681,104	35,637,242
Loss on Investments	26	13,903	18,897,827
Finance Costs	23	13,192,922	67,710,713
Depreciation and Amortisation Expenses	2	7,826,151	7,957,413
<b>Total Expenditure</b>		<b>112,745,840</b>	<b>191,813,191</b>
Profit Before Tax		6,178,525,148	5,552,856,012
Income Tax Expense	4	1,855,769,248	1,666,152,425
Profit After Tax		<b>4,322,755,900</b>	<b>3,886,703,587</b>
<b>OTHER COMPREHENSIVE INCOME -</b>			
Actuarial Gain (Loss) on Post Employment	14	(534,125)	933,743
Income Tax Expense on Actuarial Loss (Gain)	4	160,238	(280,123)
<b>Net Other Comprehensive Income (Expense)</b>		<b>(373,887)</b>	<b>653,620</b>
<b>Total Comprehensive Income</b>		<b>4,322,382,013</b>	<b>3,887,357,207</b>

<b>Basic and Diluted Earnings per Share</b>	24	9.63	8.77
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This is the Statement of Comprehensive Income referred to in our report of even date.

For ASA & Associates LLP  
Chartered Accountants  
Firm Registration No. 009571N/N500006

*D. K. Giridharan*  
Partner  
Membership No. 028738

Place: Chennai  
Date: 25 March 2016



*Dasho Sangay Khando*  
Chairman

*Karma Y. Raydi*  
Chief Executive Officer

*Tashi Lhamo*  
Director, Finance

*Lam Dorji*  
Board Director

Place: Thimphu  
Date: 24 March 2016



## Druk Holding and Investments Limited

(All figures in Bhutanese Ngultrams unless otherwise stated)

### Statement of Cash Flows for the year ended 31 December 2015

	Year Ended 31 December 2015	Year Ended 31 December 2014
<b>Cash Flows from Operating Activities -</b>		
Dividends Received	6,147,566,837	5,702,959,538
Consultancy Income	-	1,200,000
Brand Management Fee	105,277,008	-
Interest Received	4,928,095	61,784,716
Other Incomes	8,558,501	3,005,046
Expenses	(89,620,818)	(96,968,595)
Interest Paid	(74,272,703)	(175,693,227)
<b>Cash Flow from Operations</b>	<b>6,102,436,920</b>	<b>5,496,287,478</b>
Tax Paid	(1,582,037,762)	(179,295,584)
<b>Net Cash Generated by Operating Activities</b>	<b>4,520,399,158</b>	<b>5,316,991,894</b>
<b>Cash Flows from Investment Activities -</b>		
Recovery under Equity Investments	6,311,377	-
Recovery under CWIP	-	13,104,494
Increase in Equity Investments	(60,580,000)	(71,321,960)
Increase in Long Term Deposit	(1,500,000)	-
Recovery of Advance for Project (Advance Provided)	2,122,058	(2,122,058)
Addition to Fixed Assets	(8,988,467)	(1,876,521)
<b>Net Cash Used in Investment Activities</b>	<b>(62,635,032)</b>	<b>(62,216,045)</b>
<b>Cash Flows from Financing Activities -</b>		
Loans, Advances and Recoveries from Group Companies	135,801,032	751,800,000
Loans Provided to Group Companies	(168,360,100)	-
Security Deposit Refunded	(240,390)	-
New Security Deposit Provided	(40,000)	-
Dividend Paid to Ministry of Finance	(3,689,738,830)	(3,769,979,021)
Repayment of Loans to Group Companies	(350,000,000)	(1,250,000,000)
Increase in Advance to Ministry of Finance	(22,200,000)	(1,182,358,902)
<b>Net Cash Used in Financing Activities</b>	<b>(4,094,778,288)</b>	<b>(5,450,537,923)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>362,985,838</b>	<b>(195,762,074)</b>
<b>Cash and Cash Equivalents at the beginning of the year</b>	<b>5,019,839</b>	<b>200,781,913</b>
<b>Cash and Cash Equivalents at the end of the year (Refer Note II)</b>	<b>368,005,677</b>	<b>5,019,839</b>

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

For ASA & Associates LLP  
Chartered Accountants  
Firm Registration No. 009571N/N500006

*D. K. Giridharan*  
Partner  
Membership No. 028738

Place: Chennai  
Date: 25 March 2016



*Dasho Sangay Khando*  
Chairman

*Karma Y. Raydi*  
Chief Executive Officer

*Tashi Lhamo*  
Director, Finance

*Lam Dorji*  
Board Director

Place: Thimphu  
Date: 24 March 2016





## Druk Holding and Investments Limited

(All figures in Bhutanese Ngultrims unless otherwise stated)

## Statement of Changes in Equity for the year ended 31 December 2015

	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 2015	443,333,142	100	44,333,314,200	2,999,981,965	1,066,932,701	48,400,428,866
Profit after income-tax	-	-	-	4,322,755,900	-	4,322,755,900
Other comprehensive income (expense) for the year	-	-	-	(373,887)	-	(373,887)
Dividends paid	-	-	-	(3,689,738,830)	-	(3,689,738,830)
Shares allotted to MoF	7,342,027	100	734,202,700	-	-	734,202,700
Transferred to General Reserve	-	-	-	(631,600,876)	631,600,876	-
Transferred to Entrepreneurship Promotion Fund	-	-	-	(1,042,307)	-	(1,042,307)
Balance as at 31 December 2015	450,675,169	100	45,067,716,900	2,999,981,965	1,698,533,577	49,766,232,442

## Statement of Changes in Equity for the year ended 31 December 2014

	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 2014	443,281,142	100	44,328,114,200	2,999,981,965	950,568,259	48,278,664,424
Profit after income-tax	-	-	-	3,886,703,587	-	3,886,703,587
Other comprehensive income (expense) for the year	-	-	-	653,620	-	653,620
Dividends paid	-	-	-	(3,769,979,021)	-	(3,769,979,021)
Shares allotted against money received from MoF	54,000	100	5,400,000	-	-	5,400,000
Transferred to General Reserve	-	-	-	(116,364,442)	116,364,442	-
Transferred to Entrepreneurship Promotion Fund	-	-	-	(1,013,744)	-	(1,013,744)
Balance as at 31 December 2014	443,333,142	100	44,333,314,200	2,999,981,965	1,066,932,701	48,400,428,866

## Authorized Capital:

Authorized Share capital	As at 31 December	
	2015	2014
5,000,000,000 equity shares of Nu. 100/- each	500,000,000,000	500,000,000,000

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. Dividends may be declared from the General Reserve only after fulfilling the required formalities as written in the Royal Charter.



## Druk Holding and Investments Limited

(All figures in Bhutanese Ngultrims unless otherwise stated)

## 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 and 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 and 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 20 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 1127, Motithang, Thimphu, Bhutan.

These financial statements relate to the year ended 31 December 2015.





## Druk Holding and Investments Limited

(All figures in Bhutanese Ngultrum unless otherwise stated)

### 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. The financial statements have been prepared in accordance with relevant Bhutanese Accounting Standards (BAS), accounting policies set out in these financial statements and 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:

- 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, accumulated leave liabilities and the discount rates used in the valuations.
- Investments are generally stated at cost. One subsidiary had been placed into liquidation in 2014 and the investment was written down to the value of tangible assets remaining in the Company.

The functional currency is the Bhutanese Ngultrum.

### c) Application of Bhutanese Accounting Standards

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 pronounced BAS 19 in March, 2015 the Company has applied the same accordingly. Employee retirement benefits (Gratuity and Accumulated Leave Liability) are valued on an actuarial basis as it better reflects the estimated liabilities at balance date. Assets and obligations for the retirement benefits are netted off separately, so that net early funding and net shortfall in funding are disclosed as per the cases stated above.

### d) Foreign Currency Translation

Foreign currency transactions are translated into Bhutanese Ngultrum using the exchange rates



## Druk Holding and Investments Limited

(All figures in Bhutanese Ngultrum unless otherwise stated)

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 Profit or Loss.

### c) 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 Fixtures (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. The company has stopped capitalizing Arts, Portraits, Curtains and Carpets from the year 2015. However, the items under the above categories those had been capitalized prior to 2015 are continuing as assets in the books of the company as they are in good conditions and usable.

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.





## Druk Holding and Investments Limited

(All figures in Bhutanese Ngultrums unless otherwise stated)

### 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', 'Other Financial Assets', 'Advance to Ministry of Finance', 'Other Assets' and 'Cash and Cash Equivalents' in the Statement of Financial Position (Notes 6, 7, 8, 9, 10 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.



## Druk Holding and Investments Limited

(All figures in Bhutanese Ngultrums unless otherwise stated)

### 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 Statement of Profit or Loss, 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 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.





## Druk Holding and Investments Limited

(All figures in Bhutanese Ngultrums unless otherwise stated)

### 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 – Post Employment Benefit (Gratuity) :

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 Profit or Loss. Changes to actuarial valuation are charged to the Statement of Other Comprehensive Income.

##### Under Defined Benefit Scheme – Other Long-term Employee Benefit (Accumulated Leave Liability) :

The accumulated leave liability is accrued on the basis of actuarial valuation for the leave balance over and above the annual leave encashment against each employee as at the end of the year starting from the year 2015. Changes in leave balance, interest and changes to actuarial valuation are charged to the Statement of Profit or Loss.

#### II) Other Short-term Benefits -

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

### n) Provisions and Contingent Liabilities

Provisions are recognised when the group 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.



## Druk Holding and Investments Limited

(All figures in Bhutanese Ngultrums unless otherwise stated)

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 Royal Government of Bhutan (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 and updated in order to provide a more appropriate basis for comparison.





## Druk Holding and Investments Limited

(All figures in Bhutanese Ngultrums unless otherwise stated)

### 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
<b>Balance as at 1 January 2015 -</b>							
Cost	100	3,284,063	535,373	21,947,243	2,481,822	5,836,777	34,085,378
Accumulated Depreciation	-	(1,748,284)	(226,857)	(12,268,639)	(1,132,825)	(4,103,825)	(19,480,430)
<b>Book Value as at 1 January 2015</b>	<b>100</b>	<b>1,535,779</b>	<b>308,516</b>	<b>9,678,604</b>	<b>1,348,997</b>	<b>1,732,952</b>	<b>14,604,948</b>
<b>Changes in the Book Value during the year -</b>							
Additions	-	626,989	70,530	1,002,277	518,998	7,263,249	9,482,043
Deletion / Adjustments	-	(129,882)	(8,890)	(1,379,413)	(90,950)	-	(1,609,135)
Depreciation on Deletion / Adjustments	-	117,861	7,009	953,554	59,071	-	1,137,495
Depreciation for the year	-	(309,202)	(46,259)	(3,466,536)	(225,358)	(649,972)	(4,697,327)
<b>Total Changes</b>	<b>-</b>	<b>305,766</b>	<b>22,390</b>	<b>(2,890,118)</b>	<b>261,761</b>	<b>6,613,277</b>	<b>4,313,076</b>
<b>Balance as at 31 December 2015 -</b>							
Cost	100	3,781,170	597,013	21,570,107	2,909,870	13,100,026	41,958,286
Accumulated Depreciation	-	(1,939,625)	(266,107)	(14,781,621)	(1,299,112)	(4,753,797)	(23,040,262)
<b>Book Value as at 31 December 2015</b>	<b>100</b>	<b>1,841,545</b>	<b>330,906</b>	<b>6,788,486</b>	<b>1,610,758</b>	<b>8,346,229</b>	<b>18,918,024</b>

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 2015 and where practical, assets were given a physical identification number. The company wrote off damaged items to the tune of Nu. 468,396/- (carrying amount as on 31 December 2015). The physical verification matched with the book records as on 31 December 2015.



## Druk Holding and Investments Limited

(All figures in Bhutanese Ngultrums unless otherwise stated)

### 2. Property, Plant and Equipment; Intangible Assets; and Capital work-in-progress (contd.)

#### (b) Intangible Assets -

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

	Software
<b>Balance as at 1 January 2015 -</b>	
Cost	15,327,809
Accumulated Amortization	(6,159,970)
<b>Book Value as at 1 January 2015</b>	<b>9,167,839</b>
<b>Changes in the Book Value during the year -</b>	
Additions	800,000
Deletion / Adjustments	-
Amortization on Deletion / Adjustments	(3,128,824)
Amortization for the year	(2,328,824)
<b>Total Changes</b>	<b>(2,328,824)</b>
<b>Balance as at 31 December 2015 -</b>	
Cost	16,127,809
Accumulated Amortization	(9,288,794)
<b>Book Value as at 31 December 2015</b>	<b>6,839,015</b>





## Druk Holding and Investments Limited

(All figures in Bhutanese Ngultrums unless otherwise stated)

### 2. Property, Plant and Equipment; Intangible Assets; and Capital work-in-progress (contd.)

#### (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 had incurred Nu. 17,412,897/- for further development (supervision fee and others) and the total expenditure as on 31 December 2013 was Nu. 25,415,856/-. Then DHI received an instruction for suspension of construction of its corporate office from the Office of Gyalpoi Zimpon. Consequent to the approval by the Board of Directors for cessation of capitalization on the project DHI went into negotiation with DHI Infra to settle the Project Management Consultancy Fees that had already been paid for the entire supervision work. Subsequent to this Nu. 13,104,494/- has been reversed in the books of DHI in this regard. The balance of Nu. 12,311,362/- that remains in CWIP - Building Account will continue till the Board decides permanently not to pursue the construction of the office building.

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

	Office Building	SAP-ERP	Total
Balance as at 1 January 2015	12,311,362	550,000	12,861,362
Additions	-	250,000	250,000
Capitalization / Adjustment	-	(800,000)	(800,000)
Balance as at 31 December 2015	12,311,362	-	12,311,362



## Druk Holding and Investments Limited

(All figures in Bhutanese Ngultrums unless otherwise stated)

### 3. Investments (Place of Business is Bhutan for all investees)

	2015			2014		
	% of Holding	Face Value per Share	Number of Shares	% of Holding	Face Value per Share	Number of Shares
<b>A) Investments in Subsidiaries -</b>						
<b>Quoted - Equity Shares fully paid up -</b>						
Bhutan Brand Products Ltd. (Refer Note g below)	58%	10	6,683,340	58%	10	6,683,340
Stone Trading Corporation of Bhutan Ltd. (Refer Note g below)	55%	10	9,176,050	55%	10	9,176,050
Dungsum Polymers Ltd. (Refer Note g below)	51%	10	4,218,900	51%	10	4,218,900
Penden Cement Authority Ltd. (Refer Note g below)	40%	10	13,710,740	40%	10	13,710,740
<b>Unquoted - Equity Shares fully paid up -</b>						
Bank of Bhutan Ltd.	80%	100	12,000,000	80%	100	12,000,000
Bhutan Telecom Ltd.	100%	1,000	854,082	100%	1,000	854,082
Druk Green Power Corporation Ltd. (Refer Note c below)	100%	1,000	30,712,866	100%	1,000	30,508,291
Druk Air Corporation Ltd.	100%	100	22,252,111	100%	100	22,252,111
Natural Resources Development Corporation Ltd. (Refer Note b below)	100%	100	450,000	100%	100	300,000
Bhutan Power Corporation Ltd. (Refer Note d and j below)	100%	1,000	8,225,118	100%	1,000	8,190,191
Dungsum Cement Corporation Ltd. (Refer Note l below)	80%	100	50,739,479	100%	100	50,739,479
DHI Infra Ltd. (Refer Note g below)	100%	100	100,000	100%	100	100,000
DHI Hospitality Ltd. (Refer Note h below)	-	-	-	100%	100	250,000
Thimphu TechPark Ltd. (Refer Note g below)	100%	100	960,761	100%	100	960,761
State Mining Corporation Ltd. (Refer Note b below)	100%	100	455,800	-	-	-
Wood Craft Center Ltd. (Refer Note c below)	100%	100	733,177	-	-	-
Construction Development Corporation Ltd. (Refer Note f below)	100%	1,000	421,383	-	-	-
<b>Total Investments in Subsidiaries</b>						
			47,345,805,199			46,557,347,779





## Druk Holding and Investments Limited

(All figures in Bhutanese Ngultrums unless otherwise stated)

### 3. Investments (contd.)

#### B) Investments in Associates -

Quoted - Equity Shares fully paid up - Bhutan Ferro Alloy Ltd.	26%	10	3,859,460	38,594,600	26%	10	3,859,460	38,594,600
Unquoted - Equity Shares fully paid up - Koufuku International Private Ltd.	30%	100	150,000	15,000,000	30%	100	150,000	15,000,000
<b>Total Investments in Associates</b>				<b>53,594,600</b>				<b>53,594,600</b>

#### C) Other Investments -

Quoted - Equity Shares fully paid up - Bhutan National Bank Ltd.	12%	10	40,819,960	242,976,000	12%	10	40,819,960	242,976,000
Royal Insurance Corporation of Bhutan Ltd. (Refer Note 6 below)	18%	10	22,097,500	17,678,000	18%	10	8,839,000	17,678,000
<b>Total</b>				<b>260,654,000</b>				<b>260,654,000</b>
Investments in EPF Assets (Refer Note 5) - Bank balance				78,159				223,132
Term deposits				20,765,000				25,549,900
Accrued interest				305,356				1,333,176
Contribution to Lodan-DHI Fund (Refer Note 1 below)				7,000,000				-
<b>Total</b>				<b>28,148,515</b>				<b>27,106,208</b>
<b>Total Other Investments</b>				<b>288,802,515</b>				<b>287,760,208</b>

<b>Total Investments (A+B+C)</b>				<b>47,688,202,314</b>				<b>46,898,702,587</b>
Aggregate value of Quoted Investments				509,871,511				509,871,511
Aggregate value of Unquoted Investments				47,178,330,803				46,388,831,076
<b>Total</b>				<b>47,688,202,314</b>			<b>Total</b>	<b>46,898,702,587</b>
Market Value of Quoted Investments				3,373,677,400				3,160,176,980

#### Notes :

- a) All investments that have been made other than for trading purpose are included in this schedule.
- b) During the year 2015 Druk Holding and Investments Ltd. (DHI) received 13,258,500 number of bonus shares of Nu. 10/- each from Royal Insurance Corporation of Bhutan Ltd.
- Further, DHI has injected as equity Nu. 15,000,000/- into Natural Resources Development Corporation Ltd. (NRDCL) and Nu. 45,580,000/- into State Mining Corporation Ltd. (SMCL) from its internal accruals.



## Druk Holding and Investments Limited

### 3. Investments (contd.)

(All figures in Bhutanese Ngultrums unless otherwise stated)

- c) During the year 2015, Druk Green Power Corporation Ltd. (DGPC) received Nu. 204,575,000/- from Government of India (GoI) in conformity with clause 3.4 of the Inter-Governmental Agreement signed between RGoB and GoI as DGPC's share of equity in the Kholongabhu Hydro Energy Limited (KHEL). Since the grant was received on behalf of RGoB it was deemed to be considered as equity injection to DGPC from DHI, a company wholly-owned by the MoF, RGoB. The Above amount has been treated in the books of DHI as equity injection to DGPC and sits as investment stated above. Consequence to this DHI Board in its 66th meeting dated 16 December, 2015 approved to allot 2,045,750 number of equity shares of Nu. 100/- each to MoF equivalent to Nu. 204,575,000/- which is included in the issued capital (Refer Note 12).

- d) During the year 2015, Bhutan Power Corporation Ltd. (BPC) in its AGM allotted 34,927 number of equity shares of Nu. 1,000/- each amounting to Nu. 34,927,000/- to DHI for on account of taking over Gaeddu Distribution Assets located at Gaeddu Business College as per approval of MoF, RGoB obtained during 2014 in consideration of issue of Government Equity. Further, DHI is the sole shareholder of BPC and a company wholly-owned by the MoF, RGoB. Since the acquisition took place on behalf of RGoB it was deemed to be considered as equity injection to BPC from DHI. The Above amount has been treated in the books of DHI as equity injection to BPC and sits as investment in Note 3. Consequence to this DHI Board approved to allot 349,270 number of equity shares of Nu. 100/- each to MoF equivalent to Nu. 34,927,000/- which is included in the issued capital stated above.

- e) On 1 January 2015 Ministry of Finance (MoF), Royal Government of Bhutan (RGoB) by virtue of Share Transfer Agreement signed between MoF and Druk Holding and Investments Ltd. (DHI) transferred 733,177 (100%) number of equity shares of Nu. 100/- each of Wood Craft Center Ltd. (WCCL), Government Linked Companies (the GLC's) amounting to Nu. 73,317,700/- to DHI. Upon such transfer DHI got the absolute ownership of WCCL. This amount of Nu. 73,317,700/- is reflected in the books of DHI as DHI's investments to WCCL, stated above with the corresponding liability as share capital of MoF and included in the issued capital (Refer Note 12).

- f) On 1 January 2015 Ministry of Finance (MoF), Royal Government of Bhutan (RGoB) by virtue of Share Transfer Agreement signed between MoF and Druk Holding and Investments Ltd. (DHI) transferred 421,383 (100%) number of equity shares of Nu. 1,000/- each of Construction Development Corporation Ltd. (CDCL), Government Linked Companies (the GLC's) amounting to Nu. 421,383,000/- to DHI. Upon such transfer DHI got the absolute ownership of CDCL. This amount of Nu. 421,383,000/- is reflected in the books of DHI as DHI's investments to CDCL, stated above with the corresponding liability as share capital of MoF and included in the issued capital (Refer Note 12).

- g) The "% of Holding" represents the effective holding of DHI after considering the holding percentage of its subsidiaries. In Bhutan Board Products Ltd. DHI directly holds 48% and through Bank of Bhutan holds 10%. In State Trading Corporation of Bhutan Ltd. DHI directly holds 51% and through Bank of Bhutan holds 4%. In DHI Infra Ltd. DHI directly holds 5% and through Druk Green Power Corporation Ltd. holds 95%. In Thumphu Tech Park Ltd. DHI directly holds 51% and through Bhutan Telecom Ltd. holds 49%. For all other cases direct holding is equal to the share holding.

- h) DHI Hospitality Limited was incorporated under the Companies Act of Kingdom of Bhutan, 2000 on 19 September 2013 as 100% subsidiary company of Druk Holding and Investments Limited. The primary object of the DHI Hospitality Limited was to study, develop and manage hospitality projects. As on 31 December 2013 Druk Holding and Investments Limited converted an amount of Nu. 17,037,557/- as equity injection to DHI Hospitality Limited being initial expenses incurred for Manjong Wellness Resort Project, Bhutan International Convention Centre Project and for setting up DHI Hospitality Limited. During the year 2014 DHI further injected Nu. 7,962,443/- as equity to reach to its committed share capital of Nu. 25,000,000/-.





## Druk Holding and Investments Limited

### 3. Investments (contd.)

However, the projects with the subsidiary company faced with issues related to non-availability of land and other hurdles. On these grounds, the DHI Board felt that the operation of DHI Hospitality Ltd. was not viable and DHI being the only shareholder has decided to close DHI Hospitality Ltd. and the two projects placed under it vide its 54th Board Meeting held in July 2014. Subsequently, DHI Hospitality Board concurred with the decision of DHI Board during its 4th Board Meeting held on 14th August 2014 to close the company and started the winding-up process.

As at the end of 2014 the company incurred a loss of Nu. 18,674,720/- which has been charged to DHI's book as loss on investments. The balance amount of Nu. 6,325,280/- representing bank balance, fixed assets and TDS (Dr.) stands in DHI's book as investment as at 31 December 2014 pending completion of liquidation process.

However, the Liquidator completed the liquidation process on 6 January 2015 and handed over all the assets of DHI Hospitality Ltd. amounting to Nu. 6,325,280/- to DHI by setting of the relevant bank charge of Nu. 5,212/-. Accordingly, investment in DHI Hospitality Ltd. has been dropped and Nu. 13,903/- has been charged to Comprehensive Income as loss on investments representing bank charges and TDS (Dr.).

i) During the year 2015, DHI management entered into an agreement with The Lodan Foundation and created Lodan-DHI Fund to provide alternative access to the entrepreneurs in obtaining finance to start a new business or for expansion / growth of the existing business leading to employment generation and economic development of the nation. The Lodan Foundation shall be solely responsible for the management of the fund as per the agreed conditions between DHI and Lodan and will operate in line with the existing Lodan Entrepreneurship Programme guidelines. As per the agreement DHI needs to contribute Nu. 20,000,000/- in three consecutive years starting from the year 2015. Following this, DHI contributed Nu. 7,000,000/- being the first tranche of the above agreed amount to Lodan-DHI Fund in 2015 (Refer Note 5).

j) During the year 2014 DHI pledged 1,960,000 number of equity shares of Nu. 1,000/- each of Bhutan Power Corporation Limited as collateral at per with the Dzungnam Cement Corporation Limited Corporate Bond of Series - I and Series - II for amount of Nu. 1,260,000,000/- and Nu. 700,000,000/- respectively. Subsequently, in 2015 DHI further pledged 1,500,000 number of equity shares of Nu. 1,000/- each of Bhutan Power Corporation Limited as collateral at per with the Dzungnam Cement Corporation Limited Corporate Bond of Series - III for amount of Nu. 1,500,000,000/-.

k) Penden Cement Authority Ltd. (PCAL) has been reclassified as subsidiary on the merit that DHI retains control over PCAL in spite of holding 40% of shares as there are large number of other share holders holding small number of shares. At a company AGM, those smaller shareholders, with a total holding amounting to 41% of PCAL would have to attend and all vote against DHI to over-ride any decision by DHI. The share holder turn-out of this size does not occur. Hence, the test of "control" as per BAS is therefore met.

l) During the year 2013 DHI received an advance of Nu. 400,000,000/- from Bhutan Power Corporation Limited (BPCL) and is disclosed under Other Current Liabilities (Refer Note 16b). This advance was intended to be converted into Dzungnam Cement Corporation Limited (DCCL) shares during the sale of DCCL shares to the institutional investors. Accordingly, during the year 2015 DHI being the sole shareholder of DCCL initiated for a revised Shareholders' Agreement whereby shares equivalent to Nu. 400,000,000/- at face value (4,000,000 number of shares of Nu. 100/- each) would be allotted to BPC from the existing paid up equity shares held by DHI in consideration of aforementioned advance taken from BPCL and forwarded to Registrar of Companies (RoC) for final approval. The necessary adjustments in the books of DHI relating to settlement of advance with the allotment of shares will be passed up on obtaining confirmation from RoC. Further, as per the revised Shareholders' Agreement additional equity injection in DCCL took place in 2015 from the institutional investors like HIMS Kudu Fund, National Pension and Provident Fund and Zhung Gerdab Dratshang which resulted a reduction in DHI's % of holding from 100% to 80%.



## Druk Holding and Investments Limited

(All figures in Bhutanese Ngultrums unless otherwise stated)

### 4. Taxation

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

Tax on Comprehensive Income -	2015	2014
<b>Income Tax Payable -</b>		
Current Tax in respect of current year	1,855,722,011	1,666,300,215
<b>Total Income Tax Payable</b>	<b>1,855,722,011</b>	<b>1,666,300,215</b>
Deferred Tax Payable - Current year	47,237	(147,790)
<b>Total Income Tax Expense Recognized</b>	<b>1,855,769,248</b>	<b>1,666,152,425</b>
<b>Reconciliation of Tax on Operating Income -</b>		
Profit Before Income-tax	6,178,525,148	5,552,856,012
Income Tax expenses calculated at 30% (2014 : 30%)	1,853,557,543	1,665,856,804
Adjustments required for:		
- Non deductible expenditure	2,211,705	295,621
- Difference between tax and accounting depreciation	38,350	134,555
- Difference between tax and accounting loss on disposal of assets	(85,587)	13,235
<b>Current Tax Payable</b>	<b>1,855,722,011</b>	<b>1,666,300,215</b>

<b>Effective Tax Rate -</b>	<b>30%</b>	<b>30%</b>
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The tax rate used for the year 2015 and 2014 reconciliations above is the comparative tax rate of 30% payable by corporate entities on taxable profits under local tax rules.

<b>Reconciliation of Deferred Tax -</b>		
<b>Timing Differences in respect of -</b>	<b>2015</b>	<b>2014</b>
Opening	469,230	321,440
Recognized during the year in relation to property, plant and equipment	(47,237)	147,790
<b>Closing</b>	<b>421,993</b>	<b>469,230</b>

<b>Tax on Other Comprehensive Income -</b>		
Actuarial Gain (loss) on Post Employment Benefit Obligation	2015	2014
Gross income (Expense)	(534,125)	933,743
Tax at 30%	160,238	(280,123)
<b>Net income</b>	<b>(373,887)</b>	<b>653,620</b>





## Druk Holding and Investments Limited

(All figures in Bhutanese Ngultrums unless otherwise stated)

### 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. Amount received from Bank of Bhutan Limited plus accumulated interest earned by the fund has been shown as non-current liabilities, and DHI's contribution to the fund has been shown 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 Management. During the year 2015, DHI management entered into an agreement with The Loden Foundation and created Loden-DHI Fund to provide alternative access to the entrepreneurs in obtaining finance to start a new business or for expansion / growth of the existing business leading to employment generation and economic development of the nation. The Loden Foundation shall be solely responsible for the management of the fund as per the agreed conditions between DHI and Loden and will operate in line with the existing Loden Entrepreneurship Programme guidelines. As per the agreement DHI needs to contribute Nu. 20,000,000/- in three consecutive years starting from the year 2015. Following this, DHI contributed Nu. 7,000,000/- being the first tranche of the above agreed amount to Loden-DHI Fund in 2015.

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 and TDS(Dr.). The breakup of the EPF assets and fund are given below :

#### EPF Assets -

	2015	2014
Bank balance	78,159	223,132
Term deposits	20,765,000	25,549,900
Accrued interest	305,356	1,333,176
Contribution to Loden-DHI Fund	7,000,000	-
	<b>28,148,515</b>	<b>27,106,208</b>

#### EPF Fund -

	2015	2014
Fund balance	25,000,000	25,000,000
Accumulation due to interest earned on term deposits (net off tax @ 30%)	3,148,515	2,106,208
	<b>28,148,515</b>	<b>27,106,208</b>
Less: DHI's contribution to the fund	15,000,000	15,000,000
<b>Net fund balance</b>	<b>13,148,515</b>	<b>12,106,208</b>

### 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 :

	2015	2014
Security deposits paid to third parties -		
Deposit with Bhutan Oil Distributor for vehicle fuel	70,000	30,000
	<b>70,000</b>	<b>30,000</b>



## Druk Holding and Investments Limited

(All figures in Bhutanese Ngultrums unless otherwise stated)

### 7. Other Financial Assets - Non-current

	2015	2014
Loan to subsidiary company	15,000,000	-
Long term deposit	1,500,000	-
Accrued income on long term deposit	215,342	-
Prepayments	89,745	-
	<b>16,805,087</b>	<b>-</b>

During the year 2015 DHI provided an inter-corporate loan amounting to Nu. 15,000,000/- to its subsidiary Dungsam Polymers Ltd. (DPL) for a period of 1 year 11 months. The applicable rate of interest is 7.5% p.a. to be paid quarterly. The principal is repayable on 16 March 2017 as per loan agreement.

### 8. Trade and Other Receivables - Current

	2015	2014
<b>Trade receivables -</b>		
Inter-company trade receivable	293,021	2,387,557
	<b>293,021</b>	<b>2,387,557</b>
<b>Other receivables -</b>		
Security deposits with third parties	-	24,000
	-	<b>24,000</b>
	<b>293,021</b>	<b>2,411,557</b>

### 9. Advance to Ministry of Finance

In the course of any financial year, DHI (the Company) is in the practice of providing advance to its parent Ministry of Finance (MoF) in relation to dividend which is usually declared for the financial performance of the Company for a particular financial year in the following year on its approval in the Annual General Meeting. The Company has also an arrangement to obtain funds in advance from one of its investee companies called Druk Green Power Corporation Ltd. to meet the requirement of paying the Parent in advance (Refer Note 16b).

### 10. Other Current Assets

	2015	2014
Advances provided for projects	-	2,122,058
Loan to subsidiary company / advances	168,760,501	302,000
Advance payments to employees	49,666	167,796
Prepayments	135,467	191,836
	<b>168,945,634</b>	<b>2,783,690</b>

During the year 2014 DHI undertook mining projects like coal, quartzite etc. and initiated in setting up the company State Mining Corporation Limited (SMC) with the intention that those projects will be managed later by the company. During this process DHI released certain payments relating to the mining projects and setting up SMC. The total payments of Nu. 2,122,058/- as on 31 December 2014 relating to SMC and the said projects was reflected as "advances provided for projects". During the year 2015 the company State Mining Corporation Limited (SMC) came into place and all the related projects were handedover to the company. Payments released as "advances provided for projects" have been recovered in full from SMC during 2015.





## Druk Holding and Investments Limited

(All figures in Bhutanese Ngultrims unless otherwise stated)

### 11. Cash and Cash Equivalents

	2015	2014
<b>Cash in hand</b>	-	-
<b>Bank balances -</b>		
Local banks - Others	10,000	895,504
Balances with BOBL (Inter-company) - Others	3,979,896	4,124,335
	<b>3,989,896</b>	<b>5,019,839</b>
<b>Short term bank deposits -</b>		
Short-term deposits with BNBL -		
Term deposits - Others	363,000,000	-
Interest accrued on short-term deposits with BNBL -		
Accrued interest - Others	1,015,781	-
	<b>364,015,781</b>	<b>-</b>
	<b>368,005,677</b>	<b>5,019,839</b>

The cash and cash equivalents presented here exclude the relevant portion of Entrepreneurship Promotion Fund (which is included under note 3C) and Gratuity Fund which are disclosed under note 5 and 14 respectively.

### 12. Issued Capital, Retained Earnings and General Reserve

#### a) Issued Capital -

	2015	2014
<b>Authorized Capital</b>	<b>500,000,000,000</b>	<b>500,000,000,000</b>
<b>Issued Capital -</b>		
450,677,169 fully paid ordinary shares of Nu. 100/- each (31 December 2014: 443,335,142)	<b>45,067,716,900</b>	<b>44,333,514,200</b>

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

On 1 January 2015 Ministry of Finance (MoF), Royal Government of Bhutan (RGoB) by virtue of Share Transfer Agreement signed between MoF and Druk Holding and Investments Ltd. (DHI) transferred 733,177 (100%) number of equity shares of Nu. 100/- each of Wood Craft Center Ltd. (WCCL), Government Linked Companies (the GLC's) amounting to Nu. 73,317,700/- to DHI. Upon such transfer DHI got the absolute ownership of WCCL. This amount of Nu. 73,317,700/- is reflected in the books of DHI as DHI's investments to WCCL (Refer Note 3) with the corresponding liability as share capital of MoF and included in the issued capital stated above.

On 1 January 2015 Ministry of Finance (MoF), Royal Government of Bhutan (RGoB) by virtue of Share Transfer Agreement signed between MoF and Druk Holding and Investments Ltd. (DHI) transferred 421,383 (100%) number of equity shares of Nu. 1,000/- each of Construction Development Corporation Ltd. (CDCL), Government Linked Companies (the GLC's) amounting to Nu. 421,383,000/- to DHI. Upon such transfer DHI got the absolute ownership of CDCL. This amount of Nu. 421,383,000/- is reflected in the books of DHI as DHI's investments to CDCL (Refer Note 3) with the corresponding liability as share capital of MoF and included in the issued capital stated above.



## Druk Holding and Investments Limited

(All figures in Bhutanese Ngultrims unless otherwise stated)

### 12. Issued Capital, Retained Earnings and General Reserve (contd.)

#### a) Issued Capital (contd.)-

During the year 2015, Druk Green Power Corporation Ltd. (DGPC) received Nu. 204,575,000/- from Government of India (GoI) in conformity with clause 3.4 of the Inter-Governmental Agreement signed between RGoB and GoI as DGPC's share of equity to the Kholongchhu Hydro Energy Limited (KHEL). Since the grant was received on behalf of RGoB it was deemed to be considered as equity injection to DGPC from DHI, a company wholly-owned by the MoF, RGoB. The Above amount has been treated in the books of DHI as equity injection to DGPC and sits as investment in Note 3. Consequence to this DHI Board approved to allot 2,045,750 number of equity shares of Nu. 100/- each to MoF equivalent to Nu. 204,575,000/- which is included in the issued capital stated above.

During the year 2015, Bhutan Power Corporation Ltd. (BPC) in its AGM allotted 34,927 number of equity shares of Nu. 1,000/- each amounting to Nu. 34,927,000/- to DHI for on account of taking over Gaeddu Distribution Assets located at Gaeddu Business College as per approval of MoF, RGoB obtained during 2014 in consideration of issue of Government Equity. Further, DHI is the sole shareholder of BPC and a company wholly-owned by the MoF, RGoB. Since the acquisition took place on behalf of RGoB it was deemed to be considered as equity injection to BPC from DHI. The Above amount has been treated in the books of DHI as equity injection to BPC and sits as investment in Note 3. Consequence to this DHI Board approved to allot 349,270 number of equity shares of Nu. 100/- each to MoF equivalent to Nu. 34,927,000/- which is included in the issued capital stated above.

#### 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. (DGPC), 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 was @ 8% per annum on simple interest basis and payable during the year 2014, together with the principal. During the year 2014 DHI paid all the inter-corporate borrowings except Nu. 350,000,000/- taken from DGPC which was extended till 31 March 2015 under the same terms and conditions agreed earlier. During the year 2015, DHI further approached to DGPC to adjust Nu. 200,000,000/- together with applicable interest against the dividend disbursement in May, 2015 and deferred the maturity of remaining loan of Nu. 150,000,000/- till 31 March 2016 under the same terms and conditions. However, in October, 2015 DHI settled in full the remaining loan balance and applicable interest thereon following the prepayment clause laid down in the agreement.





## Druk Holding and Investments Limited

(All figures in Bhutanese Ngultrums unless otherwise stated)

### 14. Employee Benefits

#### 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 2015 was Nu. 1,973,893/- (2014 Nu. 1,863,654/-).

#### b) Defined Benefit Scheme - Post-employment Benefit : Gratuity

Qualifying employees are members of a defined benefit plan sponsored by the Company. Employees are entitled to a lump sum payment of 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 this valuation is based on the weighted average yield obtained by the assets of the scheme due to absence of high quality corporate and government issued bond. All funds are held in this type of investment as approved by the Royal Monetary Authority of Bhutan (RMA).

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

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

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

The valuation of the actuarial obligation of the defined benefit plan has been carried out by Royal Insurance Corporation of Bhutan Limited.

#### i) Statement of Profit or Loss

	2015	2014
Current service cost	823,681	702,997
Net interest on net defined benefit liability / (asset)	(266,558)	(167,767)
<b>Cost recognised in Statement of Profit or Loss</b>	<b>557,123</b>	<b>535,230</b>

#### ii) Other Comprehensive Income (OCI)

	2015	2014
Actuarial (gain)/loss due to liability experience	245,737	(1,413,176)
Actuarial (gain)/loss due to liability assumption changes	(109,511)	420,351
Return on plan assets (greater)/less than discount rate	397,900	59,082
Actuarial (gains)/ losses recognized in OCI	534,125	(933,743)
<b>Cumulative Actuarial (Gain) Loss Recognized via OCI at Current Period End</b>	<b>534,125</b>	<b>(933,743)</b>



## Druk Holding and Investments Limited

(All figures in Bhutanese Ngultrums unless otherwise stated)

### 14. Employee Benefits (contd.)

#### iii) Statement of Financial Position

	2015	2014
<b>Defined benefit obligation (DBO)</b>	<b>(3,489,132)</b>	<b>(2,473,553)</b>
<b>Fair value of plan assets (FVA)</b>	<b>5,815,297</b>	<b>5,890,966</b>
Funded status [surplus/(deficit)]	2,326,165	3,417,413
Effect of Asset ceiling	-	-
<b>Net defined benefit asset (DBA)</b>	<b>2,326,165</b>	<b>3,417,413</b>

#### iv) Movements in the Present Value of Defined Benefit Obligation

	2015	2014
Opening Defined Benefit Obligation	2,473,553	3,275,810
Current service cost	823,681	702,997
Interest cost	187,784	218,284
Actuarial loss on experience adjusted	245,737	(1,413,176)
Benefits paid	(132,112)	(730,714)
Actuarial (gain)/loss due to change in demographic assumptions	-	225,629
Actuarial (gain)/loss due to change in financial assumptions	(109,511)	194,723
<b>Closing Defined Benefit Obligation</b>	<b>3,489,132</b>	<b>2,473,553</b>

#### v) Movements in the Fair Value of Plan Assets

	2015	2014
Opening Fair Value of Plan Assets	5,890,966	4,730,710
Income on assets at the discount rate	454,343	386,051
Actual interest less than discount rate	(397,900)	(59,081)
Contribution by DHI	-	1,564,000
Benefits paid	(132,112)	(730,714)
<b>Closing Fair Value of Plan Assets</b>	<b>5,815,297</b>	<b>5,890,966</b>

#### vi) Expected Benefit Payments as at 31 December 2015

<b>31 December 2016 ( Retirement Benefit Obligations - Current )</b>	<b>440,831</b>
31 December 2017	538,383
31 December 2018	693,932
31 December 2019	822,983
31 December 2020	956,972
31 December 2021 to 31 December 2025	8,696,925

#### vii) Expected Benefit Payments as at 31 December 2014

<b>31 December 2015 ( Retirement Benefit Obligations - Current )</b>	<b>346,852</b>
31 December 2016	801,574
31 December 2017	575,968
31 December 2018	684,265
31 December 2019 to 31 December 2024	6,635,057





## Druk Holding and Investments Limited

(All figures in Bhutanese Ngultrum unless otherwise stated)

## 14. Employee Benefits (contd.)

	2015	2014
viii) Weighted Average Duration of Defined Benefit Obligation	13.96 Years	13.33 Years

	2015	2014
ix) Accrued Benefit Obligation at 31 December	1,910,193	1,581,845

## x) Plan Asset Information (Asset Allocation in Percentage)

	2015	2014
Insurance Policy with RICBL	88.35%	-
Gratuity Fund with BIL	11.60%	-
Term Deposits with Banks	-	99.00%
Balance in Current Account	0.05%	1.00%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

## xi) Sensitivity Analysis

## I) Discount Rate -

	2015	2014
Discount Rate as at 31 December	7.80%	7.50%
Effect on DBO due to 0.5% increase in Discount Rate	3,317,182	2,362,150
Effect on DBO due to 0.5% decrease in Discount Rate	3,674,460	2,593,268

## II) Salary Escalation Rate -

	2015	2014
Salary Escalation Rate as at 31 December	10.00%	10.00%
Effect on DBO due to 1% increase in Salary Escalation Rate	3,585,332	2,528,780
Effect on DBO due to 1% decrease in Salary Escalation Rate	3,378,859	2,416,292

## III) Attrition Rate -

	2015	2014
Attrition Rate as at 31 December	5.00%	3.40%
Effect on DBO due to 1% increase in Attrition Rate	3,479,997	2,480,983
Effect on DBO due to 1% decrease in Attrition Rate	3,487,142	2,457,970

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

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

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



## Druk Holding and Investments Limited

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## 14. Employee Benefits (contd.)

**Investment risk:** In the absence of any high quality Corporate or Government issued bonds in the market as well as separate assets for the scheme (as it was the start year), the discount rate has been set at 5% per annum.

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

**Employee attrition:** The leave encashment liability 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 leave encashment liability 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 leave encashment liability has been carried out by Royal Insurance Corporation of Bhutan Limited.

## i) Assumptions

	2015	2014
Discount rates	5.00%	-
Salary escalation rates	10.00%	-
Employee turnover rates	5.00%	-

## ii) Statement of Profit or Loss

	2015	2014
Current service cost	825,238	-
Net interest on net defined benefit liability / (asset)	-	-
<b>Cost recognised in Statement of Profit or Loss</b>	<b>825,238</b>	<b>-</b>

## iii) Statement of Financial Position

	2015	2014
Defined benefit obligation (DBO)	(825,238)	-
Fair value of plan assets (FVA)	-	-
<b>Net defined benefit obligation (DBO)</b>	<b>(825,238)</b>	<b>-</b>

Out of the above accumulated annual leave encashment liability as at 31 December 2015 Nu. 27,056/- is expected to be paid within the next twelve 12 months.

This is the first time such valuation has been taken place in the company as per amendment in the Service Rule. Hence, previous year's comparative numbers are not available.





## Druk Holding and Investments Limited

(All figures in Bhutanese Ngultrums unless otherwise stated)

### 15. Trade and Other Payables - Current

	2015	2014
Trade payable to third parties	2,059,457	2,736,408
Inter-company trade payables	464,363	695,733
Employee payables	14,671,036	12,668,927
Accrued Interest	-	61,079,781
TDS Payable	105,794	1,546,389
Outstanding liabilities - Audit fees	550,000	1,000,000
Outstanding liabilities - Other professional fee	20,000	14,650
Other liabilities	-	54,273
	<b>17,870,650</b>	<b>79,796,361</b>

### 16a. Current Tax Liabilities

As per Income-tax Rule	2015	2014
Tax liability (asset) as at the beginning of the year	108,691,699	(1,381,467,234)
Add : Tax liability for the current year	1,855,561,774	1,666,580,338
Less : Advance tax paid during the year	963,284,946	173,146,394
Less : Adjustment of tax deducted at source	617,312,021	3,275,011
Tax liability as at the end of the year	<b>383,656,506</b>	<b>108,691,699</b>

### 16b. Other Current Liabilities

	2015	2014
Advance received from subsidiary companies	10,000,000	-
Advance received from Druk Green Power Corporation Ltd. (Refer Note 9)	1,835,200,000	1,719,800,000
Advance received from Bhutan Power Corporation Ltd. (Refer Note 3l)	400,000,000	400,000,000
Deposits received	35,950	276,340
	<b>2,245,235,950</b>	<b>2,120,076,340</b>

### 17. Dividend Income

	2015	2014
Dividend income from Subsidiaries -		
Bhutan Board Products Ltd.	4,678,338	6,683,340
Bank of Bhutan Ltd.	300,133,375	269,185,998
Bhutan Telecom Ltd.	337,011,130	216,007,203
Druk Green Power Corporation Ltd.	4,593,273,664	4,760,297,743
Bhutan Power Corporation Ltd.	702,082,000	260,080,000
Penden Cement Authority Ltd.	109,685,920	123,396,660
	<b>6,046,864,427</b>	<b>5,635,650,944</b>
Dividend income from Associates and Portfolios -		
Bhutan Ferro Alloys Ltd.	28,945,950	25,086,490
Bhutan National Bank Ltd.	40,810,960	22,334,354
Royal Insurance Corporation of Bhutan Ltd.	30,936,500	19,887,750
	<b>100,702,410</b>	<b>67,308,594</b>
	<b>6,147,566,837</b>	<b>5,702,959,538</b>



## Druk Holding and Investments Limited

(All figures in Bhutanese Ngultrums unless otherwise stated)

### 18. Other Income

	2015	2014
Sale of tender document	6,400	27,700
Corporate guarantee fee	16,822,496	3,903,507
Miscellaneous income	12,101	3,557,885
	<b>16,840,997</b>	<b>7,489,092</b>

### 19. Finance Income

	2015	2014
Interest income on term deposits with BNBL -	3,680,802	4,133,937
Interest income on term deposits with BOBL (Inter-company) -	1,202,791	1,646,636
Interest income on inter-company loans	16,702,553	27,240,000
	<b>21,586,146</b>	<b>33,020,573</b>

### 20. Operation and Maintenance Expenses

	2015	2014
Office Equipment / Furniture etc.	407,660	268,586
SAP System	2,647,271	2,333,005
Motor Vehicles	461,968	426,004
	<b>3,516,899</b>	<b>3,027,595</b>

### 21. Employee Benefits Expenses

	2015	2014
Payroll and related expenses -		
Salaries to permanent staff	35,567,837	31,191,442
Salaries to temporary staff	-	291,996
Leave travel allowance	2,450,801	2,312,472
Bonus and Performance based variable pay	11,051,531	9,830,578
Overtime allowances	68,577	81,238
Medical expenses	442,332	425,744
Staff welfare	97,160	84,230
HRD expenses	5,773,559	11,235,163
	<b>55,451,797</b>	<b>55,452,863</b>
Post employment benefits -		
Provident fund contribution	1,973,893	1,863,654
Gratuity	557,123	535,230
	<b>2,531,016</b>	<b>2,398,884</b>
Other employee benefits (leave encashment) -		
Annual benefit	706,810	730,654
Separation benefit	825,238	-
	<b>1,532,048</b>	<b>730,654</b>
	<b>59,514,861</b>	<b>58,582,401</b>





## Druk Holding and Investments Limited

(All figures in Bhutanese Ngultrums unless otherwise stated)

### 22. Other Expenses

	2015	2014
Board meetings expenses	379,491	399,993
Board sitting fees and expenses	1,055,000	788,788
Sub-Committee meeting expenses	352,500	156,576
Fees and subscription	210,451	125,969
Research and development expenses	435,809	-
Printing and stationery	1,043,737	871,189
Advertisement	163,971	285,519
Office expenses	3,497,073	3,885,848
Office rent	1,811,490	1,792,020
Travelling expenses - Foreign	4,342,063	3,744,087
Travelling expenses - Local	1,768,390	2,225,777
Communication, internet and telephone charges	998,763	1,050,602
Rates and taxes	11,761	11,761
License and registration	5,000	5,000
Electricity and water charges	220,434	217,146
Hospitality expenses	1,842,967	898,877
Books and periodicals	26,495	1,060
CSR expenses	7,852,350	2,686,501
Loss on disposal/retirement of property, plant and equipment	471,640	340,379
Miscellaneous expenses	138,012	156,001
Consulting charges	1,096,734	14,797,629
Audit fees and expenses (Refer Note 26)	956,973	1,196,520
	<b>28,681,104</b>	<b>35,637,242</b>

### 23. Finance Cost

	2015	2014
Interest on inter-company borrowings	13,150,684	67,638,356
Bank charges - Local	90	7,123
Bank charges - Inter-company	29,308	60,729
Loss on foreign exchange fluctuation	12,840	4,505
	<b>13,192,922</b>	<b>67,710,713</b>

### 24. Earnings Per Share

	2015	2014
Profit after income-tax	4,322,755,900	3,886,703,587
Other comprehensive income for the year	(373,887)	653,620
Profit used to determine basic earnings per share	4,322,382,013	3,887,357,207
Number of shares at the beginning of the year	443,335,142	443,281,142
Number of Shares allotted to MoF during the year	7,342,027	54,000
Number of shares at the end of the year	450,677,169	443,335,142
Weighted average number of ordinary shares in issue	448,620,621	443,282,326
Basic and Diluted Earnings per Share	<b>9.63</b>	<b>8.77</b>



## Druk Holding and Investments Limited

(All figures in Bhutanese Ngultrums unless otherwise stated)

### 25. Managerial Remuneration

	2015	2014
Remuneration paid to the Chairman of the company -		
Salary and allowances	2,184,281	1,845,121
Other benefits	644,906	-
Provident fund contribution	142,680	114,895
Sitting fees	180,000	105,000
	<b>3,151,867</b>	<b>2,065,016</b>
Remuneration paid to the Chief Executive Officer of the company -		
Salary and allowances	153,000	1,887,668
Other benefits	-	919,832
Provident fund contribution	10,098	121,044
Sitting fees	30,000	135,000
	<b>193,098</b>	<b>3,063,544</b>
Sitting fees paid to the other Board of Directors of the company -	<b>1,012,500</b>	<b>525,000</b>
Remuneration, separation benefits etc. paid to the former Chairman of the company -		
Remuneration and other benefits	146,470	1,529,434
Separation benefits	-	984,278
	<b>146,470</b>	<b>2,513,712</b>
Benefits paid to the former Chief Executive Officer of the company -		
Other benefits	902,028	-
	<b>902,028</b>	<b>-</b>

The contribution charged in the Statement of Comprehensive Income for actuarial valuation of gratuity (Refer Note 21) is assessed for the company as a whole. Hence, impact on individual employee is dropped.

### 26. Auditor's Remuneration

	2015	2014
Statutory audit fee for standalone financial statements	150,000	1,000,000
Statutory audit fee for consolidated financial statements	400,000	-
Other audit expenses (relating to previous year)	406,973	196,520
	<b>956,973</b>	<b>1,196,520</b>

For the year 2014 statutory audit fee of Nu. 1,000,000/- represents both for standalone financial statements and consolidated financial statements.





## Druk Holding and Investments Ltd.

(All figures in Bhutanese Ngultrums unless otherwise stated)

## 27. Related Party Disclosures

## a) Related Parties

	2015	2014
Parent (State) -	% of Holding	% of Holding
Ministry of Finance (MoF), Royal Government of Bhutan	100%	100%

## Subsidiaries -

Bhutan Board Products Ltd. (BPPL)	58%	58%
State Trading Corporation of Bhutan Ltd. (STCBL)	55%	55%
Dungsam Polymers Ltd. (DPL)	51%	51%
Penden Cement Authority Ltd. (PCAL)	40%	40%
Bank of Bhutan Ltd. (BOBL)	80%	80%
Bhutan Telecom Ltd. (BTL)	100%	100%
Druk Green Power Corporation Ltd. (DGPCCL)	100%	100%
Drukair Corporation Ltd. (DCL)	100%	100%
Natural Resources Development Corporation Ltd. (NRDCL)	100%	100%
Bhutan Power Corporation Ltd. (BPCL)	100%	100%
Dungsam Cement Corporation Ltd. (DCCL)	80%	100%
DHI Infra Ltd. (DHIIL)	100%	100%
DHI Hospitality Ltd. (DHIHL)	100%	100%
Thimphu TechPark Ltd. (TTPL)	100%	100%
State Mining Corporation Ltd. (SMCL)	100%	-
Wood Craft Center Ltd. (WCCL)	100%	-
Construction Development Corporation Ltd. (CDCL)	100%	-

## Associates -

Bhutan Ferro Alloys Ltd. (BFAL)	26%	26%
Koufuku International Private Ltd. (KIPL)	30%	30%

## Other Portfolios -

Bhutan National Bank Ltd. (BNBL)	12%	12%
Royal Insurance Corporation of Bhutan Ltd. (RICBL)	18%	18%

## State Owned Enterprises -

Bhutan Development Bank Ltd. (BDBL)
Bhutan Postal Corporation Ltd. (BPCL)
Kuensel Corporation Ltd. (KCL)
Bhutan Broadcasting Services Corporation Ltd. (BBSCL)
Food Corporation of Bhutan (FCB)
Bhutan Chamber and Commerce Industry (BCCI)

## Key Management Personnel -

Dasho Sangay Khandu, Chairman
Dasho Karma Y. Raydi, CEO (date of appointment : 27 November 2015)
Mr. Lam Dorji
Mr. Ugyen Rinzin
Mr. Tenzin Dhendup
Mr. Pema Chewang
Mr. Karma Tsetop Rinchen



## Druk Holding and Investments Ltd.

(All figures in Bhutanese Ngultrums unless otherwise stated)

## 27. Related Party Disclosures (contd.)

## b) (i) Transactions with Parent -

	2015	2014
Dividend paid	3,689,738,830	3,769,979,021
Advance as made for dividends	3,710,671,558	4,380,253,738
Expenses adjusted by the company on behalf of MoF	1,267,272	572,084,185

## b) (ii) Balance as at the end of the year with Parent -

	2015	2014
Advance to MoF	4,143,831,009	4,121,631,009

## c) (i) Transactions with Subsidiaries -

	2015	2014
Equity contribution in cash	60,580,000	71,620,831
Equity contribution recovered in cash	6,311,377	-
Augmentation in shares by transfer	734,202,700	-
Dividend income	6,046,864,427	5,635,650,944
Consultancy income	-	1,200,000
Brand management fee	105,277,008	-
Corporate guarantee fee	16,822,496	3,903,507
Interest income on bank deposits	1,202,791	1,646,636
Other interest income	16,702,553	27,240,000
Electricity expenses	215,436	204,616
Telephone and internet expenses	998,763	1,050,602
Purchase of air tickets and others	2,326,641	1,756,704
Research and development expenses	18,728	-
Repairs and maintenance charges	416,918	296,161
Purchase of assets	7,799,461	36,325
Hall hiring charges	26,000	243,000
Bank charges	29,308	60,729
Inter-company loan provided (principal and interest)	685,435,594	-
Inter-company loan recovered (principal and interest)	500,000,000	630,000,000
Inter-company loan settled (principal and interest)	336,849,316	1,317,638,356
Inter-company advances taken	1,835,200,000	1,719,800,000
Inter-company advances settled	1,719,800,000	1,568,000,000
Advances given on behalf	-	1,000,000
Corporate guarantee provided	1,500,000,000	2,660,000,000

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

	2015	2014
Current account balances	4,058,055	4,347,468
Fixed deposits	11,540,000	21,455,681

## c) (iii) Outstanding Balances with Subsidiaries -

	2015	2014
Corporate guarantee fee receivable	9,666,003	1,383,507
Accrued interest on bank deposits	214,917	1,308,498
Other interest receivable	5,361,458	-
Electricity expenses payable	(44,716)	(39,307)
Telephone and internet expenses payable	(70,081)	(101,121)
Payable for air tickets	(19,435)	(78,315)
Repairs and maintenance charges payable	(44,741)	(281,353)
Payable for purchase of Assets	(285,372)	-
Inter-company loan receivable (principal and interest)	174,094,499	-
Inter-company loan payable (principal and interest)	-	(411,079,781)





## Druk Holding and Investments Ltd.

(All figures in Bhutanese Ngultrons unless otherwise stated)

### 27. Related Party Disclosures (contd.)

<b>c) (iii) Outstanding Balances with Subsidiaries (contd.) -</b>		2015	2014
Inter-company advances payable	(2,235,200,000)	(2,119,800,000)	
Advances given on behalf	-	1,000,000	
Corporate guarantees	(4,015,086,363)	(3,467,460,000)	
<b>d) (i) Transactions with Associates -</b>		2015	2014
Dividend income	28,945,950	25,086,490	
Corporate guarantee provided	9,000,000	13,770,000	
<b>d) (ii) Outstanding Balances with Associates -</b>		2015	2014
Corporate guarantees	(18,786,000)	(13,770,000)	
<b>e) (i) Transactions with Other Portfolios -</b>		2015	2014
Bonus shares received (13,258,500 shares of Nu. 10/- each)	-	-	
Dividend income	71,756,460	42,222,104	
Interest income on bank deposits	3,680,802	4,473,630	
Bank charges	90	3,105	
Insurance of vehicles	192,925	37,846	
Medical insurance	486,299	-	
Actuarial valuation fee	20,000	14,650	
<b>e) (ii) Balance as at the end of the year with Other Portfolios -</b>		2015	2014
Current account balances	12,904	977,824	
Fixed deposits	373,725,000	9,594,219	
<b>e) (iii) Outstanding Balance with Other Portfolios -</b>		2015	2014
Accrued interest on bank deposits	1,321,562	308,647	
Actuarial valuation fee payable	(20,000)	(14,650)	
<b>f) Compensation to Key Management Personnel -</b>		2015	2014
Short-term benefits	5,253,185	6,947,055	
Post-employment benefits	152,778	1,220,217	
<b>g) (i) Transactions with SoEs -</b>		2015	2014
Purchase of assets	-	6,233	
Media and publication expenses	717,128	1,119,965	
Hall hiring charges	-	400,000	
Postage charges	94,340	111,065	
<b>g) (ii) Outstanding Balances with SoEs -</b>		2015	2014
Media and publication expenses payable	(61,299)	(60,985)	
Postage charges payable	-	(7,565)	



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Druk Holding & Investments

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