



AT A GLANCE

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INTRODUCTION

Who we are

Druk Holding and Investments Limited (DHI) is the investment arm of the Royal Government of Bhutan. We hold and manage the existing and future investments of the Royal Government 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 trading. Presently, we have twenty portfolio companies, of which 9 are fully owned (DHI Owned Companies), four 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 (CEO) of DHI from 2007 to 2014. The current Chairman, Dasho Sangay Khandu was appointed in 2014. In 2015, Dasho Karma Yezer Raydi was appointed as the Chief Executive Officer of DHI.

Our mandate

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



MISSION

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



VISION

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.'

FUNCTIONS OF DHI



PERFORMANCE IMPROVEMENT

RESOURCE OPTIMIZATION

NEW INVESTMENTS

PRIVATE SECTOR DEVELOPMENT

REVENUE TO THE GOVERNMENT

CORE VALUES

Integrity, Honesty, Excellence, Prudence,
Teamwork, Responsibility



Portfolio Companies

 <p>80% Dungsam Cement Corporation Ltd.</p>					
 <p>100% Wood Craft Center Ltd.</p>					
 <p>51% Dungsam Polymers Ltd.</p>					
 <p>47.7% Bhutan Board Products Ltd.</p>	 <p>100% Druk Green Power Corporation Ltd.</p>				
 <p>40.3% Penden Cement Authority Ltd.</p>	 <p>100% Bhutan Power Ltd.</p>	 <p>80% Bank of Bhutan Ltd.</p>			
 <p>30% Koufuku International Pvt. Ltd.</p>	 <p>100% Natural Resources Development Corporation Ltd.</p>	 <p>18.4% Royal Insurance Corporation of Bhutan Ltd.</p>	 <p>100% Bhutan Telecom.</p>	 <p>100% Construction Development Corporation Ltd.</p>	
 <p>25.7% Bhutan Ferro Alloys Ltd.</p>	 <p>100% State Mining Corporation Ltd.</p>	 <p>11.5% Bhutan National Bank Ltd.</p>	 <p>100% Druk Air Corporation Ltd.</p>	 <p>100% Thimphu Tech Park Ltd.</p>	 <p>57% State Trading Corporation of Bhutan Ltd.</p>
<p>MANUFACTURING</p>	<p>ENERGY & RESOURCES</p>	<p>FINANCIAL SERVICES</p>	<p>COMMUNICATION & TRANSPORTATION</p>	<p>REAL ESTATE & CONSTRUCTION*</p>	<p>TRADING</p>

*DHI-INFRA was merged with CDCL in 2016

DHI PORTFOLIO COMPANIES DEPICTING DHI SHAREHOLDING AND NET WORTH/MARKET CAPITALIZATION OF THE COMPANIES

Sector	Shareholding (in %)	DPC Category	Net Worth*/Market Capitalization (in million Nu.)
Energy & Resources			
Druk Green Power Corporation Ltd.	100	DOC	44,420.21
Bhutan Power Corporation Ltd.	100	DOC	13,928.56
Natural Resources Development Corporation Ltd.	100	DOC	592.09
State Mining Corporation Ltd.	100	DOC	120.72
Communication & Transport			
Bhutan Telecom Ltd.	100	DOC	4,082.85
Drukair Corporation Ltd.	100	DOC	2,550.95
Finance			
Bank of Bhutan Ltd.	80	DCC	4,404.95
Bhutan National Bank Ltd. **	11.5	DLC	1,102.14
Royal Insurance Corporation of Bhutan Ltd.**	18.4	DLC	883.90
Real Estate and Construction			
Thimphu Tech Park Ltd.	100	DOC	182.38
Construction Development Corporation Ltd.	100	DOC	826.25
Trading			
State Trading Corporation of Bhutan Ltd.**\$	56.6	DLC	178.37
Manufacturing			
Dungsam Cement Corporation Ltd.	80	DCC	3,351.23
Wood Craft Center Ltd.	100	DOC	121.71
Dungsam Polymers Ltd.**	51	DCC	80.16
Penden Cement Authority Ltd.**	40.3	DLC	707.47
Bhutan Ferro Alloys Ltd.**	25.7	DLC	231.57
Bhutan Board Products Ltd.**\$	57.6	DLC	80.63
Koufuku International Private Ltd.	30	DLC	-1.85

ACCOMPANYING NOTES:

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

**Market Capitalization is reflected for listed DHI Linked Companies

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

GLOSSARY

DPC- DHI Portfolio 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.



OVERVIEW OF THE INSTITUTION

Our Governance Framework

Druk Holding and Investments (DHI) upholds high standards of corporate governance to ensure transparency and accountability in managing the existing and future investments of the State for the long term benefit of people of Bhutan as envisaged by His Majesty the King. The governance structure of DHI is guided by the Royal Charter, which sets out clear authority and duties of the Board.

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

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

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

To develop the professional capacity of the Board Directors in DHI portfolio companies, DHI conducts orientation program every year and Board Directorship skills training for the newly appointed Board Directors.

Mr. Tenzin Dhendup



Mr. Ugyen Rinzin



Mr. Lam Dorji



Dasho Sangay Khandu



BOARD OF DIRECTORS



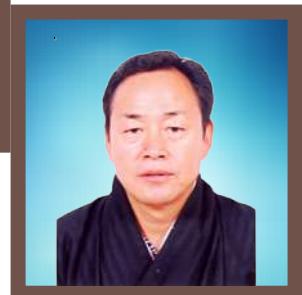
Dasho Karma Yezer
Raydi



Mr. Karma Tsetop
Rinchhen



Mr. Pema Chewang



Mr. Nim Dorji



**DASHO SANGAY
KHANDU**
Chairman, DHI

Dasho Sangay Khandu brings more than 36 years of work experience with the Royal Government of Bhutan and Corporate World. He was conferred red scarf by His Majesty the King in December 2009. He is the Chairman of DHI and serves as a Non-Independent Executive Director on DHI Board.



MR. LAM DORJI
Former Secretary, MoF

Mr. Lam Dorji is the former Secretary of Ministry of Finance. He served on DHI board from 21st March 2008 to 10th June 2016. He served as Non-Independent Non-Executive Director on DHI Board.



MR. NIM DORJI
Secretary, MoF

Mr. Nim Dorji is the current Secretary of Ministry of Finance. He received his Master in Business Administration from the University of Canberra, Australia. He joined DHI Board from 21st July 2016 and serves as Non-Independent Non-Executive Director on DHI Board.



MR. PEMA CHEWANG
Secretary, NLCS

Mr. Pema Chewang is the Secretary of National Land Commission Secretariat of Bhutan. He received his Master in Development Economics from Australian National University, Canberra, Australia and Bachelor of Arts Degree from Sherubtse College. He serves as Independent Non-Executive Director on DHI Board.



MR. TENZIN DHENDUP
Former Secretary, MoAF

Mr. Tenzin Dhendup is the former Secretary of Ministry of Agriculture & Forests. He received his Master of Science in Aquatic Biology from Auburn University, Alabama, United States and Bachelor in Zoology from St. Edmunds College, North Eastern Hill University, Shillong, India. He serves as Independent Non-Executive Director on DHI Board.



MR. KARMA TSETOP RINCHHEN
CEO, Middle Path to Bhutan

Mr. Karma Tsetop Rinchhen is the Chief Executive Officer of A Middle Path to Bhutan, a tour operation business in Bhutan. Mr. Karma Tsetop Rinchhen received his Bachelor of Arts Degree in English (honours) from St. Stephen's College, Delhi University, India. He serves as Independent Non-Executive Director on DHI Board.



MR. UGYEN RINZIN
Chairman, Yangphel

Mr. Ugyen Rinzin holds Chairmanship in Yangphel Pvt. Ltd, Dragchu Beverages Pvt. Ltd and the Bhutan Insurance Company. He received his Bachelor's Degree in English Honors from Delhi University. He serves as Independent Non-Executive Director on DHI Board.



DASHO KARMA YEZER RAYDI
CEO, DHI

Dasho Karma Yezer Raydi is the Chief Executive Officer of the Druk Holding and Investments Ltd. He received his Master in Geotechnical Engineering, from Nippon Institute of Technology, Saitama, Japan and Bachelor Degree in Civil Engineering, from University of Roorkee, India. He serves as Non Independent Executive Director on DHI Board.

THE DIRECTORS



DR. DAMBER SINGH KHARKA
Director, Corporate
Performance Department, DHI

Dr. Damber Singh Kharka is the Director of Corporate Performance Department. He serves on the Board of Bhutan Telecom Limited and State Mining Corporation Limited.

Dr. Damber received his Ph.D in Business Management from Guru Jambheshwar University of Science & Technology, Hisar, India, M.A Economics from University of New Brunswick, Canada, PGC in Administrative Management from RIM and Bachelor's degree in Commerce from Sherubtse College.



MR. PASSANG DORJI
Director, Department of
Investments, DHI

Mr. Passang Dorji is the Director of Department of Investments. He serves on the Board of Bank of Bhutan Limited and Drukair Corporation Limited. Mr. Passang Dorji received his MBA from the Asian Institute of Management, Philippines, PG Diploma from Maastricht School of Management, Netherlands and Bachelor's degree in Civil Engineering from Thailand.



MS. TASHI LHAMO
Director, Department of
Finance, DHI

Ms. Tashi is the Director of Department of Finance. She serves on the Board of Druk Green Power Corporation Limited.

Ms. Tashi received her MBA from the Graduate School of Business, Curtin University, Western Australia, Bachelor's degree in Business (Major in Accounting) from the University of South Australia and Bachelor's degree in Commerce (Honors) from Sherubtse College.

DIRECTORS' REPORT

First of all, let me extend a very warm welcome to all the participants to the 9th Annual General Meeting (AGM) of Druk Holding & Investments Limited (DHI).

On behalf of the Board and Management of DHI, I am pleased to report to the Ministry of Finance (MoF), the shareholder of DHI on the performance of the Company for the period January 1, 2016 to December 31, 2016.

Based on the purpose and functions assigned to DHI through the Royal Charter, DHI actively carried out roles in improving performances of the companies, optimizing resources, leading and stimulating private sector growth, making new investments and contributing steady stream of revenue to the government.

OPERATIONAL PERFORMANCE

Performance improvement

As a part of its performance improvement function, DHI continued to sign annual performance compacts with all the DHI Owned Companies (DOCs), Dungsum Cement Corporation Limited (DCCL) and Bank of Bhutan (BoB). Further, through the respective boards, annual performance compacts were also implemented in the other controlled and linked companies. The compacts were monitored, reviewed and evaluated through periodic reporting processes and half-yearly performance review meetings. Accordingly, performance incentives were approved and paid out on the evaluated scores.

Similarly, to bring about higher level of performances and accountability, CEOs of all DOCs, DCCL and BOB were evaluated on their leadership skills and achievement of annual compacts. The ratings were used to pay their annual incentives and to determine their contract renewals.

With a firm belief that best practices in governance lead to superior firm performance, DHI conducted various workshops, seminars and trainings for professional development of boards. A total of 135 board directors and potential board directors of DHI portfolio companies (DPCs) and state owned enterprises (SOEs) attended the programs. Similarly, more than 50 company secretaries and internal auditors were also trained in relevant corporate governance field.

DHI also conducted board directors' evaluation to identify the skill-development needs of directors and to determine their reappointment in future.

To groom potential managers for senior positions across the group, DHI developed the leadership development framework for DHI companies. In line with the framework, DHI organized and trained 22 senior executives from the DOCs in Senior Executive Development Program (SEDP) at RIGSS. Henceforth, senior managers across the companies will be sent for the training annually.

DHI recruited the first batch of Young Professionals in 2015. After a year of intensive training which included attachment with the subsidiaries, various divisions in DHI and trainings abroad, the first batch of DHI young professionals were

posted in the subsidiary companies. Subsequently, the second batch of three young professionals was recruited in September 2016.

In its effort to streamline policies and systems in the group, DHI launched a colour book series during the year. The initiative aims to assist companies in developing and implementing best internal systems and processes. The series included the following manuals:

- a) Enhancing board effectiveness;
- b) Strengthening leadership development;
- c) Intensifying performance management;
- d) Achieving value through corporate social responsibility;
- e) Optimizing capital management practices;
- f) Land policy and implementation guidelines;
- g) Company formation guidelines; and
- h) R&D guidelines.

Resource optimization

To maximize returns on investments through optimal use of resources, DHI consolidated DOCs' lands under freehold in the six eastern Dzongkhags and registered these lands in the name of DHI. A total of 53 lagthrams were obtained. Lands of the companies in the remaining Dzongkhags will be transferred to DHI in the coming years.

DHI consolidated the SAP ERP Annual Maintenance Contracts (AMCs) of DHI and DOCs. The initiative brought in a group saving of Nu. 12 million annually. Furthermore, by pooling resources from the companies, DHI developed an in-house ERP system for SMCL. The system was launched in September of 2016.

We also carried out a study on creating/enhancing group-wide value to increase the Group earnings before interest, tax, depreciation and amortization (EBITDA). The study included analysis on business prospects, diversification, business expansion and introduction of new products. The reports were presented and endorsed by the Board. The recommendations were cascaded to the companies and they will be pursued in FY2017.

On the operational front of the companies, DHI initiated supply of coal from SMCL to DCCL and supply of clinker from DCCL to PCAL. The group could retain Nu. 67.70 million from the coal supply initiative and Nu. 21.00 million approximately from clinker supply, which otherwise would have been realized by suppliers in India.

DHI supported and guided Construction Development Corporation Limited's (CDCL) venture into construction of hydropower projects and transmission lines. In FY2016, CDCL took up construction of Jemina-Chang Gedaphu transmission line and drifting of Neyra Amari I & II projects.

NEW INVESTMENTS

On investment front, DHI carried out following investment activities during the year;

DHI mobilized investment funds for its companies. Of the approved share capital of Nu 374.05 million in CDCL, Nu 204.26 million was injected in 2016. The remaining Nu 169.79 million will be injected in 2017. DHI also injected Nu 94.41 million in SMCL. in 2016.

To explore new investment outside the group, DHI carried prefeasibility studies (PFS) on pharmaceutical formulation unit and integrated agriculture facility. Additionally, PFS were also carried out on Agarwood and Gypsum board. DHI plans to carry out Agarwood inoculation in 2017 in collaboration with DoFPS.

The financing plan for Amochu Land Development and Township Project was finalized and fund requirement assessment was completed. A total area of 265 acres of land was also identified for industrial estate in Taal, Chengmari Samtse.

At the company level, SMCL commenced operation of Habrang Coalmine and supplied coal to DCCL in FY2016. It generated an income of more than Nu. 67.00 million from coal supply. It also carried out studies related to Dzongthung Stone Quarry, Dumsidara Dolomite Mine, Urulludara Quartzite Mine and Stone Quarry for Chamkharchu Hydro-electric Project.

In hydropower project area, DGPC completed the DPRs of Druk Bindu and Kuri I hydropower projects. The reports were submitted to the Ministry of Economic Affairs (MoEA) for review and approval. It also completed the phase I drilling works for Nyera Amari I and II projects.

PRIVATE SECTOR DEVELOPMENT

Research and development (R&D): Herbal tea

Considering high demand for herbal products and the gap between demand and supply of Bhutanese herbal products, DHI assisted Menjong Sorig Pharmaceutical (MSP) in carrying out an R&D activity on an herbal product. DHI and MSP identified herbal tea as a potential project and, following that, pilot manufacture of cinnamon tea was carried out. The pilot was successful and the product has now been transferred to MSP.

In addition, DHI continued with the 'Loden -DHI Fund,' a special funding window launched with Loden Foundation in FY2015 to help address issues pertaining to access to finance. DHI provided a total fund of Nu. 20 Million to be managed by Loden Foundation. The fund is being used as collateral and interest free loans to entrepreneurs interested in starting a new business or expanding an existing business which are feasible and will lead to the formation of large size, high growth companies in Bhutan. As of FY2016, Loden had spent Nu. 1.4 million provided by DHI to support 18 new ventures. DHI ensured that all these projects received rigorous mentoring and monitoring services from Loden as part of our post-loan services to ensure high levels of success.

FINANCIAL PERFORMANCE

Under financial performance, based on the requirement of Bhutanese Accounting Standards (BAS), we would like to report on the DHI Group accounts and the standalone accounts of DHI.

The Consolidated Financial Statement (CFS) 2015 figures had to be restated due to Druk Green Power Corporation Limited reclassifying their investment and, Tangsibji Hydro Energy Limited and Kholongchu Hydro Energy Limited restating the previous year's figures.

The following table summarizes the Group and DHI's standalone accounts for the year ended 2016:

Table 1: Consolidated and DHI standalone accounts

Particulars	Consolidated (in million Nu.)			DHI Standalone (in million Nu.)		
	2016	2015 (restated)	Variance	2016	2015	Variance
Total assets	161,060.76	153,655.08	4.82%	52,793.59	52,426.97	0.70%
Net worth	79,388.64	76,635.15	3.59%	51,086.13	49,766.23	2.65%
Income	43,387.44	39,104.38	10.95%	7,383.74	6,291.27	17.36%
Expenditure	30,742.15	28,199.09	9.02%	120.25	112.75	6.65%
PBT	12,645.29	10,905.29	15.96%	7,263.50	6,178.53	17.56%
Tax	5,977.94	5,242.62	14.03%	2,180.93	1,855.77	17.52%
PAT	6,667.35	5,662.67	17.74%	5,082.57	4,322.76	17.58%

Consolidated financial statement

It is clear from the table that DHI group posted a solid result in 2016. The consolidated total asset and net worth rose by 4.82% and 3.59% respectively in 2016 compared to the previous year.

- The rise in total asset was mainly attributed to the substantial increase in the banking loans and advances (by 38.35% or Nu. 7,010.93 million), other non-current assets (by 134.29% or Nu. 1,641.51 million) and the cash and bank balances (by 4.80% or Nu. 945.61 million).
- Under the other non-current asset, the advance payment to supplier constituted the major share of the increase, which was mainly for the Tangsibji Hydro Energy Ltd. amounting to Nu. 1,095.51 million.
- The increase in cash and bank balances were mainly on account of increase in short term deposits (by 19.16% or Nu. 637.89 million) and increase in cash reserve and balances with RMA (by and 5.19% or Nu. 658.34 million) respectively.

As stated above, the consolidated net worth for the year also increased by 3.59% and this was mainly because of the increase in the group reserves by 8.66% from Nu. 31,567.43 million in 2015 to Nu. 34,301.06 million in 2016.

Likewise, both the consolidated total income and the total expenditure witnessed an increase by 10.95% and 9.02% respectively over FY2015. The increase in total income was mainly because of the increased revenues of the DOCs under the energy and resources sector, which grew by 9.90% or Nu. 2,353.66 million, and the manufacturing sector, which grew by 24.25% or Nu. 1,152.49 million.

The rise in total expenditure was primarily driven by the direct costs of sales which increased by 16.73% from Nu. 12,153.16 million in 2015 to Nu. 14,186.23 million in 2016. The main reason behind increase in the direct cost of sales was the increase in the direct cost of production in DCCL and BPC.

Notwithstanding the rise in expenses, the group's financial results showed a positive indication as both the PBT and PAT rose by 15.96% and 17.74% respectively.

DHI standalone financial statements

In the financial year 2016, DHI's total assets grew by 0.70% from 2015, an increase of about Nu. 366.62 million. The growth in total assets is majorly attributed to the following factors:

- Transfer of 51 plots of land from its subsidiaries for a total amount of Nu. 19.87 million;
- Increase in investments by Nu. 494.67 million during the period. However, due to poor financial performance by DCCL, the net investments for the period only rose by Nu. 84.67 million;

The Net Worth also grew from Nu. 49,766.23 million in 2015 to over Nu. 51,086.13 million in 2016. The growth is mainly due to the increase in General Reserve of almost Nu. 1,300.03 million from 2015.

Total income for 2016 registered a growth of about 17.36% from 2015. The revenue growth has come about largely due to the increase in dividend income of about 16.99% from 2015. BPC's dividend remittance alone increased by 82.55% from Nu. 702.08 million in 2015 to over Nu. 1,281.65 million in 2016. Likewise, BTL and DGPC's dividend remittances increased by 45.64% and 11.13% respectively in 2016.

Total expenditure in 2016 grew by about 6.65% from 2015 mainly on account of the following:

- increase in the number of employees under the Young Professionals Leadership Program (YPLP);
- expenses incurred on scholarship for long-term studies of two full-time employees sponsored under the DHI Scholarship Program; and
- Annual salary increments.

As a result of the increase in dividend income, PAT increased by 17.58%, an increase of over Nu. 759.81 million from 2015.

Dividends and taxes

In FY 2016, DHI remitted a dividend of Nu. 3,782.10 million in total to the MoF. Further, in 2016 DHI and MoF agreed on a revised dividend payment modality based on a percentage of Consolidated Profit (63%) attributable to the shareholder. Based on the agreement, DHI will settle Nu. 4,038.23 million as dividend for FY 2017 payable in June 2017.

Finally, as per the consolidated accounts, the group as a whole paid an income tax of Nu. 5,977.94 million in 2016, an increase by 14.03% from Nu. 5,242.62 million in 2015. DHI alone contributed Nu. 2,180.93 million as income tax, which is an increase of 17.52% from Nu. 1,855.77 million paid for FY2015.

CORPORATE GOVERNANCE

At the end of 2016, the DHI Board consisted of seven Directors including the Chairman and the CEO. Mr. Nim Dorji, Secretary, MoF replaced Mr. Lam Dorji, former Secretary, MoF as the representative of MoF on DHI Board on 21st July 2016.

Six board meetings were held in 2016 and the gap between two meetings did not exceed three months in accordance with the Companies Acts of the Kingdom of Bhutan, 2000 and 2016. Further, Board Committees for Performance Management and Nomination and Governance also met regularly to consider various aspects of DHI and its subsidiary companies.

DHI and its companies aim to achieve high standards of CG and ensures compliance with legislation, regulation and DHI CG codes to ensure sustainability of its businesses.

Having been given the mandate to strengthen CG, DHI has not only complied with the Companies Acts of the Kingdom of Bhutan, 2000 and 2016 and other statutory requirements for the FY 2016, but it also continues to adopt best practices in the areas of CG within the group.

We are proud to report that the company was recognized by the Department of Revenue and Customs, MoF with a certificate for the good tax compliance records for the period 2011-2015.

Further, DHI does not have any audit issue with the Royal Audit Authority with regard to the maintenance of accounts and any audit qualification in the Audited Accounts for 2016. These are testimonies of the level of accountability and transparency that is in place in the company.

CORPORATE SOCIAL RESPONSIBILITY

In 2016, under the CSR charitable contributions alone, DHI provided financial support to more than 50 activities initiated by external agencies, institutions and individuals amounting to a total contribution of Nu. 4.40 million. Under the Donation scheme, DHI contributed to more than 30 activities amounting to Nu. 3.30 million. In total, DHI provided financial support of Nu. 7.70 million as part of its CSR.

In addition, DHI and the companies jointly contributed Nu. 6.20 million to Bhutan Health Trust Fund on 1st October 2016, during the 'Move for Health' program held at the clock tower, in Thimphu.

We would like to state that majority of the activities supported were targeted to benefit the community at large. Our CSR activities reflect our ongoing commitment to the society and support to the activities that excite and benefit the society. We strive to generate maximum social value with each of the contribution we make and, thereby, help build a better and more sustainable society for all.

STATUTORY AUDIT REPORT

M/s ASA and Associates LLP was appointed as the statutory auditors for the year 2016 by the Royal Audit Authority (RAA). The firm audited the Standalone Accounts from 28th January to 7th February 2017 and the Consolidated Accounts from 24th March to 14th April 2017. The audit was carried out in accordance with the auditing standard prescribed by the Accounting and Auditing Standard Board of Bhutan and the relevant provisions of the Companies Acts of the Kingdom of Bhutan, 2000 and 2016.

The Auditors' Report for the Standalone Accounts does not have any qualifications on the Accounts of the Company. The auditors concur that the Accounts along with Schedules, significant Accounting Policies and Notes to Accounts are in compliance with the requirements of the Bhutanese Accounting Standards and Companies Acts of the Kingdom of Bhutan, 2000 and 2016.

ACKNOWLEDGEMENT

First and foremost, DHI would like to express its heartfelt gratitude to His Majesty the King for His valuable guidance to DHI as it evolved over the years. We would also like to express our sincere gratitude to the Royal Government of Bhutan, MoF and all other ministries and departments. Our thanks and appreciation also go out to the regulatory agencies, CSOs and private sector agencies for their wholehearted and continued support all these years which enabled us to achieve our mandates. In addition, we extend our sincere thanks to the Government of India and international agencies for their continued partnership and support.

Finally, we would like to express our deepest appreciation to the boards and the entire management team and employees of DHI and its companies for their unflinching dedication and hard work towards achieving the strategic plans and shared common vision of DHI and its group of companies. We look forward to working for more positive outcomes in 2017.

Thank you!



[Sangay Khandu]
Chairman, DHI

CORPORATE GOVERNANCE REPORT

DHI and its group of companies aim to achieve high CG standards and ensure compliance with legislation, regulation and DHI CG Code.

DHI has complied with the Companies Act of Bhutan 2016, other statutory requirements and DHI CG Code for 2016.

Board of Directors

Name of Director	Category	Profile	No. of BM attended in 2016	No. of Directorship on other DHI owned/controlled companies	
				Chairman	Board member
Dasho Sangay Khandu	Executive	Chairman	6	1. Druk Green Power Corporation Ltd. 2. Drukair Corporation Ltd. 3. Bank of Bhutan Ltd.)	
Mr. Lam Dorji	MoF Representative	Secretary, MoF	2		
*Mr. Nim Dorji	MoF Representative	Secretary, MoF	2		1. Druk Green Power Corporation Ltd.
Mr. Tenzin Dhendup	Independent Non-Executive	Secretary, MoAF	6	1. Bhutan Telecom Ltd.)	
Mr. Pema Chewang	Independent Non-Executive	Secretary, NLC	1	1. DHI Infra Ltd.	1. Drukair Corporation Ltd.
Mr. Ugyen Rinzin	Independent Non-Executive	Chairman, Yangphel Private Limited	4		
Mr. Karma Tsetop Rinchen	Independent Non-Executive	CEO, Middle Path to Bhutan	5		
Dasho Karma Yezer Raydi	Executive	CEO	6	1. State Mining Corporation Ltd. 2. Dungsam Cement Corporation Ltd.	

*Mr. Nim Dorji, Secretary, MoF was appointed on the Board on 21st July 2016 after Mr. Lam Dorji, completed his tenure as a Finance Secretary.

Board Meetings

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

The details of the Board Attendance are as follows:

Board Meeting No.	Dates	Members Present	Leave of Absence
68	24 th February 2016	<ol style="list-style-type: none"> 1. Dasho Sangay Khandu 2. Mr. Lam Dorji 3. Mr. Tenzin Dhendup 4. Mr. Ugyen Rinzin 5. Dasho Karma Yezer Raydi 	<ol style="list-style-type: none"> 1. Mr. Pema Chewang 2. Mr. Karma Tsetop Rinchen
69	24 th March 2016	<ol style="list-style-type: none"> 1. Dasho Sangay Khandu 2. Mr. Lam Dorji 3. Mr. Tenzin Dhendup 4. Mr. Ugyen Rinzin 5. Mr. Karma Tsetop Rinchen 6. Dasho Karma Yezer Raydi 	<ol style="list-style-type: none"> 1. Mr. Pema Chewang
70	6 th June 2016	<ol style="list-style-type: none"> 1. Dasho Sangay Khandu 2. Mr. Tenzin Dhendup 3. Mr. Ugyen Rinzin 4. Mr. Karma Tsetop Rinchen 5. Dasho Karma Yezer Raydi 	<ol style="list-style-type: none"> 1. Mr. Pema Chewang 2. Mr. Lam Dorji
71	15 th July 2016	<ol style="list-style-type: none"> 1. Dasho Sangay Khandu 2. Mr. Tenzin Dhendup 3. Mr. Pema Chewang 4. Mr. Karma Tsetop Rinchen 5. Dasho Karma Yezer Raydi 	<ol style="list-style-type: none"> 1. Mr. Lam Dorji 2. Mr. Ugyen Rinzin
72	5 th October 2016	<ol style="list-style-type: none"> 1. Dasho Sangay Khandu 2. Mr. Tenzin Dhendup 3. Mr. Nim Dorji 4. Mr. Ugyen Rinzin 5. Mr. Karma Tsetop Rinchen 6. Dasho Karma Yezer Raydi 	<ol style="list-style-type: none"> 1. Mr. Pema Chewang
73	15 th November 2016	<ol style="list-style-type: none"> 1. Dasho Sangay Khandu 2. Mr. Tenzin Dhendup 3. Mr. Nim Dorji 4. Mr. Karma Tsetop Rinchen 5. Dasho Karma Yezer Raydi 	<ol style="list-style-type: none"> 1. Mr. Pema Chewang 2. Mr. Ugyen Rinzin

BOARD COMMITTEE MEETINGS AND PROCEDURES

Board Committee for Performance Management (BCPM)

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

A total of 12 BCPM meetings were held in 2016 as listed below;

1. Bhutan Telecom Corporation Ltd.	10 th August 2016
2. Bank of Bhutan Ltd.	12 th August 2016
3. Construction Development Corporation Ltd.	12 th August 2016
4. DHI Infra Ltd.	13 th August 2016
5. Thimphu Tech Park Ltd.	13 th August 2016
6. Dungsam Cement Corporation Ltd.	14 th August 2016
7. State Mining Corporation Ltd.	14 th August 2016
8. Bhutan Power Corporation Ltd.	17 th August 2016
9. Druk Green Power Corporation Ltd.	17 th August 2016
10. Wood Craft Centre Ltd.	18 th August 2016
11. Natural Resources Development Corporation Ltd.	18 th August 2016
12. Druk Air Corporation Ltd.	10 th September 2016

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

NGC is a special committee of board member representatives from both the company board and DHI board for selection of CEO. Four NGCs were formed in 2016 for appointment of CEOs in Bank of Bhutan Ltd (BoB), Natural Resources Development Corporation Ltd (NRDCL), State Mining Corporation Ltd (SMCL) and Construction Development Corporation Ltd (CDCL).

Details of the NGCs held in 2016 are as follows:

	BoB	NRDCL	CDCL	SMCL
1 st meeting	7 th Jan	25 th April	*	27 th April
2 nd meeting	18 th Jan	16 th June	*	19 th May
3 rd meeting		5 th July	12 th April	25 th May
4 th meeting		13 th July	19 th Dec	

*First and second NGC for CDCL were conducted in 2015.

Board and CEO Evaluation

In 2016, DHI evaluated the performance of Board of Directors of DOCs, BoB and DCCL. The key parameters included dedication and preparedness for the meetings, professional and ethical attributes, team work and contributions in the meeting. The report was used to identify the skill-development needs and to determine their reappointments.

Further, DHI also evaluated the performance of CEOs of DOCs, BoB and DCCL. Based on the final ratings, performance based incentives were paid. The ratings are also considered during the renewal of their contracts.

RISK MANAGEMENT

The DHI Risk management framework was implemented in 2014. A risk register template was developed and distributed amongst the DHI companies, to encourage enterprise risk management within the group of companies. Within the same year companies had started submitting the risk registers as an exercise to identify risks. The DHI risk management framework suggests risk champions in each unit or Division of the company, who liaise with the risk focal officer helping them, understand the risk register at a deeper and more applicable level. The risk officer is then required to compile a risk report for management's information and action.

By 2015, nine DHI controlled companies including DHI implemented the Risk Management Framework. By regulation, companies like Drukair Corporation Ltd. and Bank of Bhutan Ltd. were required to have their own even earlier than 2015.

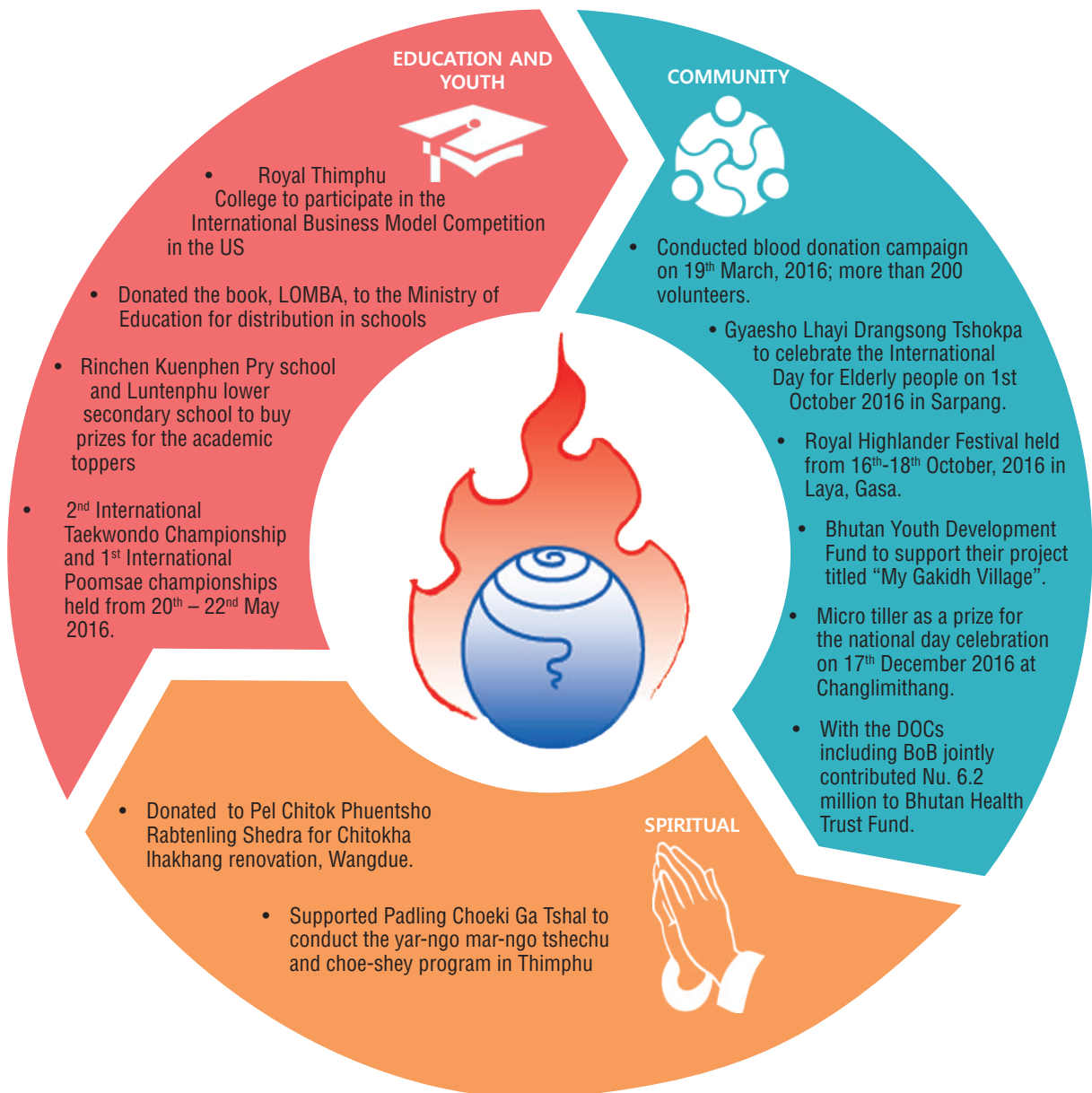
In 2016, 3 more companies (TTPL, SMCL, & WCCL) implemented the Risk Management Framework. A risk management training was also hosted by DHI in order to familiarize companies with Risk Management and share knowledge and experience amongst each other. Senior Management from each participating company were also requested to attend the final day for a presentation by their respective Risk officer and Champions in order for the risk official to seek support from the senior management officials.

The Risk Management concept is still in its infant stages within the DHI companies and the country itself. Further knowledge and experience is required to improve the frameworks of the companies. However, DHI has managed to build a firm foundation on which the Risk Management culture can develop and improve.

2016 CHARITABLE CONTRIBUTION HIGHLIGHTS

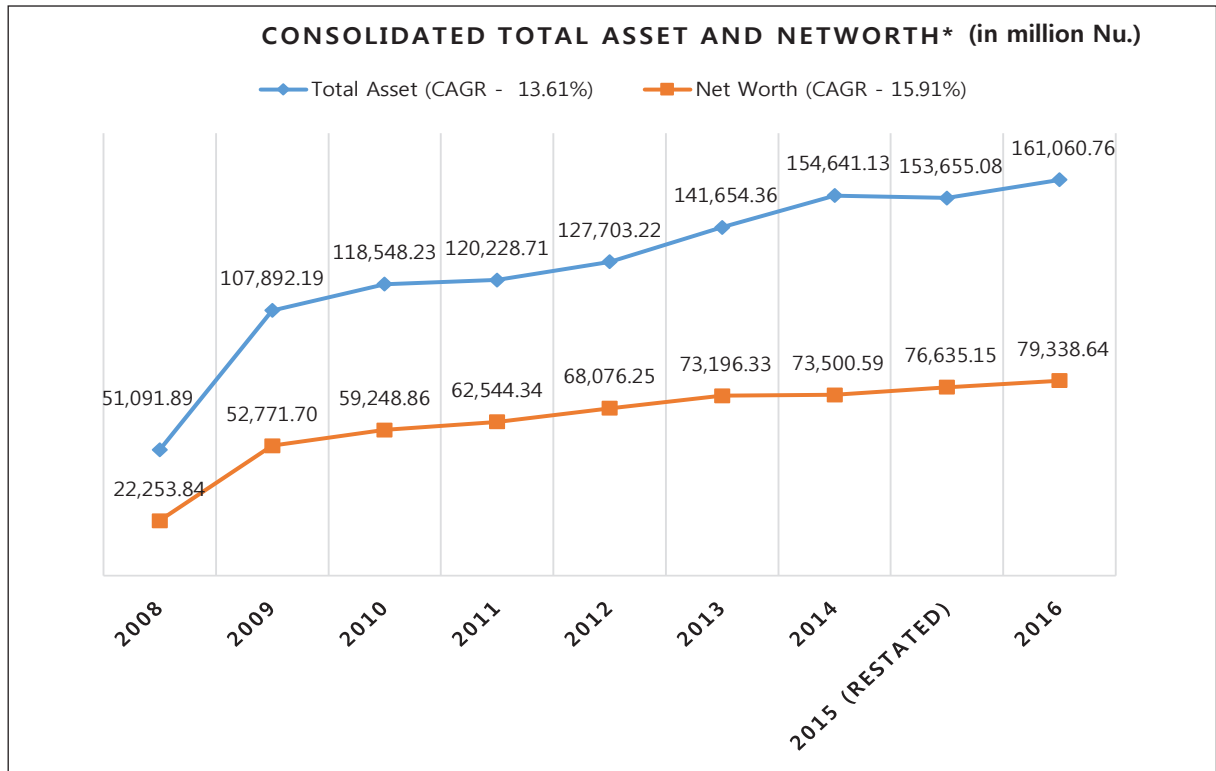
Since its inception, DHI has supported numerous initiatives taken by institutions and individuals towards social welfare. In 2016, under the CSR charitable contributions alone, DHI supported more than 50 activities amounting to a total contribution of Nu.4.4 million. Under donation scheme, DHI

supported more than 30 activities amounting to Nu. 3.3 million. DHI's total contribution under its CSR activities for 2016 was Nu.7.70 million. DHI supported and initiated the following activities:



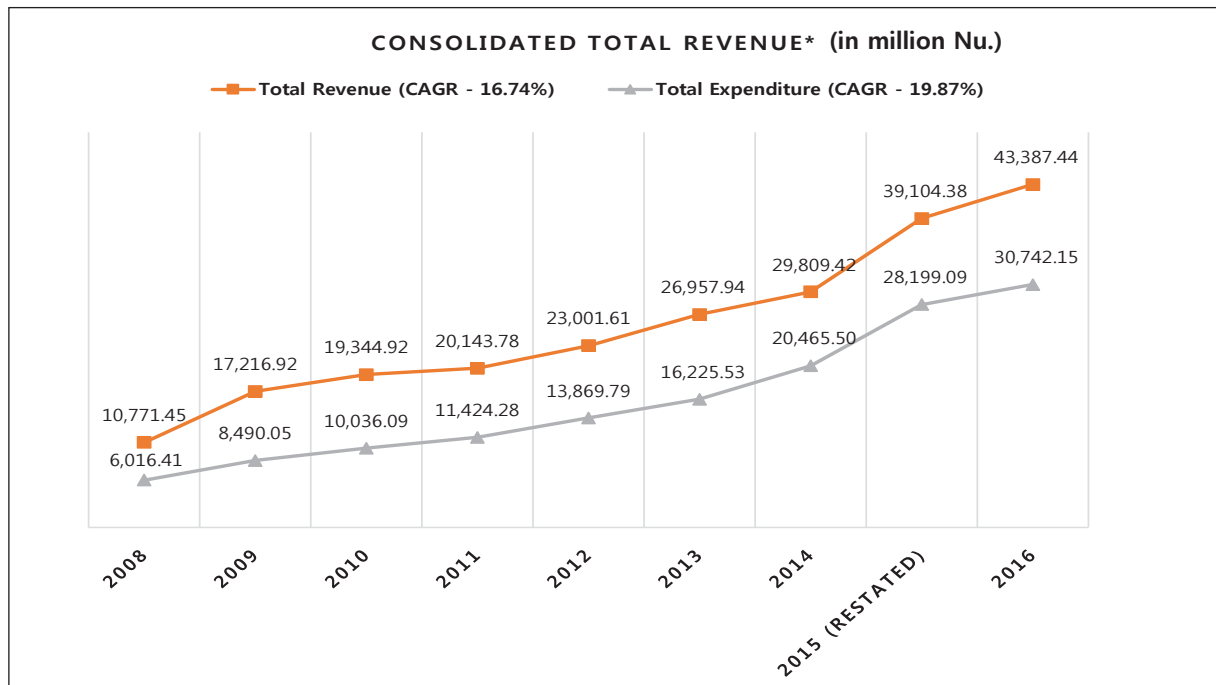
FINANCIAL REVIEW

GROUP ASSETS AND NET WORTH



Note: with implementation of BAS from 2013 onwards, the stated figures from 2013 to 2016 are from the Consolidated Group Accounts

GROUP REVENUE AND PROFIT BEFORE TAX (PBT)



Note: with implementation of BAS from 2013 onwards, the stated figures from 2013 to 2016 are from the Consolidated Group Accounts

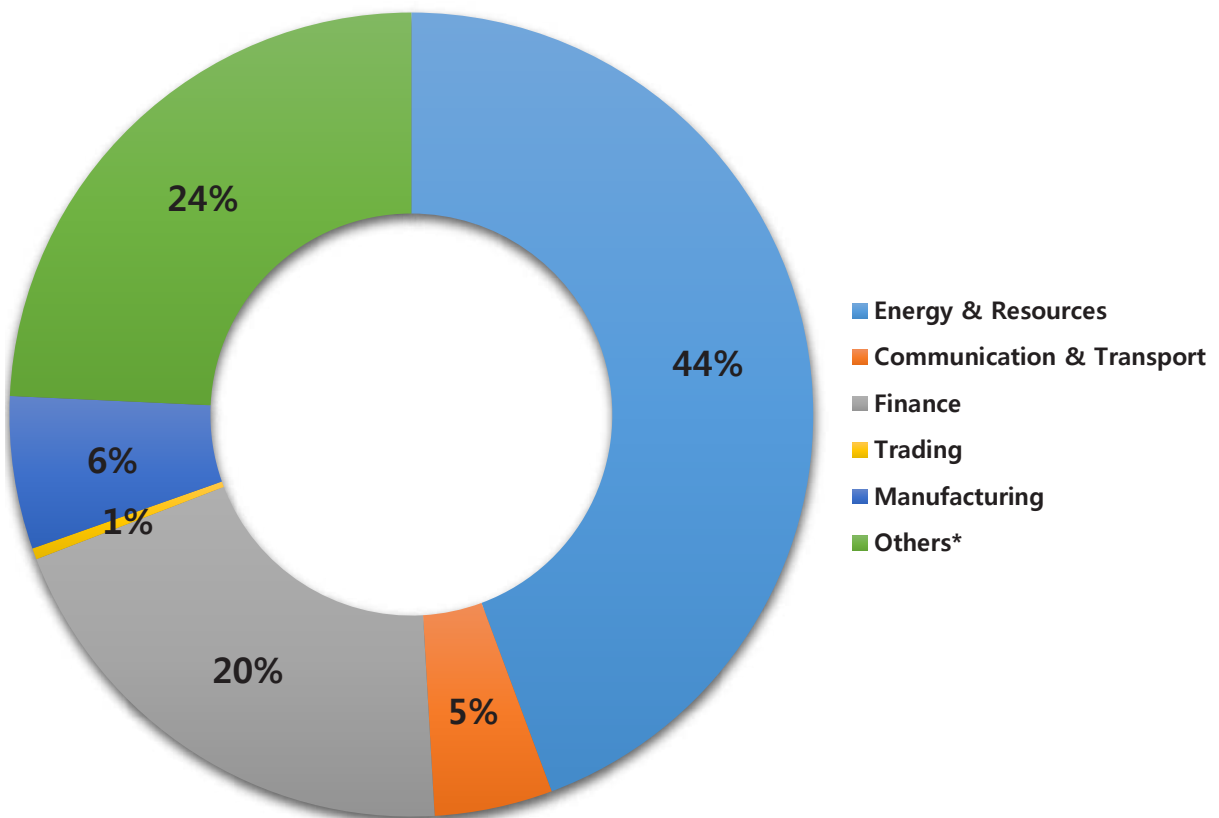
ASSET BY SECTOR

Sector	Total Assets** (in million Nu.)
Energy & Resources	99,335.75
Communication & Transport	10,652.95
Finance	44,965.90
Trading	1,018.13
Manufacturing	13,767.19
Others*	54,376.24
Total	224,116.16
Inter-company Eliminations***	63,055.40
Net Total Assets	161,060.76

*Others include DHI, Real Estate and Construction.

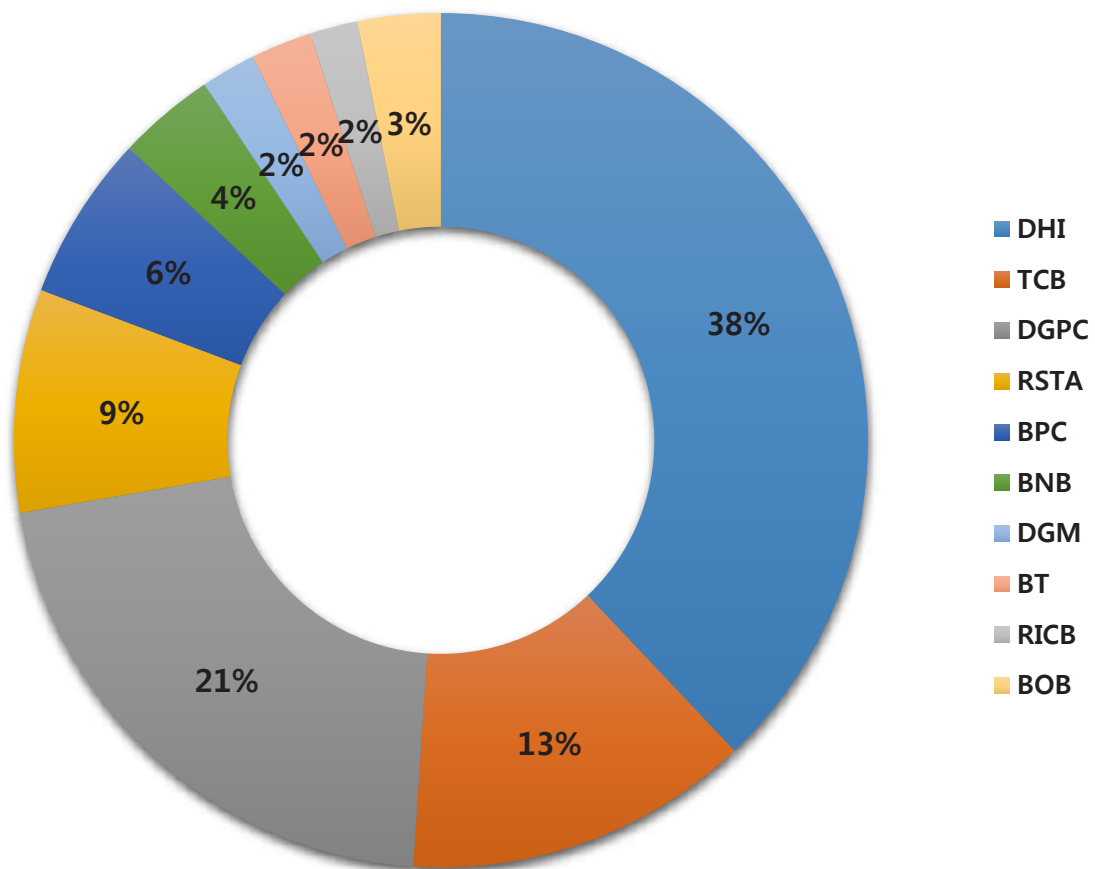
**Total assets are the consolidated group assets.

***Inter-company elimination worth Nu. 63,055.40 million has not been accounted in the total assets.



PERCENTAGE CONTRIBUTION TO NATIONAL REVENUE

Source	2015-16	2014-15	2015-16	2014-15
DHI	4,699.365	5,257.880	16.46%	20.49%
TCB	1,621.300	2,191.324	5.68%	8.54%
DGPC	2,630.943	2,134.070	9.22%	8.31%
RSTA	1,045.905	872.170	3.66%	3.40%
BPC	775.470	415.285	2.72%	1.62%
BNB	456.334	321.031	1.60%	1.25%
DGM	258.175	292.882	0.90%	1.14%
BT	285.163	255.484	1.00%	1.00%
RICB	223.754	181.088	0.78%	0.71%
BOB	388.996	139.043	1.36%	0.54%
Total	12,385.406	12,060.248	43.39%	46.99%
Total Gross Domestic Revenue (in million Nu.)	28,541.616	25,665.773	28,541.616	25,665.773



KEY FINANCIAL HIGHLIGHTS OF THE COMPANIES

Financial Performance of DOCs for 2016 and 2015

Company	Particulars	2016	2015
DGPC	Total Assets	55,311.23	55,594.52
	Net Worth	44,420.21	42,881.20
	Income	14,624.05	14,258.09
	Expenditure	6,665.28	6,851.90
	PBT	7,958.77	7,406.19
	Tax	2,399.78	2,244.98
	PAT	5,558.98	5,161.20
BPCL	Total Assets	27,963.65	25,185.46
	Net Worth	13,928.56	13,717.57
	Income	11,757.02	9,759.84
	Expenditure	9,546.49	7,788.22
	PBT	2,210.53	1,971.62
	Tax	662.55	590.88
	PAT	1,547.98	1,380.74
BTL	Total Assets	5,036.19	4,769.02
	Net Worth	4,082.85	3,714.69
	Income	3,067.83	2,717.14
	Expenditure	1,789.21	1,967.66
	PBT	1,278.62	749.48
	Tax	409.87	232.65
	PAT	868.75	516.04
NRDCL	Total Assets	694.44	690.62
	Net Worth	592.08	580.32
	Income	431.68	429.72
	Expenditure	409.79	406.55
	PBT	21.89	23.17
	Tax	14.06	7.45
	PAT	7.83	15.71
DCL	Total Assets	5,620.46	5,616.37
	Net Worth	2,550.95	2,450.54
	Income	2,859.79	2,697.75
	Expenditure	2,764.15	2,745.46
	PBT	108.64	- 21.54
	Tax	44.33	- 10.90
	PAT	99.02	- 32.44
CDCL	Total Assets	1260	823.94
	Net Worth	826.25	452.77
	Income	495.16	475.39
	Expenditure	523.19	435.05
	PBT	-28.04	40.34
	Tax		12.10
	PAT	-28.04	28.24

Company	Particulars	2016	2015
WCCL	Total Assets	146.18	138.99
	Net Worth	121.71	115.14
	Income	87.98	79.35
	Expenditure	78.83	73.38
	PBT	9.15	5.97
	Tax	2.65	1.61
	PAT	6.49	4.36
TTPL	Total Assets	317.76	306.94
	Net Worth	182.38	168.94
	Income	32.32	16.26
	Expenditure	27.28	14.50
	PBT	5.04	1.75
	Tax		-
	PAT	13.44	13.34
SMCL	Total Assets	150.10	37.16
	Net Worth	120.72	34.19
	Income	63.70	0.28
	Expenditure	66.93	11.63
	PBT	- 3.23	- 11.35
	Tax	- 0.75	- 0.04
	PAT	- 3.99	- 11.39

Financial Performance of DCCs for 2016 and 2015

Company	Particulars	2016	2015
DCCL	Total Assets	11,726.66	11,751.32
	Net Worth	4,189.04	4,727.86
	Income	3,387.22	2,579.43
	Expenditure	4,142.41	3,619.21
	PBT	- 755.18	- 1,039.78
	Tax	- 218.14	- 302.08
	PAT	- 537.04	- 737.70
BOBL	Total Assets	44,773.37	39,138.32
	Net Worth	5,506.19	4,758.29
	Income	3,108.53	2,624.23
	Expenditure	1,715.52	1,582.81
	PBT	1,340.80	1,138.09
	Tax	402.24	341.41
	PAT	936.65	796.67
STCBL	Total Assets	1,018.14	693.40
	Net Worth	408.88	354.17
	Income	2,613.52	2,298.04
	Expenditure	2,495.53	2,195.37
	PBT	117.99	102.68
	Tax	35.51	30.85
	PAT	82.49	71.82
DPL	Total Assets	163.71	192.55
	Net Worth	-12.87	7.15
	Income	160.02	145.99
	Expenditure	179.84	151.26
	PBT	-19.82	- 5.27
	Tax	-	-
PAT	-19.82	- 5.27	

Financial Performance of DLCs for 2016 and 2015

Company	Particulars	2016	2015
BBPL	Total Assets	319.23	313.70
	Net Worth	290.48	291.99
	Income	332.8	340.54
	Expenditure	285.41	330.11
	PBT	11.04	10.61
	Tax	3.47	3.12
	PAT	7.57	7.50
PCAL	Total Assets	1,405.37	1,401.34
	Net Worth	1,186.93	1,122.63
	Income	1,784.58	1,635.22
	Expenditure	1,538.82	1,478.67
	PBT	264.34	173.73
	Tax	81.10	54.91
	PAT	183.30	118.82
KIPL	Total Assets	89.25	97.45
	Net Worth	-6.17	23.94
	Income	2.67	0.59
	Expenditure	32.77	26.65
	PBT	-30.10	-26.06
	Tax	-	-
	PAT	-30.10	-26.06
BFAL	Total Assets	1,440.65	1,559.59
	Net Worth	871.97	942.93
	Income	1,892.07	2,059.39
	Expenditure	1,888.98	1,963.29
	PBT	3.09	96.09
	Tax	1.04	29.31
PAT	2.05	66.52	
RICBL	Total Assets	19,418.02	15,204.75
	Net Worth	3,297.66	3,068.61
	Income	2,985.31	2,527.45
	Expenditure	2,222.40	1,199.85
	PBT	753.90	731.34
	Tax	281.21	220.69
PAT	472.69	510.65	
BNBL	Total Assets	35,485.93	30,929.45
	Net Worth	6,800.36	7,368.91
	Income	2,787.67	2,339.32
	Expenditure	1,641.55	1,290.38
	PBT	1,012.06	1,286.62
	Tax	309.56	500.74
PAT	702.5	785.88	



DUNGSAM CEMENT CORPORATION LTD.
NANGLAM, PEMAGATSHEL

PORTFOLIO AND CORE INVESTMENTS

DRUK GREEN POWER CORPORATION LIMITED



1. The Tala, Chhukha, Kurichhu and Basochhu power plants under Druk Green generated 7,573.841 million units (MU) of electricity during 2016, an increase of 2.53% from the aggregate generation of 7,381.602 MU in 2015. The Tsibjalumchhu Diversion Scheme added additional generation of 67.35 MU to the Tala Hydropower Plant (THP).
2. There was also a decrease in the import of power from India to 110.638 MU in 2016 from 158.463 MU in 2015 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.
3. Increased the net energy exported to India to 5,373.355 MU during 2016 from 5,149.177 MU in 2015. Consequently, the domestic energy consumption decreased by 2.7%, to 2084.688 MU during 2016 to 2,142.167 MU during 2015.
4. Increased the overall income for the year increased to Nu. 14,624.05 million from Nu. 14,258.06 million in 2015. The income for the year included the dividend of Nu. 44.72 million from Dagachhu Hydropower Corporation Limited received after the commissioning of the project in the first quarter of 2015.
5. Decreased the overall expenditures by 2.72% from Nu. 6,851.90 million in 2015 to Nu. 6,665.28 million in 2016. The decrease in expenditure is specifically under Purchase of Energy and Interest on Borrowings. The Purchase of Energy decreased in 2016 as compared to 2015 due decrease in import to 110.64 MU as compared to 158.46 MU in 2015. The Interest on Borrowing decreased from Nu. 622.014 million in 2015 to Nu. 476.514 million due decrease in the loan outstanding due to repayment.
6. Increased the Profit After Tax by 7.18% from Nu. 5,176.647 million in 2015 to Nu. 5,548.169 million in 2016.

Projects' Highlights

7. Completed the DPR of 18 MW Druk Bindu Small Hydro Power Project and submitted to Department of Renewable Energy, Ministry of Economic Affairs for review.
8. Completed the DPR of Kuri I Hydro Power Project and submitted to the Ministry of Economic Affairs for approval.
9. Completed the phase I drilling works for Nyera Amari I and II projects. Similarly, awarded seven packages of Phase II drillings works. Also, completed the drift works at Nyera Amari I dam site in Thrimshing, Trashigang and drift works at Nyera Amari I&II powerhouse is underway;
10. Entered into an agreement with General Electric (GE) to apply their Digital Solutions for air gap and vibration monitoring to the 126 MW Dagachhu Hydropower Project (DHPP) in Bhutan as a pilot project in October, 2016. Subsequently, commenced implementation at DHPP; and
11. Received award for Best Performing Utility in SAARC Region from the Central Board for Irrigation and Power (CBIP) for being the best-maintained hydroelectric project (older than 10 years).



BHUTAN POWER CORPORATION LIMITED



System Performance

1. Purchased 2,084.69 Million Units (MU) of energy from DGPC during the year, as compared to 2,142.17 MU during the previous year to meet the domestic demands. Further, generated 11.22 MU energy from embedded mini and micro hydels owned by the company;
2. Sold 2,008.901 MU energy as compared to 2,057.141 MU during previous year, which was a decrease by 7.38%. Also, wheeled 5,779.321 MU energy to India as compared to 5,541.759 MU during previous year;
3. Maintained global and domestic energy losses within permissible limits due to timely preventive and planned maintenance and up-gradation of its network system. Reduced the global energy loss to 1.14% as compared to 1.35% the previous year. Also, reduced the domestic T&D loss to 4.26% from 4.83% the previous year.
4. In line with its licensed activities and mandates, the Company continued with at-hand works and also undertook new power system expansion initiatives during the year;
5. Engaged in the construction of Associated Transmission System (ATS) for the Hydro Electric Project Authorities and continued with at-hand works and also undertook new activities during the year;
6. In line with the Government's objective of providing electricity to all households, achieved 99.5% RE coverage; and
7. As part of the system improvement works, undertook up-gradation and construction of numerous substations and distribution lines;

BHUTAN TELECOM LIMITED

1. Carried out expansion on the Core network, which involved license capacity upgrades of SGSN from 250k to 350k SAU, 100k to 200k PDP, 500k to 1000k PPS and GGSN from 100k to 200k PDP and 500 to 1000k PPS;
2. Increased the total capacity of Radio Access Network (RAN) to 3Gbps and installed 25 Node Bs at various locations and augmented capacity and expanded 3G coverage. Also, installed 15 2G BTS sites to extend mobile services to the rural areas which previously had weak or no mobile network coverage;
3. Increased the domestic backbone capacity to 40Gbps from 2.5 Gbps using the Dense Wavelength Division Multiplexing (DWDM) technology for Thimphu-Phuentsholing and Thimphu-Paro links;
4. Commissioned 70 LTE nodes and improved the quality of mobile data in four major towns. Also, deployed WiFi offload solution in major settlements across the country and decongested the 3G voice and data services;
5. Completed the construction of the new equipment and Network Operation Centre (NOC) building in Thimphu, which is equipped with facilities and features that of a Tier III Data Centre, and initiated migration of all the Core network equipment for Mobile, Internet and Fixed lines into this new building;
6. Increased the active prepaid mobile customers to 370,116 from 368,183 in 2015 and Leased line internet subscriptions to 581 from 431 in 2015. However, the active post-paid mobile customers decreased to 10,274 from 10,784 in 2015 and fixed line customers reduced to 21,081 from 21,811 in 2015. The company had 16,172 broadband internet subscriptions at the end of 2016.



DRUKAIR CORPORATION LIMITED

1. Increased the number of flights operated by 6% or 240 flights, to 4,433 flights, and passengers carried by 12% or 24,148 passengers, to 233,570 passengers, as compared to 2015;
2. Increased the load factor to 75% from 68% in 2015, load/schedule optimization were carried out and flights were operate based on demand and booking status. The load factor and flights were achieved despite one and half month's grounding of the Airbus A319 due the hail storm strike in April 2016;
3. Retained an overall market share of 69% for the year. Sector wise, the company retained 62% market share on Bangkok sector, 76% on Kathmandu sector, 59% on Kolkata sector and 81% on the Delhi sector.
4. Increased cargo and mail by 3% and 20% respectively. However, excess baggage declined by 16% as compared to year 2015 as the maximum allowable weight for check-in baggage increased to 30Kgs from 20Kgs.



NATURAL RESOURCES DEVELOPMENT CORPORATION LTD.

1. Achieved timber production of 1.687M cft., against the target of 1.720M cft., and disposal of 1.770M cft., against the target of 1.760M cft. Both production and disposal reduced by 3.92% and 9.42% respectively as compared to 2015 actuals;
2. However, supplied 40,622.93 cft. of rural timber at subsidized rates to support rural construction, foregoing revenue of Nu. 1.044 million;
3. Initiated establishment of two wood joinery units for value-addition of non-preferred species of broad-leaved timber into finished and semi-finished products. Commenced timber retail outlet at Ramtokto for sale of sawn timber, mainly to cater to the needs of small scale consumers;
4. Increased sand extraction and disposal to 410,107.85 m³ and 433,799.95 m³ respectively as compared to 2015 actuals. Both extraction and disposal surpassed the targeted figures for the year;
5. Increased stone boulder extraction and disposal to 5.43 million cft and 5.45 million cft. respectively as compared to 2015 actuals. Both extraction and disposal surpassed the targeted figures for the year;
6. Commenced operation of Glu-Lam (Glued-Laminated) timber plant in Pangbisa, Paro and produced 152 special sized beams for The Royal Academy Project and as samples for showcasing the product;
7. Carried out 89.28 hectares of plantation and maintained 389.06 hectares of plantation across the country as part of the afforestation mandate. Additionally, raised 444,328.00 nos. of seedlings and 230,414 were supplied for plantation work and to outside customers;
8. Produced and sold 2,250.68 MT of woodchips, 266,580.00 kgs of sawdust briquettes 38,184.81 m³ of firewood (for both industrial and domestic use). Firewood supply was done based on demand and subject to availability of lops and tops or forest residue after extraction of prime timber;
9. Constructed 6.270 km of road and spent approximately Nu. 6.23 million was spent on road maintenance to facilitate timber harvesting and gain access to the operation areas. Also, constructed a bailey bridge at Rodungla in Tang, Bumthang at a cost of Nu. 11.396 million during the year. This bridge, while facilitating timber transportation, will greatly benefit the local community.



THIMPHU TECHPARK LIMITED

- Surpassed employment target of 700, set out in the Contract with the Government;
- Leased out the entire commercial space (equivalent to four wings) on the first and second floor of the building as compared to just over one wing (approximately 10,000 sq ft of built up space) leased out at the end of 2015;
- Constructed and commenced operation of a daycare centre with the funding support of Nu. 2.50M from DHI and Nu. 1.03M from UNICEF to support working mothers at the Park;
- Successfully managed the operation of Bhutan Innovation and Technology Centre (BITC) 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. The contract was further extended by five years with effect from 1 July 2016;
- Conducted various entrepreneurship training programs with support from the Ministry of Labour and Human Resources and IT trainings with the support of Department of IT & Telecom, Ministry of Information & Communications; and
- Developed the Corporate Strategic Plan and the Five Year Investment and Financing Plan for the company;



WOODCRAFT CENTER LIMITED

Operational highlights

- Constructed factory shed and installed plant and machineries, received from Jigme Singye Wangchuck School of Law (JSWSL), to manufacture door and window frames for the school. The machineries will be transferred to the company at the end of the project;
- Completed a Detailed Project Report (DPR) for plant expansion to resolve the problem of space constraint and to diversify the products;
- Consumed Local wood of 18% of the total production to minimize the import of panel boards on a yearly basis;
- Reduced rubber wood import by 34. 43% from 2015 figure and contained the rubber wood waste at 14.09%; and
- Launched 12 new products apart from the old ones.



DUNGSAM CEMENT CORPORATION LIMITED

1. Produced 520,921 MT of clinker and 588,433 MT of cement during the year, an increase of 28% for clinker and 20% for cement respectively;
2. Increased the sale of cement to 5,75,504.48 MT during the year from 4,54,099.10 MT in 2015, which saw the sales revenue increase by 34% during the year, to Nu. 3,361.49 million as compared to 2,517.73 million in 2015. Subsequently, increased the operational profit (earnings before interest, tax and depreciation) to Nu.297.08 million from Nu. 55.62 million in 2015;
3. Overall cement sales increased from metric tonnes in the year 2015 to metric tonnes during the year 2016, thereby yielding a growth of 27% over the previous year.
An additional revenue of Rs. 159.69 Million was generated from the sale of 63,305.12 metric tonnes of clinker.
4. Achieved plant availability factor of 75.30%, as compared to 52% in 2015. Further, achieved 85% capacity utilization for Kiln and 65% for Cement mill respectively;
5. Achieved 17.92% coal consumption as against the target of 20%. However the power consumption was 84.30 kWh/unit, which was slightly higher than the target of 81kWh/unit, owing to lower capacity utilization overall.
6. Developed manuals for towards ISO:14001:2004 Environment Management System and ISO:OHSAS:18001:2007 Occupational, Health and Safety Management System certifications; and
7. Developed HR Master plan for next five years and also revised internal systems and process manuals



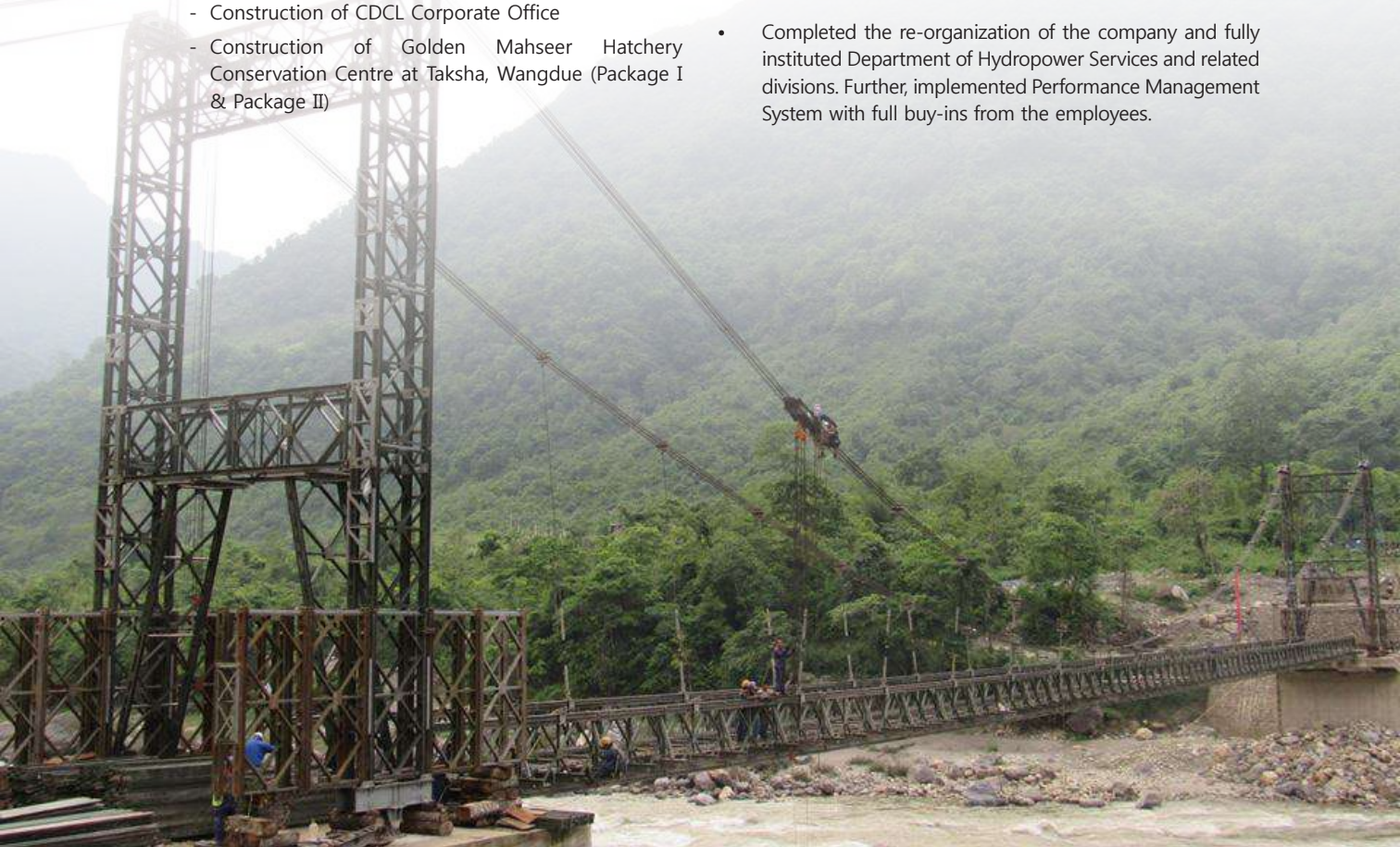
BANK OF BHUTAN LIMITED

1. Achieved a total comprehensive income of Nu.934 million during the year, as against Nu. 827 million in 2015. Subsequently, increased the interest income from Nu. 2,397 million in 2015 to Nu.2,737 million in 2016;
2. Increased customer deposits to Nu. 3,649 million from Nu. 3,310 million in 2015, and contributed to higher interest income, to Nu. 1,108 million from Nu. 988 million in 2015, of the customers and encouraged the people's saving habits;
3. Became the first bank to implement the Minimum Lending Rate (MLR) policy, which triggered other banks to follow suit, and, thereby, helped reduce interests on loans and make access to finance better;
4. Changed and implemented the Core Banking System (CBS) from FLEXCUBE to BaNCS in partnership with Tata Consultancy Services (TCS);
5. Established a full-fledged 'Help-Desk' at the Thimphu Main Branch and also introduced visitors' book for feedbacks. Also, introduced BoB Customer Service Charter during the year;



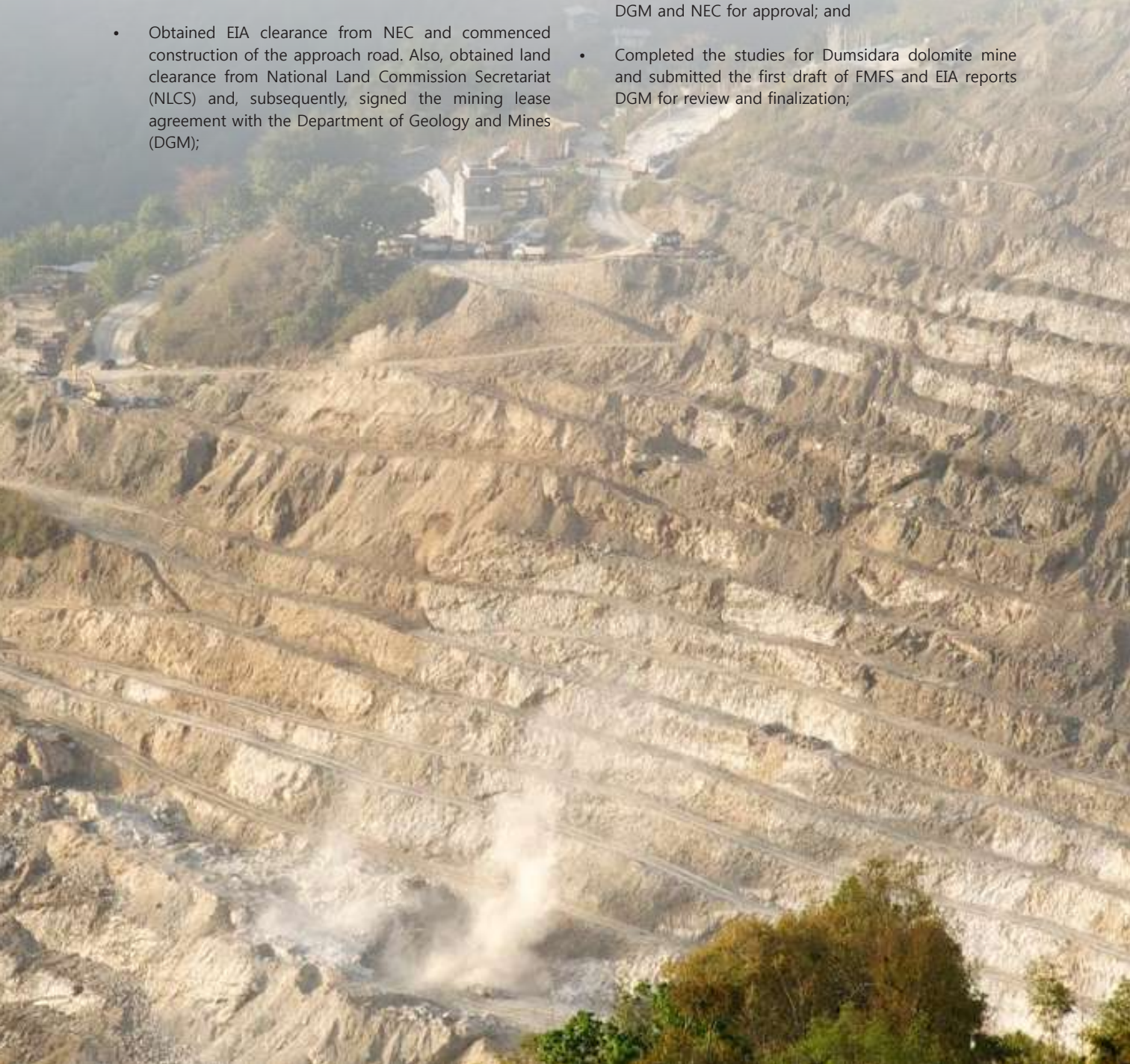
CONSTRUCTION DEVELOPMENT CORPORATION LIMITED

- Continued to lead the infrastructure development sector through the design and construction of roads and bridges. It has built itself a reputation for delivering timely and quality services at competitive costs. Undertook following constructions related to hydropower plant, transmission lines, road and bridges:
 - Drifting works for Neyra Amari I & II
 - Construction of Pachu Bridge
 - Construction of Haydrong Bridge
 - Transmission projects
 - Implementation of the Amochhu Land Development & Township Project (ALDTP)
 - Construction of Druk Air's Customer Service Office in Thimphu
 - Construction of 100 ft Bailey bridge in Samdrup Jongkhar Thromde
 - Construction of Ancillary works for SMCL Samdrupcholing
 - Procurement of Construction Machineries as a preparation of venturing into hydropower projects
 - Construction of CDCL Corporate Office
 - Construction of Golden Mahseer Hatchery Conservation Centre at Taksha, Wangdue (Package I & Package II)
 - Samtegang Lake Cleaning
 - Phuentsholing road re-surfacing works (Package II)
 - Hejo bridge project
 - Dechencholing bridge project
- Undertook first initial steps towards venturing into the construction of hydropower projects with the exploratory drift works at Thrimshing, Gomdar and Martshala for Nyera Amari hydroelectric project;
- With the merger of DHI-INFRA to CDCL, ventured into the construction of the 66 kV Jemina to Thimphu transmission line for BPC during the year;
- With numerous ongoing projects and greenfield projects identified and initiated such as venturing into the construction of hydropower and transmission lines, on the merger of DHI-INFRA to CDCL, the organizational setup within CDCL was restructured. A Department of Hydropower Services was created and other Departments and Divisions were re-organized for more effective management; and
- Completed the re-organization of the company and fully instituted Department of Hydropower Services and related divisions. Further, implemented Performance Management System with full buy-ins from the employees.



STATE MINING CORPORATION LIMITED

- Established Habrang Coal Mine Office in and commenced operation of habrand coal mine from August 2016 and sold 10,059 MT of coal;
- Developed and launched Enterprise Resource Planning (ERP): eMines, with support from DHI and other DOCS;
- Obtained EIA clearance from NEC and commenced construction of the approach road. Also, obtained land clearance from National Land Commission Secretariat (NLCS) and, subsequently, signed the mining lease agreement with the Department of Geology and Mines (DGM);
- Obtained all sectoral clearances (the local public, Gewog Tshogde, Dzongkhag Tshogdu and the Territorial Divisional Office of DoFPS) for Dzongthung stone quarry project. Subsequently, completed works related geological investigation, feasibility study and the environment impact assessment and submitted to DGM and NEC for approval; and
- Completed the studies for Dumsidara dolomite mine and submitted the first draft of FMFS and EIA reports DGM for review and finalization;



DUNGSAM POLYMERS LIMITED



- Produced 1,100.96 MT of fabric in 2016 which is a decrease of 0.39% from 1,105.28 MT in 2015.
- Sold 8,212.8 KG of fabric in 2016 which is a decrease of 14% from 9,556.71 kg in 2015.
- Produced 15.93 million PP bags in 2016 which is an increase of 5% from 15.22 million bags in 2015.
- Sold 16.2 million PP bags in 2016 which is an increase of 8% from 14.97 million bags in 2015.

STATE TRADING CORPORATION OF BHUTAN LIMITED

- Yielded the highest revenue in its four-decade long history in 2016.
- Increased sales from non-vehicle products by 40% from 2015.
- Increased export of stones and boulder to Bangladesh by 215%. The export was initiated in 2015.
- Strengthened service centers by providing relevant training to mechanics, technicians and service engineer of Toyota and Tata service centers. Introduced multi-brand body and paint service
- Increased revenue from spare parts by 52.51% from 2015.
- Achieved Customer Satisfaction Index of 7.61 on a scale of 1-10 in 2016 an increase of 0.13 over 2015.
- The top revenue shares were from Toyota with 44.87%, TATA with 31.24% and Eicher with 15.09%
- Conducted the first ever STCB Trade Fair in Clock Tower, Thimphu. This trade fair showcased all products the company deals in.
- Commenced the construction of Toyota 3S Facilities cum Corporate Office from April 2015. The physical infrastructure was completed in 2016, HVAC and electrical works are under progress, painting of exterior has commenced. The construction will likely be completed by the end of May 2017.
- Launched TATA PRIMA tippers and trucks on April 9th 2016 in Thimphu. As of date 68 units of Prima trucks have been sold.
- STCB's Service Advisor of Tata Service Unit topped the Global Skill Fest Service Advisor Championship at the Country level and was ranked third at the Regional level.
- Launched 4th Generation Toyota Hybrid Prius on 16th November 2016 at Le Meridian, Thimphu.
- Introduced new products in CASH division like Monno Ceramics & Fine Bone China crockery and Walton refrigerators & freezers from Bangladesh. Franke & Faber kitchenware from India.





AUDITORS'S REPORT

Financial Statements

INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS OF DRUK HOLDING AND INVESTMENTS LTD.

Report on the Consolidated Financial Statements

Qualified Opinion

1. We have audited the accompanying Consolidated Financial Statements of **Druk Holding and Investments Ltd** (hereinafter referred to as "Holding Company"), its subsidiaries (the holding company and its subsidiaries constitute "the Group"), its associates and jointly controlled entity, which comprise the Consolidated Statement of Financial Position as at 31st December 2016, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended, and notes to the consolidated financial statements, including a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the Consolidated Financial Statements").

2. 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 3 below, the aforesaid Consolidated Financial Statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016 and of the consolidated profit and the consolidated changes in the equity and the consolidated cash flows for the year ended on 31 December 2016 in accordance with Bhutanese Accounting Standards (BAS).

Basis for Qualified Opinion

3. We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3.1 We draw your attention to note 28 of this Consolidated Financial Statements with regard Bhutanese Accounting Standard (BAS) 19 Employee Benefits which is applicable for the Group's compliance from 1.1.2016. In respect Post Employment benefit like Gratuity and Other Long Term Employee Benefits (such as accumulated leave liability), there is no consistency in adoption of the accounting policy according to BAS 19 by all the companies in the

Group. It is noted that certain Companies have followed Actuarial valuation for the said liabilities and related Plan assets (where applicable) whereas certain other companies have not following Actuarial valuation. The Group is not able to ascertain the impact of this non-compliance in the consolidated financial statements and accordingly full disclosure according to BAS 19 is not provided/disclosed in these financial statements.

3.2 We draw your attention to the following matters qualified by the other auditor who audited the Subsidiary of the Holding company (Druk Green Power Corporation Limited (DGPC)), not audited by us, who have expressed an opinion that except for the effects of the matters described below in paragraph 3.2.1, the financial statements of the Company (DGPC) give a true and fair view of the state of affairs of the Company (DGPC) as at 31 December 2016, of the profit of the Company (DGPC) for the year ended on that date, of the changes in equity of the Company (DGPC) for the year on that date and of the movement in cash flows for the year on that date.

3.2.1 The Company has transferred the land with book value of Nu. 4,454,133.72 to DHI Ltd (Holding Company) by debiting the reserves as per the instructions from DHI, which constitutes a departure from BAS -16 "Property, Plant and Equipment". Since the transfer of land valuing Nu. 4,454,133.72 has been made without any consideration this has resulted in the loss of Nu. 4,454,133.72. The loss incurred should have been charged to Statement of Comprehensive income instead of reserve account. Further it has resulted into overstatement of Profit before tax by Nu. 4,454,133.72 and the consequential Increase in tax Expense.

3.3 We draw your attention to the following matters qualified by the other auditor who audited the Subsidiary of the Holding company (Drukair Corporation Ltd-DACL), not audited by us, who have expressed an opinion that except for the effects of the matters described below in paragraph 3.3.1, the financial statements of the Company (DACL) give a true and fair view of the state of affairs of the Company (DACL) as at 31 December 2016, of the profit of the Company (DACL) for the year ended on that date, of the changes in equity of the Company (DACL) for the year on that date and of the movement in cash flows for the year on that date.

3.3.1 As Per BAS-2 (Inventories), inventories are required to be valued at lower of cost or fair market value (FMV). However, the inventory of aircraft expendables and spares are valued at cost and comparison with FMV is not on record, which could dilute the value of the inventory items and which constitutes the departure from BAS-2. In the absence of required information with



the company, the impact of the same on financials can not be quantified.

3.4 We draw your attention to the following matters qualified by the other auditor who audited the Subsidiary of the Holding company (Natural Resources Development Corporation Ltd- NRDC), not audited by us, who have expressed an opinion that except for the effects of the matters described below in paragraph 3.4.1 and 3.4.2, the financial statements of the Company (NRDC) give a true and fair view of the state of affairs of the Company (NRDC) as at 31 December 2016, of the profit of the Company (NRDC) for the year ended on that date, of the changes in equity of the Company (NRDC) for the year on that date and of the movement in cash flows for the year on that date.

3.4.1 Balance confirmations for certain receivables, creditors, advances and payables were not obtained, the probable effect of which on the profit for the year, retained earnings and assets /liabilities is not ascertainable.

3.4.2 During the year 2015, the company has suspended the operation of three stone quarry contracts on account of commercial inexpediencies. The quarry contractors have sued the company for premature termination of their contract. The suits filed by two of the contractors are now pending in Royal Court of Justice, Thimphu. The company has estimated the compensation at Nu. 29,736,486 to the contractors but has not provided or the same in the books of accounts. Consequently, the profit of the year, retained earnings as at 31/12/2016 is overstated to an extent of the said amount, with a consequential understatement of the liability as at 31/12/2016.

3.5 We draw your attention to the following matters qualified by the other auditor who audited the Subsidiary of the Holding company (Dungsum Cement Corporation Ltd (DCCL)), not audited by us, who have expressed an opinion that except for the effects of the matters described below in paragraph 3.5.1 to 3.5.3, the financial statements of the Company (DCCL) give a true and fair view of the state of affairs of the Company (DCCL) as at 31 December 2016, of the loss of the Company (DCCL) for the year ended on that date, of the changes in equity of the Company (DCCL) for the year on that date and of the movement in cash flows for the year on that date.

3.5.1 The company is having stores, spares and loose tools amounting Nu. 422,264,641 under head Inventories. The Internal auditor of the company had observed shortage of spare parts amounting Nu. 60,432,132 during the physical verification of Inventories during the financial year 2015 which have not accounted for the company in its books of accounts till date. The matter is under investigation by the company.

3.5.2 Further, in terms of BAS 16 on Property, Plant and Equipment (PPE), items such as spare parts, stand by

equipment and servicing equipment are recognised under PPE when they meet of definition of PPE. Certain stores, spares and service equipment's meeting the definition of PPE in terms of BAS 16 has not been shown separately under PPE, rather shown under Inventories. Further, the depreciation change/provision due to technical or commercial obsolescence and wear & tear while an asset remains idle has not been considered. The consequential effect of which on the financial statements of the company is not ascertainable.

3.5.3 RAA (Royal Audit Authority) has conducted two special audits of the company i.e., first for the period from 1st January 2010 to 31st January 2015, the second audit for the period from 1st January 2010 to 31st January 2015 and regular audit for the period from 1st January 2010 to 31st January 2015. The consequential effect of which on the financial statements of the company is not ascertainable.

3.6 We draw your attention to the following matters qualified by the other auditor who audited the following Subsidiary Companies of the Holding company (Bhutan Board Exports Limited- BBEL and Bhutan Board Products Limited - BBPL), not audited by us, who have expressed an opinion that except for the effects of the matters described below in paragraph 3.6.1 and 3.6.2, the financial statements of the Companies (BBEL and BBPL) give a true and fair view of the state of affairs of the Companies (BBEL and BBPL) as at 31 December 2016, of the loss/profit of the Companies (BBEL and BBPL) for the year ended on that date, of the changes in equity of the Companies (BBEL and BBPL) for the year on that date and of the movement in cash flows for the year on that date.

3.6.1 It is pertinent to note that the company has conducted the physical verification of fixed asset during the year which includes segregation of the components for Tala factory. However the company could not arrive at the appropriate fair value due to which provision for depreciation component wise and provision for impairment as per BAS 36 could not be provided during the year which may have an adverse impact on the profitability of the concern. It was informed to us that the company will complete this exercise in the year 2017.

3.6.2 As explained by the management the accounting policy of the company does not allow providing leave encashment in the books of accounts. Hence year on year the company is not providing for the same

3.7 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 (PCAL)), not audited by us, who have expressed an opinion that except for the effects of the matters described below in paragraph 3.7.1 to 3.7.5, the financial statements of the Company (PCAL) give a true and fair view of the state of affairs of the Company (PCAL) as at 31 December 2016, of



the profit of the Company (PCAL) for the year ended on that date, of the changes in equity of the Company (PCAL) for the year on that date and of the movement in cash flows for the year on that date.

3.7.1 Note No 33(iv), Regarding non availability of balance confirmation of various receivables and payables which on subsequent reconciliation/ confirmations may have financial impact on the profitability and certain disclosures

3.7.2 Dues from NHPC and JUD cements amounting to Nu. 87,48,787 and Nu. 8,94,033 respectively which in our opinion is doubtful of recovery and needs to be provided for.

3.7.3 Note no 33(i) regarding non amortizing/impairing the amount capitalized under the "Property, Plant and Equipment" pertaining to railways siding at Falakata Railway station which has been surrendered to railway administration during the year considering the same would not be usable to the company anymore. Amount of Nu. 15,519,443 is shown under the head "Property Plant and Equipment" and not fully amortized/impairing. Had the amount mentioned in points (2) and (3) above been provided for, the profit for the year would have been lower by Nu. 25,162,263 and its consequential impact on the tax and EPS of the year.

3.7.4 The BAS 16 property, Plant and equipment requires that 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 has neither reviewed the useful life in the year nor identified any significant parts /Components, the impact of the same has neither been assessed nor disclosed .

3.7.5 Note no 33 (iii) where the actuary has considered the closing fund balance of Nu. 144,845,550 as per the details provided by the management. We were not provided with any balance confirmation of the gratuity fund account and we have relied on the actuary valuation report for the same. Also the contribution made in the gratuity fund account is not matching with the amount paid as per books of account and there is a difference of Nu. 38,13,790 as per books and actuary certificate.

3.8 We draw your attention to the following matters qualified by the other auditor who audited the Subsidiary of the Holding company (Construction Development Corporation Ltd (CDCL)), not audited by us, who have expressed an opinion that except for the effects of the matters described below in paragraph 3.8.1, the financial statements of the Company (CDCL) give a true and fair view of the state of affairs of the Company (CDCL) as at 31 December 2016, of the loss of the Company (CDCL) for the year ended on that date, of the changes in equity of the Company (CDCL) for

the year on that date and of the movement in cash flows for the year on that date.

3.8.1 The company does not have any system of physical verification of inventories and reconciling them with the Stores and Financial records. A process of obtaining net realisable value of the inventories is also not available. The inventory value as on year end stands at Nu 137,205,515.

4. Emphasis of Matter

We draw your attention to the following matters

4.1 Note 32 of this consolidated financial statement relating to correction of certain prior period errors in the financial statements of the subsidiary company, associate and Joint Venture company and consequent restatement of comparative amounts of prior period in the standalone financial statements of the companies concerned and the consolidated financial statements of the Holding Company. Note 32 to the consolidated financial statements which describes the reasons for the restatement of the consolidated financial statements of year ended 31 December 2015. The Company has considered it impracticable to determine the error occurred before the earliest prior period presented, and hence has not restated the opening balances of assets, liabilities and equity for the earliest prior period presented.

4.2 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. Note No. 4.4 (b) regarding non adjustments of Debits Nu. 67,839,109.92 and credits Nu. 91,340,072.30 relating to unmatched entries in the accounts with State Bank of India in the NOSTRO Accounts

ii. Note No 4.4 (c) regarding non adjustment of Debits Nu. 261,850.98 and Credits Nu. 151,117,300 relating to unmatched entries in accounts with other Banks in the NOSTRO Accounts.

4.4 In the case of the Subsidiary of the Holding company – Penden Cement Authority Ltd, not audited by us, the other auditor who audited PCAL has drawn attention, without qualifying his opinion, to the following emphasis of matter - Note no 33 (xi) of financial statements wherein it explained that there during FY 2015 there was substantial addition in the inventory of limestone amounting to Nu. 60,554,778 on account of adjustment in book inventory as per physical verification carried out by an outside surveyor, which has been relied upon by us. This year again the company has not accounted for any adjustment in stock due to complex nature of material drop and any adjustment required will be accounted in the books of account once the quantifying process or physical verification is complete. The management does not foresee any material deviation in stock.



4.5 In the case of the Subsidiary of the Holding company – Construction Development Corporation Limited, not audited by us, the other auditor who audited CDCL has drawn attention, without qualifying his opinion, to the following emphasis of matter -

4.3 In the case of Subsidiary of the Holding Company - Dungsam Cement Corporation Ltd not audited by us, the other auditor who audited Dungsam Cement Corporation Ltd has drawn attention, without qualifying his opinion, to the following emphasis of matter - note no. 34 regarding non confirmation/reconciliation of certain balances of advances to vendors and others, trade receivables, sundry creditors, intra group company balances, advances received from customers & others, and other current liabilities.

The company, during the year has commenced the process of maintenance of fixed asset register, physical verification and identification of fixed assets. It is however yet to finalize the useful life and its replacement cost. Accounting of its withholding tax is being mostly done at the time of making payment to suppliers and contractors in contradiction of the guidelines issued by Department of Revenue and Customs, that withholding tax should be accounted at the time of making payment or crediting in the books of accounts whichever is earlier.

5. Key Audit Matter

5.1 Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the year ended 31 December 2016 and 31 December 2015. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described the Basis for Qualified Opinion paragraph we have determined the matters described below to be the key audit matters to be communicated in our report.

5.2 The Company should improve the controls (including management review control) surrounding accurately and completely eliminating / reconciling intra Group company transactions and balances within the Group in the course of preparation of Consolidated Financial Statements.

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

The Holding Company's Board of Directors is responsible for the preparation of these Consolidated Financial statements in terms of the Companies Act of the Kingdom of Bhutan, 2000 (hereinafter referred to as "the Act") and the Bhutanese Accounting Standards (BAS) that give a true and fair view of the consolidated financial position, consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group including its associates

and jointly controlled entity in accordance with the generally accepted accounting principles and Bhutanese Accounting Standards (BAS). The respective Board of Directors of the companies included in the Group, of its associates and jointly controlled entity are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the Consolidated Financial Statements by the Directors of the Holding company, as aforesaid. In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

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

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

7.2.1 Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



7.2.2 Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

7.2.3 Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

7.2.4 Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

7.2.6 We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the Consolidated Financial Statements.

7.2.7 We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing

so would reasonably be expected to outweigh the public interest benefits of such communication.

8. Other Matters

We did not audit the financial information of 18 subsidiaries, whose financial information reflects total assets (net) of Nu. 108,267.17 Million as at 31st December 2016, total revenues of Nu. 36,003.7 Million and cash flows for the year amounting to Nu. 214.58 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. 32.24 Million for the year 31st December 2016, as considered in the consolidated financial statements, in respect of 3 associates and 2 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 managements 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**

D K Giridharan



Name: **D K Giridharan**

Partner

Membership No. : **028738**

Date: 09-05-2017

Place: Chennai



CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER, 2016

	Note	31-Dec-16	31-Dec-15 (Restated)
Non-current Assets			
Property Plant and Equipment	7	95,256.43	96,040.57
Investment Property	10	315.16	269.09
Intangible Assets	11	1,076.61	818.74
Goodwill	12	11.95	11.95
Investments	13	1,243.49	1,068.77
Deferred Tax Assets	8	1,016.38	743.36
Long Term Financial assets	14	550.00	550.00
Banking Loans and Advances		25,291.05	18,280.12
Long Term Employee Benefits		77.76	12.59
Other Non Current Assets	15	2,863.84	1,222.33
Total Non-current Assets		127,702.67	119,017.52
Current Assets			
Inventory	16	3,663.64	3,268.86
Trade Receivables	17	2,442.45	2,133.60
Other Receivables and Advances	18	6,594.49	9,523.20
Cash and bank	19	20,657.51	19,711.90
Total Current Assets		33,358.09	34,637.56
TOTAL ASSETS		161,060.76	153,655.08
Equity			
Paid up Share capital	20	45,087.58	45,067.72
Reserves	21	34,301.06	31,567.43
Non-controlling Interests		4,633.19	4,574.08
Total Equity		84,021.83	81,209.23
Non-current Liabilities			
Long Term Borrowings	22	25,828.75	28,716.68
Customer Deposits in Banking Sector		33,771.23	28,621.61
Deferred Government Grants	23	1,234.20	1,064.33
Long Term Employee Benefits	28	1,123.07	416.74
Deferred Tax Liability	8	769.01	690.05
Other Non Current Liabilities	24	1,447.36	1,158.68
Total Non-current Liabilities		64,173.63	60,668.09
Current Liabilities			
Current Portion of Borrowings	22	2,724.58	2,849.73
Deferred Government Grants	23	91.72	68.54
Income Tax Payable		3,786.24	2,868.78
Trade and Other Payables	25	3,673.79	2,112.03
Other Current Liabilities	26	2,588.98	3,878.68
Total Current Liabilities		12,865.31	11,777.76
TOTAL EQUITY AND LIABILITIES		161,060.76	153,655.08

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

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

D.K Girdharan
Partner
Membership No.028738
Place: Chennai
Date: 09-05-2017



Dasho Sangay Khandu
Chairman

Tashi Lhamo
Director, Finance

Place: Thimphu
Date: 09-05-2017



Dasho Karma.Y.Raydi
Chief Executive Officer

Nim Dorji
Board Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

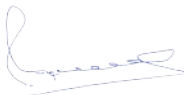
	Note	31-Dec-16	31-Dec-15 (Restated)
INCOME			
Revenue from customers	2	41,664.65	37,265.55
Other Income	3	1,722.79	1,827.38
Share of Profits of Associates	4a	-	11.45
Total Income		43,387.44	39,104.38
EXPENDITURE			
Direct Costs of Sales	5	14,186.23	12,153.16
Personnel and Other Costs	6	8,016.08	7,634.04
Finance Cost		2,761.30	2,840.93
Depreciation and amortization	7& 11	5,679.26	5,508.69
Impairment losses		67.04	35.72
Share of Losses of Associates & Joint venture	4a&b	32.24	26.55
Total Expenditure		30,742.15	28,199.09
Profit on Operations before Tax		12,645.29	10,905.29
Income Tax Expenses	8	5,977.94	5,242.62
Profit on Operations after Tax		6,667.35	5,662.67
OTHER COMPREHENSIVE INCOME			
Actuarial (gain)/loss on post employment benefits		(27.13)	(170.50)
Currency translation variances		(5.58)	(4.66)
Share of other comprehensive income of Associates		-	-
Tax on Other Comprehensive Income		4.63	0.39
TOTAL COMPREHENSIVE INCOME		6,639.27	5,487.90
Attributable to shareholders of DHI		6,409.89	5,280.10
Attributable to Non controlling interest		229.38	207.80
Basic and Diluted Earnings per Share	9	14.79	12.62

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

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER, 2016

	Note	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 2016		45,067.71	15,483.84	1,612.09	5,648.32	8,823.19	76,635.15	4,574.08	81,209.23
Operating Income for the year		-	6,436.59	-	-	-	6,436.59	230.77	6,667.36
Other Comprehensive Income for the year		-	(26.69)	-	-	-	(26.69)	(1.39)	(28.08)
Dividends Paid		-	(3,782.10)	-	-	-	(3,782.10)	(150.35)	(3,932.45)
Transfer to Reserve		-	(710.70)	(590.00)	0.67	1,300.03	-	-	-
Share of losses and other adjustments		-	105.82	-	-	-	105.82	(19.92)	85.90
Shareholders contributions to paid up capital		19.87	-	-	-	-	19.87	-	19.87
Closing Balance 31 December 2016		45,087.58	17,506.76	1,022.09	5,648.99	10,123.22	79,338.64	4,633.19	84,021.83

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER, 2015 (RESTATED)

	Note	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	13,828.94	1,511.79	5,016.72	8,809.63	73,500.59	3,030.66	76,531.25
Adjustment on account of correction of error (refer note 32)		-	50.60	-	-	-	50.60	-	50.60
Opening balance 1 January 2015 (Restated)		44,333.51	13,879.54	1,511.79	5,016.72	8,809.63	73,551.19	3,030.66	76,581.85
Share of losses and other adjustments (refer note 1)		-	759.40	-	-	-	759.40	493.41	1,303.41
Sub Total		44,333.51	14,638.94	1,511.79	5,016.72	8,809.63	74,310.59	3,524.07	77,834.66
Operating Income for the year		-	5,454.99	-	-	-	5,454.99	207.67	5,662.66
Other Comprehensive Income for the year		-	(174.89)	-	-	-	(174.89)	0.12	(174.77)
Dividends Paid		-	(3,689.74)	-	-	-	(3,689.74)	(242.52)	(3,932.26)
Transfer to Reserve		-	(745.46)	100.30	631.60	13.56	-	-	-
Share of losses and other adjustment		-	-	-	-	-	-	(215.26)	(215.26)
Shareholders contributions to paid up capital		734.20	-	-	-	-	734.20	1,300.00	2,034.20
Closing Balance 31 December 2015 (Restated)		45,067.71	15,483.84	1,612.09	5,648.32	8,823.19	76,635.15	4,574.08	81,209.23

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 CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	31-Dec-16	31-Dec-15 (Restated)
CASHFLOWS FROM OPERATING ACTIVITIES			
Sales of Goods and Services		38,677.20	34,688.17
Interest Received		2,854.91	2,952.84
Dividends received		103.34	114.37
Other Income		(6.95)	488.70
Expenses		(23,316.56)	(21,782.54)
Interest Paid		(1,737.24)	(1,934.41)
Cash Flows from Operations		16,574.70	14,527.13
Tax Paid		(5,216.05)	(5,048.30)
Movements in Banking Loans and Deposits		-	-
- Increase/(Decrease) in Customer Deposits		5,149.62	(1,384.08)
- Decrease/(Increase) in Customer Loans		(7,063.14)	(532.78)
OPERATING CASH FLOWS		9,445.13	7,561.97
Net Cash Generated by OPERATING ACTIVITIES			
Sale of Plant Property & Equipment		199.90	11.19
Investment in Investment Property		(37.66)	(7.86)
Increase/(Decrease) in Other Investments		2,091.78	(1,547.07)
Purchase of Plant Property & Equipment		(4,978.97)	(4,475.14)
Investment in Associates and Joint Ventures		(206.29)	288.01
Net Cash used in INVESTING ACTIVITIES		(2,931.24)	(5,730.88)
CASHFLOWS FROM FINANCING ACTIVITIES			
Government Grants received		435.07	140.71
Outside shareholders contributions to paid up capital		-	1,300.00
Increase/(Decrease) in Borrowings		(3,277.63)	(904.72)
(Increase)/Decrease in Advance to MOF		1,110.00	(22.20)
Dividends Paid		(3,932.45)	(3,932.26)
Net Cash used in FINANCING ACTIVITIES		(5,665.01)	(3,418.47)
Net Increase/(Decrease) in Cash and Cash Equivalents		848.88	(1,587.38)
Opening Cash and Bank Balances		19,700.20	21,091.74
Opening Cash and Bank Balances of Newly acquired Companies*		-	176.64
Carry forward of restricted cash 2014		-	23.86
Foreign currency movements on year end translation		5.58	(4.66)
Closing Cash and Bank Balances **		20,554.66	19,700.20

*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.

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Dasho Sangay Khandu
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Tashi Lhamo
Director, Finance

Place: Thimphu
Date: 09-05-2017




Dasho Karma.Y.Raydi
Chief Executive Officer



Nim Dorji
Board Director

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 23 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 consolidated financial statements relate to the year ended 31 December 2016 and restatements carried out for the year ended 31 December 2015(refer note 32).

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 consolidated financial statements relate to the year ended 31 December 2016 and restatements carried out for the year ended 31 December 2015(refer note 32).

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 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 and second phase of implementation, plus the following standards from the third phase of implementation: IFRS 6 Exploration for



and Evaluation of Mineral Resources, 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.

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:

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 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

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 bond contractual agreement.

The parent company shows any dividends received as income and the investment at cost. The consolidated financial statements account for the investment in Associate Companies using the equity method. The group share of 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 for and Evaluation of mineral resources

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

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, 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.

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.

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.

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

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.

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 and 30.



YEAR ENDED 31 DECEMBER 2016

	Energy & Resources	Communication & Transport	Manufacturing	Finance	Trading	Other	Total	Eliminations	Grand Total
Revenue	13,586.40	5,637.64	5,562.55	2,709.87	2,463.62	340.65	30,300.73	(57.97)	30,242.76
Revenue (PTC India)	11,421.89	0.00	0.00	0.00	0.00	0.00	11,421.89	0.00	11,421.89
Revenue from group	400.16	95.22	242.13	1,194.5	1,174.3	1,191.1	1,093.50	(1,093.50)	0.00
Interest Received	246.15	36.46	20.43	305.93	1.16	73.83	683.96	(300.92)	383.04
Other Income	520.57	359.58	80.67	30.51	31.31	7,386.05	8,408.69	(7,068.94)	1,339.75
Total Income (A)	26,175.17	6,128.90	5,905.78	3,165.76	2,613.52	7,919.64	51,908.77	-8,521.33	43,387.44
Direct Cost of Sales	7,694.49	1,355.51	2,936.28	1,108.69	2,318.45	242.22	15,655.64	(1,469.41)	14,186.23
Personnel and Other Costs	3,281.39	1,958.31	2,331.73	540.16	147.43	407.94	8,666.96	(618.64)	8,048.32
Finance Cost	1,130.29	208.27	625.73	58.64	24.12	6.96	2,054.01	707.29	2,761.30
Depreciation and Amortization	3,870.83	1,194.86	494.27	70.86	5.53	45.84	5,682.19	(2.93)	5,679.26
Impairment losses	0.00	3.69	8.20	52.21	0.00	0.01	64.11	2.93	67.04
Income Tax	3,055.39	434.91	(129.70)	401.14	35.17	2,181.03	5,977.94	0.00	5,977.94
Total Expenses (B)	19,032.39	5,155.55	6,266.51	2,231.70	2,530.70	2,884.00	38,100.85	(1,380.76)	36,720.09
Net Profit after tax (A-B)	7,142.78	973.35	-360.73	934.06	82.82	5,035.64	13,807.92	-7,140.57	6,667.35
OCI	(14.52)	(11.63)	1.05	0.00	(1.12)	(1.86)	(28.08)		(28.08)
Current assets	14,201.30	2,327.64	2,927.65	15,964.92	783.18	2,524.40	38,729.09	(5,371.00)	33,358.09
Non Current Assets	85,134.45	8,325.31	10,839.54	3,008.46	234.95	51,851.84	159,394.55	(56,982.93)	102,411.62
Assets -Bank				25,992.52			25,992.52	(701.47)	25,291.05
Total assets	99,335.75	10,652.95	13,767.19	44,965.90	1,018.13	54,376.24	224,116.16	(63,055.40)	161,060.76
Current Liabilities	10,514.61	1,666.95	2,522.56	994.81	543.09	1,997.52	18,239.54	(5,374.23)	12,865.31
Non Current Liabilities	24,535.63	2,352.20	5,471.77	67.03	66.17	283.95	32,776.75	(2,374.36)	30,402.39
Liabilities-bank				38,397.87			38,397.87	(4,626.64)	33,771.23
Total Liabilities	35,050.24	4,019.15	7,994.33	39,459.71	609.26	2,281.47	89,414.16	(12,375.23)	77,038.93



YEAR ENDED 31 DECEMBER 2015

	Energy & Resources	Communication & Transport	Manufacturing	Finance	Trading	Other	Total	Eliminations	Grand Total
Revenue	11,548.75	5,220.02	4,609.13	2,464.86	2,103.00	297.70	26,243.46	30.77	26,274.23
Revenue (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	263.70	70.41	18.43	23.52	0.30	32.11	408.47	(93.89)	314.58
Other Income	696.00	242.82	110.40	8.63	117.61	6,364.02	7,539.48	(6,015.23)	1,524.25
Total Income(A)	23,776.79	5,613.94	4,753.28	2,626.38	2,298.04	6,817.36	45,885.79	(6,781.41)	39,104.38
Direct Cost of Sales	6,041.80	1,493.22	2,463.40	959.83	1,984.26	167.23	13,109.74	(956.58)	12,153.16
Personnel and Other Costs	3,164.28	2,057.70	1,958.76	452.99	1,141.16	374.20	8,122.09	(461.50)	7,660.59
Finance Cost	1,178.15	185.54	692.37	31.21	8.42	242.3	2,119.92	721.01	2,840.93
Depreciation and Amortisation	3,714.91	1,153.97	492.00	46.04	5.52	45.13	5,457.57	51.12	5,508.69
Impairment losses	(0.03)	(3.65)	2.31	(45.96)	83.01	0.04	35.72	0.00	35.72
Income Tax	2,924.24	243.80	(242.88)	354.67	30.85	1,864.62	5,175.30	67.32	5,242.62
Total Expenses(B)	17,023.35	5,130.58	5,365.96	1,798.78	2,226.22	2,475.45	34,020.34	(578.63)	33,441.71
Net Profit after tax(A-B)	6,753.44	483.36	-612.68	827.60	71.82	4,341.91	11,865.45	(6,202.78)	5,662.67
OCI	(86.93)	(4.57)	1.71	0.00	(0.57)	(6.53)	(96.89)	(77.88)	(174.77)
Current assets	12,600.93	2,005.21	2,922.21	19,174.35	553.69	1,045.83	38,302.22	(3,664.66)	34,637.56
Non Current assets	83,643.80	8,380.18	10,911.04	1,678.13	139.71	52,806.14	157,559.00	(56,821.60)	100,737.40
Assets -Bank				18,453.13			18,453.13	(173.01)	18,280.12
Total assets	96,244.73	10,385.39	13,833.25	39,305.61	693.40	53,851.97	214,314.35	(60,659.27)	153,655.08
Current Liabilities	8,357.25	1,508.80	1,863.60	555.67	313.85	2,911.34	15,510.51	(3,732.75)	11,777.76
Non- Current Liabilities	25,550.32	2,711.35	5,683.17	861.03	25.38	347.19	35,178.44	(3,131.96)	32,046.48
Liabilities_ Bank				33,128.45			33,128.45	(4,506.84)	28,621.61
Total Liabilities	33,907.57	4,220.15	7,546.77	34,545.15	339.23	3,258.53	83,817.40	(11,371.55)	72,445.85



2. Revenue	31-Dec-2016	31-Dec-2015 (Restated)
Sales of:		
- Goods	5,533.48	4,609.33
- Services	30,439.96	27,682.74
- Trading	2,963.72	2,494.49
- Interest	2,727.49	2,478.99
	41,664.65	37,265.55

3. Other Income	31-Dec-2016	31-Dec-2015 (Restated)
Dividends Received	103.34	81.64
Grants and Subsidies	227.32	192.72
Interest Received	383.05	314.58
Other Income	1,009.09	1,238.44
	1,722.79	1,827.38

4a. Share of Profit/(losses) of Associates	31-Dec-2016	31-Dec-2015 (Restated)
Profits of BFAL	(3.19)	19.35
Profits of KIPL	(7.18)	(7.82)
Profits of RSEBL	2.38	(0.08)
	(7.99)	11.45

4b. Share of Profit/(losses) of Joint Vetures	31-Dec-2016	31-Dec-2015 (Restated)
Profit of BHSL	(24.25)	(26.55)
	(24.25)	(26.55)

5. Direct costs of Sales	31-Dec-2016	31-Dec-2015 (Restated)
Energy and wheeling charges	351.73	323.11
Aircraft fuel, oil and operating Costs	1,184.37	1,406.00
Cost of Goods Sold	7,014.91	6,480.75
Material used in infrastructure development	5,635.21	3,942.32
Other costs	-	0.99
	14,186.23	12,153.16

6. Personnel and other Cos	31-Dec-2016	31-Dec-2015 (Restated)
Payroll and Related Costs	3,162.61	3,026.06
Employee Related Costs	414.71	429.42
Other Costs	2,857.66	2,839.14
Maintenance	1,481.94	1,346.73
Gains/losses on Foreign Exchange Fluctuations	99.15	(7.31)
	8,016.08	7,634.04



7. Property Plant and Equipment

a) Property, Plant and Equipment for year ended 31 December 2016

2016	COST				DEPRECIATION				Net Book Value		
	Opening	Additions	Adjustments	Disposals	Closing	Opening	Additions	Disposals		Adjustments	Closing
Land and Buildings	64,130.55	534.75	12.34	(55.09)	64,622.55	8,534.44	2,087.99	(2.97)	5,518.52	16,137.98	48,484.57
Plant & Equipment	36,100.70	1,322.67	20.58	(319.23)	37,124.72	18,407.02	1,918.60	(133.71)	(5,492.73)	14,699.18	22,425.54
Furniture & Office Equipment	2,199.48	208.43	(262.28)	(21.15)	2,124.48	1,396.87	224.50	(13.16)	(191.56)	1,416.65	707.83
Vehicles	880.83	108.66	23.93	(26.73)	986.69	580.60	76.28	(26.26)	18.13	648.75	337.94
Aircraft and other aviation assets	6,776.43	123.94	19.44	(8.59)	6,911.22	2,719.74	497.89	(7.31)	13.61	3,223.93	3,687.29
Transmission & Distribution Lines	18,412.50	963.72	(0.00)	(27.67)	19,348.55	4,377.62	626.30	(12.50)	-	4,991.42	14,357.13
Totals	128,500.49	3,262.17	(185.99)	(458.46)	131,118.21	36,016.29	5,431.56	(195.91)	(134.03)	41,117.91	90,000.30

Note 1: Adjustment to Gross Cost includes (i) Transfers between asset categories reported by Group's subsidiary companies (ii) difference of Nu 173.32 million being the Gross cost arrived at based on the audited accounts of the Group companies and trial balance at 31.12.2016 of the Holding company (iii) amounts added based on merger of DHI Infra Ltd with Construction Development Corporation Limited.

Note 2: Adjustment in accumulated depreciation includes (i) transfer between asset categories by the Group's subsidiary companies (ii) Merger of DHI Infra Ltd with Construction Development Corporation Limited (iii) Depreciation classified in Capital Work in Progress and Grant amounting to Nu 44.13 million netted off against depreciation in the statement of profit and loss account.



c) Capital Work in Progress (by Segment)

	31-Dec-2016	31-Dec-2015 (Restated)
Electricity Generation	1,845.31	1,976.80
Power Generation	2,814.92	1,261.78
Manufacturing	32.67	12.03
Others	563.23	305.76
	5,256.13	3,556.37

8. Taxation

	31-Dec-16	31-Dec-15 (Restated)
Income Tax Payable -		
Current Tax	6,134.07	5,307.01
Prior Period Tax	-	2.44
Total Income Tax Expenses Recognised	6,134.07	5,309.46
Deferred Tax Expenses/(Benefit)	(156.13)	(66.84)
Total Tax on Operating Income	5,997.94	5,242.62
Reconciliation of Tax on Operating Income -		
Profit Before Income-tax from Operations	12,645.29	10,905.28
Tax at 30%	3,793.59	3,271.58
Adjustments required for:		
- Non -deductible expenditure & Non Assessed Income	54.44	58.59
- Tax losses	(209.03)	(3.29)
- Other Adjustments (Timing)	208.39	66.87
- Tax on Dividends from subsidiaries	2,136.93	1,837.97
- Tax paid in foreign countries	(6.38)	10.90
Current Tax Expenses	5,997.94	5,242.62
Effective Tax Rate -	47.27%	48.07%

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.

Reconciliation of Deferred Tax -	31-Dec-16	31-Dec-15 (Restated)
Opening	53.31	(336.16)
Recognised during Year	(156.13)	(66.84)
Restatement of prior years	350.18	456.31
Closing	247.37	53.31
Deferred Tax Assets	1,016.38	743.36
Deferred Tax Liabilities	(769.01)	(690.05)
Total	247.37	53.31
Deferred tax Assets/(Liabilities) in respect of:		
Depreciation	(1,257.71)	(1,062.59)
Impairment of Debtors and Inventory	19.99	75.94
Proposed utilisation of business losses for setting off against income tax	1,461.21	1,020.20
Employment Related Costs	23.88	19.76
Total	247.37	53.31



Tax on Comprehensive Income	31-Dec-16	31-Dec-15 (Restated)
Actuarial (Gain)/Loss on Post- employment benefit	(27.13)	(170.50)
Less : Tax	4.63	0.39
Total	(22.50)	(170.11)
Currency translation Variance	(5.58)	(4.66)
Total	(28.08)	(174.77)

	31-Dec-2016	31-Dec-2015 (Restated)
Profit After Tax Continuing Operations	6,667.27	5,662.67
Weighted Average number of Shares	450.68	448.62
Basic and Diluted Earnings per Share (Nu)	14.79	12.62

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 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 2016 has been allocated on a straight-line basis over the year.

	31-Dec-2016	31-Dec-2015 (Restated)
Value on 1 st January	269.09	249.64
Increase in valuation for the year	46.07	19.45
Closing Value	315.16	269.09

11. Intangible Assets	31-Dec-2016	31-Dec-2015 (Restated)
A) Software		
Cost		
Opening	1,077.79	581.95
Additions less disposals	365.94	495.84
Closing	1,443.73	1,077.79
Amortization		
Opening	259.05	149.54
Additions less disposals**	130.28	109.51
Closing	389.33	259.05
TOTAL	1,054.40	818.74
B) Pre-operative Expenses		
Opening	-	158.83
Additions	22.64	-
Amortizations*	(0.42)	(158.83)
Closing	22.21	(0.00)
TOTAL (A+B)	1,076.61	818.74

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

** Includes current year amortization and other adjustments of Nu 117.4 million.



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 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
Total	42.48
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
Total assets	260.61
Long Term Borrowings	114.06
Trade and Other Payables	116.02
Total Liabilities	230.08
Net Identifiable Assets	30.53
Excess of Net Cash Outflow over Net Assets Acquired	11.95

13. Investments

A) Associate Companies

	%	31-Dec-2016	31-Dec-2015 (Restated)
Bhutan Ferro Alloys Ltd	29.10	253.65	274.29
Koufuku International Private Ltd	30.00	-	7.18
Royal Stock Exchange of Bhutan Ltd	25.00	25.16	24.03
Total		278.81	305.50

B) Other Investments in Companies

	31-Dec-2016	31-Dec-2015 (Restated)
Bhutan National Bank Ltd	242.98	242.98
Bhutan Development Bank Ltd	12.73	12.73
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	28.82	28.15
Credit Information Bureau	1.75	1.75
Total	361.86	361.20

C) Joint Venture

	%	31-Dec-2016	31-Dec-2015 (Restated)
Kholongchu Hydro Energy Limited	50	429.58	204.58
Bhutan Hydro Services Limited	51	173.24	197.49
Total		602.82	402.07
Total Investments (A+B+C)		1,234.49	1,068.77



Summarised Information on Associate Companies

	31-Dec-2016	31-Dec-2015 (Restated)
Long Term Assets	731.94	756.42
Current Assets	908.84	1,006.94
	1,640.78	1,763.36
Long Term Liabilities	102.68	136.84
Current Liabilities	566.64	557.04
Equity	971.46	1,069.48
	1,640.78	1,763.36
DHI Group Share of Equity	280.07	305.50
Sales	1,904.33	2,067.38
Net Profit after Tax	(37.76)	40.14
Other Comprehensive Income	0.00	0.00
DHI Group share of Profits after Tax	(9.25)	11.45

Summarised Information of Joint Venture

Long Term Assets	1,786.48	1,218.98
Current Assets	376.99	341.16
Long Term Liabilities	716.60	696.38
Current Liabilities	101.00	67.36
Equity	1,345.87	796.39
Sales	158.16	129.73
Net Profit after Tax	(43.83)	(52.03)
Other Comprehensive Income	(1.12)	0.23
DHI Group share of Profits after Tax	(22.35)	(26.55)

14. Long Term Financial Assets

	31-Dec-2016	31-Dec-2015 (Restated)
Debt Securities		
- Listed	550.00	550.00
-Unlisted	0.00	0.00
Total	550.00	550.00

15. Other Non-current asset

	31-Dec-2016	31-Dec-2015 (Restated)
Trade Receivables	48.16	43.90
Term Deposits with Bank and Financial Institutions	1,535.86	890.89
Advance Payments to Suppliers	1,219.78	212.51
Prepaid Expenses	60.04	75.03
Total	2,863.84	1,222.33

16. Inventories

	31-Dec-2016	31-Dec-2015 (Restated)
Raw material	630.16	769.48
Work in progress	224.96	199.66
Finished goods	734.41	519.02
Other inventory	976.23	350.78
Stores, spares and loose tools	1,097.88	1,429.92
Total	3,663.64	3,268.86



17. Trade Receivables	31-Dec-2016	31-Dec-2015 (Restated)
Receivable in Ngultrum	1,311.15	1,476.33
Receivable in foreign currency	1,285.20	794.67
Less: Provision for Impairment	(153.90)	(137.40)
Total	2,442.45	2,133.60

18. Other Receivables and Advances	31-Dec-2016	31-Dec-2015 (Restated)
Non Trade Receivables and Advances	1,127.83	4,164.67
Term deposits with financial institutions	809.20	3,445.54
Other Financial Assets	632.79	647.18
Advance payments to vendors	3,813.72	1,062.10
Advance payments to employees	42.80	52.61
Prepaid expenses	168.15	150.84
Income Tax Refund Receivable	-	0.26
Total	6,594.49	9,523.20

19. Cash and Bank Balances	31-Dec-2016	31-Dec-2015 (Restated)
Cash in hand	773.53	729.30
Cash at bank	2,582.86	2,967.97
Short-term deposits	3,966.38	3,328.48
Cash Reserve and Balances with RMA*	13,334.74	12,676.40
Margin Money and Unclaimed dividend		9.75
Closing cash balance	20,657.51	19,711.90
Less: Bank overdraft*	(102.85)	(11.70)
Cash and cash equivalents for the statement of cash flows	20,554.66	19,700.20

*Restricted Cash

20. Paid up capital	31-Dec-2016	31-Dec-2015 (Restated)
Authorised Capital		
5,000,000,000 Equity Shares of Nu. 100/- each	500,000.0	500,000.00
Issued and Paid up capital		
Opening number of Equity Shares	45,067.71	44,333.51
Issued during the year	19.87	734.20
Closing	45,087.58	45,067.71

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.

In line with the mandate "Consolidation of Resources" as per the Royal Charter, DHI Board adopted Land Policy and Implementation Guideline in consultation with National Land Commission (NLC) and DHI owned Companies (DOCs) to transfer the ownership of lands from DOCs to DHI. As at the year end 2016, DHI got the ownership of 51 plots of land transferred from its subsidiaries for a total amount of Nu. 19,872,830/- through book adjustments for which an aggregate value of shares of Nu. 19,872,900/- (198,729 number of shares of Nu. 100/- each) has been allocated to its shareholders MOF.

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.

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-2016	31-Dec-2015 (Restated)
Borrowings from:		
Banks & Financial Institutions in Bhutan	2,730.78	2,958.70
Banks & Financial Institutions in other countries	18,661.82	18,340.00
Foreign Governments	3,438.19	5,806.88
Bonds listed by the RSEB	3,722.54	4,460.83
	28,553.33	31,566.41
Less Portion repayable within 1 year	2,724.58	2,849.73
Net Long Term Borrowings	25,828.75	28,716.68

Loans secured against the property, plant and equipment of particular companies (including loans where the security is in the process of registration) total Nu. 10,408.25 million (2015 Nu. 9,612.70 million). Interest rates range from 0 to 13% (no change from 2015). 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 31 Commitments and Contingent Liabilities).

23. Deferred Government Grants	31-Dec-2016	31-Dec-2015 (Restated)
Opening Balance	1,132.87	-
Add: Receipts during the year	193.05	1,132.87
Less: Amortisation against expenditure	-	-
Closing Balance	1,325.92	1,132.87
Current portion of Grant	91.72	68.54
Non-Current portion of Grant	1,234.20	1,064.33

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.



24. Other Non-Current Liabilities	31-Dec-2016	31-Dec-2015 (Restated)
Trade and other payables	100.04	572.66
Advances	109.53	108.68
Retention money payable	909.88	377.34
Deposits received	327.91	100.00
Total	1,447.36	1,158.68

25. Trade and Other Payables	31-Dec-2016	31-Dec-2015 (Restated)
Trade Payables	1,625.85	623.62
Payables relating to Visa	-	74.24
TDS Payable	81.78	67.15
Employee and other payables	1,532.79	916.93
Accrued expenses	426.12	424.03
Unclaimed Dividend	7.25	6.06
Total	3,673.79	2,112.03

26. Other Current Liabilities	31-Dec-2016	31-Dec-2015 (Restated)
Advances and Deposits Received	739.84	1,505.48
Construction Contracts	249.89	566.65
Listed Bonds repayable	216.34	216.34
Working Capital Loans from Banks	379.47	735.98
Retention money payable	734.44	827.06
Provision*	269.00	27.17
Total	2,588.98	3,878.68

* The Provision is made for Assets replacement amounting to Nu. Nil million (2015: Nu. 9.42) and the rest is provided for other provision (2015: 17.75 million).

27. Construction Contracts	31-Dec-2016	31-Dec-2015 (Restated)
Gross Advance Received	17,839.32	12,977.59
less: Recognised as Revenue	17,589.43	12,410.93
Total	249.89	566.66
Construction contracts		
-with net work in progress	2,730.13	(485.81)
-with advances received in respect of revenue booked	(2,480.24)	1,052.47
Total	249.89	566.66

28. Long term Employee Benefits

Bhutanese Accounting Standard (BAS) 19 Employee Benefits is applicable for the Group's compliance from 1.1.2016. In respect Post Employment benefit like Gratuity and Other Long Term Employee Benefits (such as accumulated leave liability), there is no consistency in adoption of the accounting policy according to BAS 19 by all the companies in the Group. It is noted that certain Companies have followed Actuarial valuation for the said liabilities and related Plan assets (where applicable) whereas certain other companies have not following Actuarial valuation. The Group is not able to ascertain the impact of this non-compliance in the consolidated financial statements and accordingly full disclosure according to BAS 19 is not provided/disclosed in these financial statements.



29. Related Party Transactions	2016 % of Holding	2015 % of Holding
Parent (State) -		
Ministry of Finance (MoF), Royal Government of Bhutan	100%	100%
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 Coporation Ltd. (KCL)		
Bhutan Broadcasting Services Corporation Ltd. (BBSCL)		
Food Corporaton of Bhutan (FCB)		
Bhutan Chamber and Commerce Industry (BCCI)		

Managerial Remuneration		
Remuneration paid to the chairman of the company		
- Salary and allowances	2.29	2.18
- Other Benefits	1.12	0.64
- Provident fund contribution	0.15	0.15
- Sitting fees	0.12	0.18
	3.68	3.15
Remuneration paid to the CEO of the company		
- Salary and allowances	1.64	0.15
- Other Benefits	0.07	0
- Provident fund contribution	0.11	0.01
- Sitting fees	0.11	0.03
	1.93	0.19
Sitting fees paid to the other Board of Directors of the company	0.53	1.01
Remuneration, separation benefit etc, paid to the former chairman of the company		
1. Remuneration and other benefits	0.00	0.15
2. Separation benefits	0.00	0.90

Particulars	2016	2015
Transactions with Other Portfolios		
Bonus shares received (13,258,500 shares of Nu. 10/- each)	-	-
Dividend income	101.75	71.75
Interest income on bank deposits	9.39	3.68
Insurance of vehicles	0.16	0.19
Medical insurance	0.56	0.48
Actuarial valuation fee	0.03	0.02
Bank balances as at the end of the year with other portfolios-		
Current account balances	0.03	0.01
Fixed deposits	127.33	373.73
Outstanding Balance with Other Portfolios -		
Accrued interest on bank deposits	3.02	1.32
Actuarial valuation fee payable	0.03	0.02



Transactions with SoEs-		
Purchase of assets	-	-
Media and publication expenses	1.07	0.72
Hall hiring charges	-	-
Postage charges	0.08	0.09
Outstanding Balances with SoEs -		
Media and publication expenses payable	-	(0.06)
Postage charges payable	-	-

The list of related parties including the subsidiaries, associates and portfolio companies are provided in note 13, 29 and 30.

30. 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-2016	31-Dec-2015 (Restated) % 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	0.00	80.00
Dungsum Cement Corporation Ltd	Manufacturing	80.00	80.00
Dungsum 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	0.00	100.00
Thimphu TechPark Ltd (previously named Thimphu TechPark Private Ltd)	Real Estate	100.00	100.00
State Mining Corporation Ltd	Energy and Resources	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	100.00
Construction Development Corporation Limited	Real Estate	100.00	100.00
Penden Cement Authority Ltd	Manufacturing	40.00	40.00

BoB securities Ltd is merged with Bank of Bhutan Ltd during the year

\$ DHI Infra Ltd is merged with Construction Development Corporation Ltd during the year

@ Refer note 32



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.
- 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.
- f) Bhutan HyrdoServices corporation Limited (BHSL) has been reclassified from a subsidiary to a Joint venture despite holding 51% of shares as DGPC based on the agreement does not control the activities of the company unilaterally but jointly control the activities and the operations of the company.
- g) At the beginning of the year 2016, DHI directly held 5% shares of DHI Infra Ltd. amounting to Nu. 10,000,000/- and through DGPC held the 95% the face value of which is equal to Nu. 190,000,000/-. There after DHI acquired the 95% shares of DHI Infra Ltd. from DGPC at a consideration of Nu. 190,000,000/- and gained 100% direct holding. Since the nature of business of DHI Infra Ltd. and CDCL is similar, DHI went into merger of the two companies and approached to RoC. After obtaining the approval of merger ("amalgamation" as per Companies Act), DHI Infra Ltd. has been merged with CDCL with DHI's equity investment of Nu. 200,000,000/-. With this merger and additional equity injection of Nu. 204,260,000/- directly to CDCL during the year 2016, DHI's equity injection in CDCL has been raised to Nu. 825,643,000/- as at 31 December 2016. As at the year-end there is no existence of DHI Infra Ltd. and DHI holds the full ownership (100%) of CDCL with equity injection of Nu. 825,643,000/-.

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	31-Dec-2016	31-Dec-2015 (Restated)
Bhutan Ferro Alloys Ltd	29.10	29.10
Koufuku International Pvt Ltd	30.00	30.00
Royal Securities Exchange of Bhutan Ltd	25.00	25.00

Joint Venture Companies	31-Dec-2016	31-Dec-2015 (Restated)
Kholongchu Hydro Energy Limited	50.00	50.00
Bhutan Hydro Services Limited	51.00	51.00

31. Commitments and Contingent Liabilities

a) Commitments

Commitments for capital expenditure by various members of the Group total Nu 13,271.99 million (2015: Nu 9,297.82 million).

b) Contingent Liabilities

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

	31-Dec-2016	31-Dec-2015 (Restated)
Liability for Acceptances Endorsements and other Obligations	1,323.82	1,101.67
Guarantees issued and outstanding and bill payable	2,398.50	4,261.83
Total	3,722.32	5,363.50



Guarantees have been provided for loans owing by subsidiary and associate companies amounting to Nu. 3,485.61 million (2015: Nu 5,947.87 million). No loss is expected on these guarantees.

DHI's investments totaling Nu. 3,460 million (2015: Nu. 3,460) in some of the subsidiaries have been pledged in support of the guarantee.

Various companies have outstanding legal claims totaling Nu 313.63 million (2015 Nu 269.86 million). Provision for payment hasn't been included in these financial statements as no liability is anticipated.

32. 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.

33. Correction of Errors

Joint Venture Treatment:

In June 2012, Druk Green Power Corporation Ltd (DGPC- a subsidiary company of Druk Holding and Investments Ltd) entered into an agreement with M/s Alstom Hydro Holding (AHH) for arrangement to setup the company named Bhutan Hydro Power Services Ltd (BHSL) for Hydro power center in Bhutan to provide reclamation services for the runners and other under water parts of hydro power plants amongst other services.

DGPC is holding 51% and AHH is holding 49% of the voting power in BHSL. BHSL was accounted as subsidiary of DGPC until 2015 based on majority of percentage of shareholding. BHSL operations and major decisions are controlled through an agreement between DGPC and M/s Alstom Hydro Holding (AHH). Based on an external opinion obtained by DGPC in 2016, it was concluded that based on the above said agreement DGPC is not able to control the relevant activities of the company unilaterally and DGPC is jointly controlling the activities and operations of BHSL. Based on this BHSL had to be treated as Joint Venture as per BAS 28 in 2016. The financial statements of 2015 (previous year comparative amounts) have been restated.

However, the earliest opening balance of comparative period has not been restated for the cumulative error till 1.1.2015 because of impracticality of ascertaining the financial impact. In view of this the balance sheet at 1.1.2015 has not been restated and disclosed.

Capitalization of expenses during construction period:

A subsidiary and joint-venture (JV) companies of DHI Group have been in the process of setting up hydroelectric power projects. There were certain expenditures incurred in connection with project which was expensed off to the statement of profit and loss till year ended 31 December 2015. These companies sought an opinion from Accounting and Auditing Standards Board of Bhutan (AASBB) to capitalize these expenses (incurred during their project construction period) as they were considered directly attributable to bring the asset to the location and condition necessary for it be capable of operating in the manner intended by the management. In January 2017, AASBB gave its concurrence in this regard. The subsidiary and JV company had restated their financial statements for the said impact based on opinion received.

The expenses charged to statement of profit and loss upto 1.1.2015 and in year ended 31 December 2015 are as follows

Period	Amount Nu in million	How restated
upto 1.1.2015	50.60	Adjusted in equity at 1.1.2015
Year ended 31 December 2015	31.80	Restated in comparatives

Impact on equity (increase/(decrease) in equity)

31st December 2015	
Non-Current Assets	
Property Plant and Equipment	(961.64)
Intangible Assets	(4.67)
Investments	248.98
Deferred Tax Assets	(5.65)
Other Non-Current Assets	(7.59)
Current Assets	
Inventory	(10.60)
Trade Receivables	(24.01)
Other Receivables and Advances	(4.95)
Cash and bank	2.48
Total Assets	(767.65)
Non-current Liabilities	
Long Term Borrowings	678.33
Customer Deposits in Banking Sector	(11.23)
Deferred Government Grants	68.54
Long Term Employee Benefits	17.23
Other Non-Current Liabilities	0.07
Current Liabilities	
Deferred Government Grants	(68.54)
Trade and Other Payables	6.45
Other Current Liabilities	20.95
Total Liabilities	711.80
Net impact on Equity	55.85



Impact on statement of Profit or Loss (increase/(decrease) in profit)

	31st December 2015
Income	
Revenue from customers	(39.06)
Other Income	(28.48)
Total Income	(67.54)
Expenditure	
Direct Costs of Sales	16.73
Personnel and Other Costs	8.52
Finance Cost	49.71
Depreciation and amortisation	57.52
Share of Losses of Associates & Joint venture	24.93
Total Expenditure	157.41
Income tax expenses	19.15
Other Comprehensive Income	(0.23)
Net impact on Profit for the year	108.79
Attributable to:	
Equity holders of the parent	83.28
Non-controlling interests	25.51

Impact on basic and diluted earnings per share (EPS) (increase/(decrease) in EPS)

	31st December 2015
Basic and Diluted Earnings per Share	0.24

Impact on Cash flow Statement (increase/(decrease) in Cash flows)

	31st December 2015
Cash flows from operating activities	60.42
Cash flows from investing activities	50.83
Cash flows from financing activities	9.53
Net Increase/(Decrease) in Cash and Cash Equivalents	120.78

34. Events After Balance Sheet Date

On 9 February 2017 the Board of Directors proposed the payment of a dividend of Nu 3,690 million representing 8.1% on paid up capital.



STANDALONE FINANCIAL STATEMENTS
FOR THE YEAR 2016.

INDEPENDENT AUDITORS' REPORT

To

The Shareholders of Druk Holding and Investments Limited

Thimphu : Bhutan

Report on the Audit of the Standalone Financial Statements

1. Opinion

1.1. We have audited the standalone financial statements of Druk Holding and Investments Limited (the Company), which comprise the statement of financial position as at December 31, 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the standalone financial statements, including a summary of significant accounting policies.

1.2 In our opinion and to the best of our information and according to the explanations given to us, the accompanying standalone financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with Bhutanese Accounting Standards.

2. Basis for Opinion

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

3. Key Audit Matter(s)

Carrying value of investment in a Subsidiary company

3.1. The Company is required to annually test the amount of investments made in subsidiary companies for impairment. This annual impairment test is significant to our audit because the Company's investment balance in an identified subsidiary company is Nu.4,673,947,900 as of December 31, 2016, is material to the financial statements and the value of cost of investment is lower than the net worth of the investee company at December 31, 2016. The management's assessment on impairment of investment is judgemental and is based on assumptions viz, future profitability and free cash flow generation of the said subsidiary company to meet the financial obligations which are affected by future market

and economic conditions prevailing in Bhutan and outside of Bhutan. The management of the Company is of the view that the decline in value of investment in the said subsidiary company is temporary in nature, the said subsidiary company has been in operation for only three years, the Company is taking operational, marketing and financial measures to improve the said subsidiary's performance and there is no indication that the decline in value of investment would be prolonged and thus there is no need to impair the asset.

3.2. Our audit procedures included, discussion with the Company management of subsidiary company's current state of performance, improvement in the net worth position, future business plan and a review of document/plan signed by the management of DHI explaining that improvement in financial and operational metrics of the subsidiary company and exploring new markets to increase the sales and results of the subsidiary company. We concluded that the decline is not permanent and measures are put in place to improve the financial and operational performance of the subsidiary company.

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

4.1. The Company's Management is responsible for the preparation and fair presentation of the standalone financial statements in accordance with the Bhutanese Accounting Standards and provisions of the Companies Act of Bhutan, 2016 ("the Act"). This responsibility also includes the design, implementation and maintenance of internal controls relevant to the preparation and fair presentation of the standalone financial statements that are free from material misstatements, whether due to fraud or error.

4.2. In preparing the standalone financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

5. Auditor's Responsibilities for the Audit of the Standalone Financial Statements

5.1. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they

could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

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

5.2.1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

5.2.2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

5.2.3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

5.2.4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

5.2.6. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. From the matters communicated with those charged with

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

6. Report on Other Legal and Regulatory Requirements

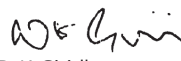
6.1. As required by Section 75 of the Companies Act of the Kingdom of Bhutan, 2000 read with Section II of Schedule XIV thereto (the Minimum Audit Examination and Reporting Requirements) we enclose in the Annexure a statement on the matters specified therein to the extent applicable.

6.2. As required by Section 265 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 Bhutan, 2016.

The engagement partner on the audit resulting in this independent auditors report is D K Girdharan.

For ASA& ASSOCIATES LLP
Chartered Accountants
Firm Reg No: 009571N/N500006


Name: D K Girdharan
Partner
Membership No: 028738



Date: 9.2.2017
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. The guarantees are active during the year as the loans against which such guarantees were given have not been fully repaid.
- 5) The parties to whom the loans and advances have been given by the Company are generally regular in repaying the amounts as stipulated period.
- 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/agreed rate contracts in place 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 2016 remitted subsequently in 2017.	21,434
- 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 31st December, 2016.
- 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 intra vires 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 relating to the Minimum Audit Examination and Reporting Requirements) are not applicable to the Company. In addition to the above clauses 1, 3, 4,6, 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 31st December 2016 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	2016	2015
Earnings per share	(Profit After Tax/ No. of shares issued)	11.28	9.63
Net Profit Ratio (%)	(Net Profit/ Turnover * 100)	68.83	68.7
Return on Assets (%)	(Net Profit/ Total Assets *100)	9.627	8.24
Return on Equity (%)	(Net Profit/ Owner's Equity *100)	9.949	8.69
Dividend Coverage Ratio	(Net Profit available to equity shareholders/ Dividend paid to Equity shareholders)	1.344	1.17
Dividend Payout Ratio (%)	(Dividend per share/ Earnings per share *100)	74	95
Current Ratio	Current Asset/ Current Liability	2.92	1.77

3. Adherence to Laws, Rules and Regulations:

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



STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

All figures in Bhutanese Ngultrums unless otherwise stated

	Notes	31 December 2016	31 December 2015
ASSETS			
Non-current Assets -			
Property, Plant and Equipment	2a	47,100,897	18,918,024
Intangible Assets	2b	3,626,492	6,839,015
Capital Work-In-Progress	2c	12,311,362	12,311,362
Investments	3	47,773,542,277	47,688,202,314
Deferred Tax Assets	4	304,049	421,993
Net Employee Benefit Assets - Gratuity	14b	2,831,171	2,326,165
Net Employee Benefit Assets - Annual Leave Accumulation	14c	538,979	-
Trade and Other Receivables	6	61,749	70,000
Other Financial Assets	7	10,680,000	16,805,087
Total Non-current Assets		47,850,996,976	47,745,893,960
Current Assets -			
Trade and Other Receivables	8	106,395	293,021
Advance to Ministry of Finance	9	3,033,831,009	4,143,831,009
Other Assets	10	906,337,696	168,945,634
Cash and Cash Equivalents	11	1,002,314,639	368,005,677
Total Current Assets		4,942,589,739	4,681,075,341
Total Assets		52,793,586,715	52,426,969,301
EQUITY AND LIABILITIES			
Capital and Reserves -			
Share Capital	12a	45,087,589,800	45,067,716,900
Retained Earnings	12b	2,999,981,965	2,999,981,965
General Reserve	12c	2,998,563,007	1,698,533,577
Total Equity		51,086,134,772	49,766,232,442
Non-current Liabilities -			
Entrepreneurship Promotion Fund	5	13,818,478	13,148,515
Net Employee Benefit Obligations -Annual Leave Accumulation	14c	-	798,182
Total Non-current Liabilities		13,818,478	13,946,697
Current Liabilities -			
Trade and Other Payables	13	18,135,845	17,870,650
Net Employee Benefit Obligations -Annual Leave Accumulation	14c	-	27,056
Net Current Tax Liabilities	15	922,702,638	383,656,506
Other Liabilities	16	752,794,982	2,245,235,950
Total Current Liabilities		1,693,633,465	2,646,790,162
Total of Equity and Liabilities		52,793,586,715	52,426,969,301

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

D.K. Giridharan

D.K Giridharan
Partner
Membership No.028738
Place: Chennai
Date: 9 February 2017



Dasho Sangay Khandu
Dasho Sangay Khandu
Chairman

Tashi Lhamo
Tashi Lhamo
Director, Finance

Place: Thimphu
Date: 9 February 2017



Dasho Karma Y. Raydi
Dasho Karma.Y.Raydi
Chief Executive Officer

Pema Chewang
Pema Chewang
Board Director

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

All figures in Bhutanese Ngultrums unless otherwise stated

	Notes	"Year ended 31 December 2016"	"Year ended 31 December 2015"
PROFIT OR LOSS -			
INCOME :			
Dividend Income	17	7,192,148,863	6,147,566,837
Consultancy Income		500,000	-
Brand Management Fee		99,581,253	105,277,008
Other Income	18	18,495,847	16,840,997
Finance Income	19	73,018,508	21,586,146
Total Income		7,383,744,471	6,291,270,988
EXPENDITURE :			
Operation and Maintenance Expenses	20	4,520,962	3,516,899
Employee Benefits Expense	21	71,336,737	59,514,861
Other Expenses	22	36,473,746	28,681,104
Loss on Investments		-	13,903
Finance Costs	23	75,832	13,192,922
Depreciation and Amortisation Expenses	2	7,840,509	7,826,151
Total Expenditure		120,247,786	112,745,840
Profit Before Tax		7,263,496,685	6,178,525,148
Income Tax Expense	4	2,180,928,659	1,855,769,248
Profit After Tax		5,082,568,026	4,322,755,900
OTHER COMPREHENSIVE INCOME -			
Actuarial Gain (Loss) on Post Employment	14	330,985	(534,125)
Income Tax Expense on Actuarial (Gain) Loss	4	(99,296)	160,238
Net Other Comprehensive Income (Expense)		231,689	(373,887)
Total Comprehensive Income		5,082,799,715	4,322,382,013
Basic and Diluted Earnings per Share	24	11.28	9.63

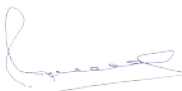
This is the Statement of Comprehensive Income referred to in our report of even date.


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



D.K Giridharan
Partner
Membership No.028738
Place: Chennai
Date: 9 February 2017




Dasho Sangay Khandu
Chairman


Tashi Lhamo
Director, Finance

Place: Thimphu
Date: 9 February 2017




Dasho Karma.Y.Raydi
Chief Executive Officer


Pema Chewang
Board Director

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016

All figures in Bhutanese Ngultrums unless otherwise stated

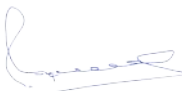
	"Year Ended 31 December 2016"	"Year Ended 31 December 2015"
Cash Flows from Operating Activities -		
Dividends Received	7,002,148,863	6,147,566,837
Consultancy Income	500,000	-
Brand Management Fee	99,581,253	105,277,008
Interest Income	34,572,582	4,928,095
Other Incomes	21,963,447	8,558,501
Expenses	(108,218,395)	(89,620,818)
Interest Paid	(75,832)	(74,272,703)
Cash Flow from Operations	7,050,471,918	6,102,436,920
Tax Paid	(1,641,948,238)	(1,582,037,762)
Net Cash Generated by Operating Activities	5,408,523,680	4,520,399,158
Cash Flows from Investment Activities -		
Recovery under Equity Investments	-	6,311,377
Addition to Employee Benefits Assets	(2,888,867)	-
Increase in Equity Investments	(294,670,000)	(60,580,000)
Increase in Long Term Deposit	1,500,000	(1,500,000)
Recovery of Advance for Project (Advance Provided)	-	2,122,058
Addition to Fixed Assets	(13,087,146)	(8,988,467)
Net Cash Used in Investment Activities	(309,146,013)	(62,635,032)
Cash Flows from Financing Activities -		
Loans, Advances and Recoveries from Group Companies	1,851,468,602	135,801,032
Loans and Advances Provided to Group Companies	(3,644,563,497)	(168,360,100)
Net Security Deposit Received (Refunded)	146,512	(240,390)
New Security Deposit Provided	(20,000)	(40,000)
Dividend Paid to Ministry of Finance	(3,782,100,322)	(3,689,738,830)
Repayment of Loans to Group Companies	-	(350,000,000)
Decrease (Increase) in Advance to Ministry of Finance	1,110,000,000	(22,200,000)
Net Cash Used in Financing Activities	(4,465,068,705)	(4,094,778,288)
Net Increase (Decrease) in Cash and Cash Equivalents	634,308,962	362,985,838
Cash and Cash Equivalents at the beginning of the year	368,005,677	5,019,839
Cash and Cash Equivalents at the end of the year (Refer Note 11)	1,002,314,639	368,005,677

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



D.K. Giridharan
Partner
Membership No.028738
Place: Chennai
Date: 9 February 2017




Dasho Sangay Khandu
Chairman


Tashi Lhamo
Director, Finance

Place: Thimphu
Date: 9 February 2017




Dasho Karma.Y.Raydi
Chief Executive Officer


Pema Chewang
Board Director

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

All figures in Bhutanese Ngultrums unless otherwise stated

	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 2016	450,677,169	100	45,067,716,900	2,999,981,965	1,698,533,577	49,766,232,442
Profit after income-tax	-	-	-	5,082,568,026	-	5,082,568,026
Other comprehensive income (expense) for the year	-	-	-	231,689	-	231,689
Dividends paid	-	-	-	(3,782,100,322)	-	(3,782,100,322)
Shares allotted to MoF	198,729	100	19,872,900	-	-	19,872,900
Transferred to General Reserve	-	-	-	(1,300,029,430)	1,300,029,430	-
Transferred to Entrepreneurship Promotion Fund	-	-	-	(669,963)	-	(669,963)
Balance as at 31 December 2016	450,875,898	100	45,087,589,800	2,999,981,965	2,998,563,007	51,086,134,772

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	443,335,142	100	44,333,514,200	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	450,677,169	100	45,067,716,900	2,999,981,965	1,698,533,577	49,766,232,442

AUTHORIZED CAPITAL :

Authorized Share capital	As at 31 December	
	2016	2015
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.



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, 2016 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.

As on 31 December, 2016 there are 19 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 2016.

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 of implementation of BAS has been completed by the year-end 2015 and the second phase was adopted in the year 2016. The Company in compliance with the Companies Act of Kingdom of Bhutan has adopted all the Standards applicable 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.

The functional currency is the Bhutanese Ngultrum.

c) Application of Bhutanese Accounting Standards

The Company has adopted all the relevant standards that are applicable in line of its business operation prescribed in BAS up to the second phase of implementation.

d) Foreign Currency Translation

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

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

e) Property, Plant and Equipment

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



Nominal Value. The ownership of lands transferred from the subsidiaries to DHI has been recognised at Book Value (Refer Note 2a and 12a).

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

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

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

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 Statement of Profit or Loss.

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 (provision being made for diminution if any, other than temporary, in their value) 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.

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.

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.

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) Lease Payments

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

DHI currently has no financial leases.

r) Comparative Information

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



2. PROPERTY, PLANT AND EQUIPMENT; INTANGIBLE ASSETS; AND CAPITAL WORK-IN-PROGRESS

(a) Property, Plant and Equipment -

All figures in Bhutanese Ngultrums unless otherwise stated

	Freehold Land	Furniture and Fittings	Electrical Equipment	Data Processing Equipment	Office Equipment	Vehicles	Total
Balance as at 1 January 2016 -							
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)
Book Value as at 1 January 2016	100	1,841,545	330,906	6,788,486	1,610,758	8,346,229	18,918,024
Changes in the Book Value during the year -							
Additions	22,327,060	469,557	-	3,136,500	23,099	7,005,336	32,961,552
Deletion / Adjustments	-	(100,124)	(2,450)	(1,600,348)	(116,430)	-	(1,819,352)
Depreciation on Deletion / Adjustments	-	67,607	2,428	1,533,990	64,639	-	1,668,664
Depreciation for the year	-	(331,181)	(50,544)	(2,973,516)	(264,148)	(1,008,602)	(4,627,991)
Total Changes	22,327,060	105,859	(50,566)	96,626	(292,840)	5,996,734	28,182,873
Balance as at 31 December 2016 -							
Cost	22,327,160	4,150,603	594,563	23,106,259	2,816,539	20,105,362	73,100,486
Accumulated Depreciation	-	(2,203,199)	(314,223)	(16,221,147)	(1,498,621)	(5,762,399)	(25,999,589)
Book Value as at 31 December 2016	22,327,160	1,947,404	280,340	6,885,112	1,317,918	14,342,963	47,100,897

DHI was granted a land of 1.08 acre at Kawajangsa, Thimphu from the State on 6 September, 2011 to construct its corporate office building. The said land is recorded in the books at nominal value of Nu. 100/-. During the year 2016, DHI bought 3 plots of land at a total cost of Nu. 2,454,230/- Further, DHI got the ownership of 51 plots of land transferred from its subsidiaries for a total amount of Nu. 19,872,830/- through book adjustments as per Boards approval for which an aggregate value of shares of Nu. 19,872,900/- has been allotted to its share holder MoF (Refer Note 12a). The relevant adjustment entries have been duly communicated to the Registrar of Companies (RoC) and MoF.

Physical verification of all assets was carried out in 2016 and where practical, assets were given a physical identification number. The damaged assets were written-off from the books of the Company and the final assets in working condition matched with the book records as on 31 December 2016.

(b) Intangible Assets -

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

	Software
Balance as at 1 January 2016 -	
Cost	16,127,809
Accumulated Amortization	(9,288,794)
Book Value as at 1 January 2016	6,839,015
Changes in the Book Value during the year -	
Additions	-
Deletion / Adjustments	(39,000.00)
Amortization on Deletion / Adjustments	38,995.00
Amortization for the year	(3,212,518)
Total Changes	(3,212,523)
Balance as at 31 December 2016 -	
Cost	16,088,809
Accumulated Amortization	(12,462,317)
Book Value as at 31 December 2016	3,626,492



(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	Total
Balance as at 1 January 2016	12,311,362	12,311,362
Additions	-	-
Capitalization / Adjustment	-	-
Balance as at 31 December 2016	12,311,362	12,311,362

3. INVESTMENTS

All figures in Bhutanese Ngultrums unless otherwise stated

	2016				2015			
	% of Holding	Face Value per Share	Number of Shares	Amount	% of Holding	Face Value per Share	Number of Shares	Amount
A) Investments in Subsidiaries -								
Quoted - Equity Shares fully paid up -								
Bhutan Board Products Ltd. (Refer Note b below)	58%	10	6,683,340	66,833,400	58%	10	6,683,340	66,833,400
"State Trading Corporation of Bhutan Ltd. (Refer Note b below)"	55%	10	9,176,050	10,195,611	55%	10	9,176,050	10,195,611
Dungsam Polymers Ltd.	51%	10	4,218,900	42,189,000	51%	10	4,218,900	42,189,000
Penden Cement Authority Ltd. (Refer Note c below)	40%	10	13,710,740	91,404,900	40%	10	13,710,740	91,404,900
Unquoted - Equity Shares fully paid up -								
Bank of Bhutan Ltd. (Refer Note d below)	80%	100	24,000,000	240,000,000	80%	100	12,000,000	240,000,000
Bhutan Telecom Ltd.	100%	1,000	854,082	854,082,000	100%	1,000	854,082	854,082,000
Druk Green Power Corporation Ltd.	100%	1,000	30,712,866	30,712,866,000	100%	1,000	30,712,866	30,712,866,000
Druk Air Corporation Ltd.	100%	100	22,252,111	2,225,211,100	100%	100	22,252,111	2,225,211,100
Natural Resources Development Corporation Ltd.	100%	100	450,000	45,000,000	100%	100	450,000	45,000,000
Bhutan Power Corporation Ltd. (Refer Note f below)	100%	1,000	8,225,118	7,350,600,000	100%	1,000	8,225,118	7,350,600,000
Dungsam Cement Corporation Ltd. (Refer Note b and e below)	80%	100	46,739,479	4,673,947,900	80%	100	50,739,479	5,073,947,900
DHI Infra Ltd. (Refer Note g below)	-	-	-	-	100%	100	100,000	10,000,000
Thimphu TechPark Ltd. (Refer Note b below)	100%	100	960,761	83,194,588	100%	100	960,761	83,194,588
State Mining Corporation Ltd. (Refer Note d below)	100%	100	1,359,900	135,990,000	100%	100	455,800	45,580,000
Wood Craft Center Ltd.	100%	100	733,177	73,317,700	100%	100	733,177	73,317,700
"Construction Development Corporation Ltd. (Refer Note d and g below)"	100%	1,000	825,643	825,643,000	100%	1,000	421,383	421,383,000
Total Investments in Subsidiaries				47,430,475,199				47,345,805,199



B) Investments in Associates -								
Quoted - Equity Shares fully paid up -								
Bhutan Ferro Alloys 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
Total Investments in Associates				53,594,600	53,594,600			
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."	18%	10	22,097,500	17,678,000	18%	10	22,097,500	17,678,000
Total				260,654,000	260,654,000			
Investments in EPF Assets (Refer Note 5) -								
Bank balance				232,937				78,159
Term deposits				13,825,000				20,765,000
Accrued interest				760,541				305,356
Contribution to Loden-DHI Fund (Refer Note h below)				14,000,000				7,000,000
Total				28,818,478	28,148,515			
Total Other Investments				289,472,478	288,802,515			
Total Investments (A+B+C)				47,773,542,277	47,688,202,314			
Aggregate value of Quoted Investments				509,871,511	509,871,511			
Aggregate value of Unquoted Investments				47,263,670,766	47,178,330,803			
				47,773,542,277	Total		47,688,202,314	
Market Value of Quoted Investments				3,232,654,079	3,373,677,400			

Notes :

a) All investments that have been made other than for trading purpose are included in this schedule.

b) The "% of Holding" represents the effective holding of DHI after considering the holding percentage of its subsidiaries. In Bhutan Board Products Ltd. DHI directly holds 48% and through Bank of Bhutan holds 10%. In State Trading Corporation of Bhutan Ltd. DHI directly holds 51% and through Bank of Bhutan holds 4%. In Dungsam Cement Corporation Ltd. DHI directly holds 74% and through Bhutan Power Corporation Ltd. holds 6%. In Thimphu Tech Park Ltd. DHI directly holds 51% and through Bhutan Telecom Ltd. holds 49%. For all other cases direct holding is equal to the chain holding.

c) Penden Cement Authority Ltd. (PCAL) has been classified as subsidiary on the merit that DHI retains control over PCAL in spite of holding 40% of shares as there are large 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.

d) During the year 2016, Druk Holding and Investments Ltd. (DHI) has injected as equity Nu. 90,410,000/- into State

Mining Corporation Ltd. (SMCL) and Nu. 404,260,000/- into Construction Development Corporation Ltd. (CDCL) from its internal accruals. Moreover, DHI has received 12,000,000 number of bonus shares of Nu. 100/- each from Bank of Bhutan Ltd.

e) 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 as on 31 December 2015 (Refer Note 16b). This advance was intended to be converted into Dungsam 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 BPCL from the existing paid up equity shares held by DHI in consideration of aforementioned advance taken from BPCL and forwarded the same to Registrar of Companies (RoC) for kind approval. As per the revised Shareholders' Agreement additional equity injection in DCCL took place in 2015 from the institutional investors like HMS Kidu Fund, National Pension and Provident Fund and Zhung Gerab Dratshang which resulted a reduction in DHI's % of holding from 100% to 80%. The necessary adjustments in the books of DHI relating to settlement of advance with BPCL against allotment of shares



to BPCL took place in 2016 up on obtaining confirmation from RoC. Since DHI holds 100% shares of BPCL the total chain holding pattern remains same as before i.e. 80% (DHI directly holds 74% and through BPCL holds 6%).

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

g) At the beginning of the year 2016, DHI directly held 5% shares of DHI Infra Ltd. amounting to Nu. 10,000,000/- and through DGPC held the 95% the face value of which is equal to Nu. 190,000,000/-. There after DHI acquired the 95% shares of DHI Infra Ltd. from DGPC at a consideration of Nu. 190,000,000/- and gained 100% direct holding. Since the nature of business of DHI Infra Ltd. and CDCL is similar, DHI went into merger of the two companies and approached to RoC. After obtaining the approval of merger

(“amalgamation” as per Companies Act), DHI Infra Ltd. has been merged with CDCL with DHI’s equity investment of Nu. 200,000,000/-. With this merger and additional equity injection of Nu. 204,260,000/- directly to CDCL during the year 2016, DHI’s equity injection in CDCL has been raised to Nu. 825,643,000/- as at 31 December 2016. As at the year-end there is no existence of DHI Infra Ltd. and DHI holds the full ownership (100%) of CDCL with equity injection of Nu. 825,643,000/-.

h) 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. 14,000,000/- to Loden-DHI Fund till 31 December 2016. (Refer Note 5).

4. TAXATION

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

Tax on Comprehensive Income -	2016	2015
Income Tax Payable -		
Current Tax in respect of current year	2,180,810,715	1,855,722,011
Total Income Tax Payable	2,180,810,715	1,855,722,011
Deferred Tax Payable – Current year	117,944	47,237
Total Income Tax Expense Recognized	2,180,928,659	1,855,769,248
Reconciliation of Tax on Operating Income -		
Profit Before Income-tax	7,263,496,685	6,178,525,148
Income Tax expenses calculated at 30% (2015 : 30%)	2,179,049,005	1,853,557,543
Adjustments required for:		
- Non deductible expenditure	1,879,654	2,211,705
- Difference between tax and accounting depreciation	(56,211)	38,350
- Difference between tax and accounting loss on disposal of assets	(61,733)	(85,587)
Current Tax Payable	2,180,810,715	1,855,722,011
Effective Tax Rate -	30%	30%

The tax rate used for the year 2016 and 2015 reconciliations above is the comparative tax rate of 30% payable by corporate entities on taxable profits under local tax rules.

Reconciliation of Deferred Tax -

Timing Differences in respect of -	2016	2015
Opening	421,993	469,230
Recognized during the year in relation to property, plant and equipment	(117,944)	(47,237)
Closing	304,049	421,993

Tax on Other Comprehensive Income -

Actuarial Gain (loss) on Post Employment Benefit Obligation	2016	2015
Gross income (Expense)	330,985	(534,125)
Tax at 30%	(99,296)	160,238
Net income	231,689	(373,887)



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. 14,000,000/- to Loden-DHI Fund till 31 December 2016.

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 -

	2016	2015
Bank balance	232,937	78,159
Term deposits	13,825,000	20,765,000
Accrued interest	760,541	305,356
Contribution to Loden-DHI Fund	14,000,000	7,000,000
	28,818,478	28,148,515

EPF Fund -

	2016	2015
Fund balance	25,000,000	25,000,000
Accumulation due to interest earned on term deposits (net off tax @ 30%)	3,818,478	3,148,515
	28,818,478	28,148,515
Less: DHI's contribution to the fund	15,000,000	15,000,000
Net fund balance	13,818,478	13,148,515

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 :

	2016	2015
Security deposits paid to third parties -		
Deposit with Bhutan Oil Distributor for vehicle fuel	61,749	70,000
	61,749	70,000

7. OTHER FINANCIAL ASSETS - NON-CURRENT

	2016	2015
Advances provided for projects	10,680,000	-
Loan to subsidiary company	-	15,000,000
Long term deposit	-	1,500,000
Accrued income on long term deposit	-	215,342
Prepayments	-	89,745
	10,680,000	16,805,087

During the year 2016 DHI undertook Amochu Land Development and Township Project (ALDTP) through its subsidiary CDCL. A sum of Nu. 10,680,000/- has been paid to CDCL in this regard during 2016 out of total commitment of Nu. 57,680,000/-. The remaining amount of Nu. 47,000,000/- will be paid during the year 2017 and has been treated as capital commitment for the year 2016 (Refer Note 28).

8. TRADE AND OTHER RECEIVABLES - CURRENT

	2016	2015
Trade receivables -		
Inter-company trade receivable	106,395	293,021
	106,395	293,021

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 16).



10. OTHER CURRENT ASSETS

	2016	2015
Loan to subsidiary company / advances	905,697,033	168,760,501
Advance payments to employees	503,980	49,666
Prepayments	136,683	135,467
	906,337,696	168,945,634

11. CASH AND CASH EQUIVALENTS

	2016	2015
Cash in hand	-	-
Bank balances -		
Local banks - Others	12,504	10,000
Balances with BOBL (Inter-company) - Others	2,708,103	3,979,896
	2,720,607	3,989,896
Short term bank deposits -		
Short-term deposits with BNBL -		
Term deposits - Others	121,500,000	363,000,000
Accrued interest - Others	2,812,388	1,015,781
	124,312,388	364,015,781
Short-term deposits with BOBL (Inter-company) -		
Term deposits - Others	870,000,000	-
Accrued interest - Others	5,281,644	-
	875,281,644	-
	1,002,314,639	368,005,677

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

12. ISSUED CAPITAL, RETAINED EARNINGS AND GENERAL RESERVE

a) Issued Capital -

	2016	2015
Authorized Capital	500,000,000,000	500,000,000,000
Issued Capital -		
"450,875,898 fully paid ordinary shares of Nu. 100/- each (31 December 2015: 450,677,169)"	45,087,589,800	45,067,716,900

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

In line with the mandate "Consolidation of Resources" as per the Royal Charter, DHI Board adopted Land Policy and Implementation Guideline in consultation with National Land Commission (NLC) and DHI Owned Companies (DOCs) to transfer the ownership of lands from DOCs to DHI. As at

the year-end 2016, DHI got the ownership of 51 plots of land transferred from its subsidiaries for a total amount of Nu. 19,872,830/- through book adjustments for which an aggregate value of shares of Nu. 19,872,900/- (198,729 number of shares of Nu. 100/- each) has been allotted to its share holder MoF (Refer Note 2a).

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. TRADE AND OTHER PAYABLES - CURRENT

	2016	2015
Trade payable to third parties	1,797,366	2,059,457
Inter-company trade payables	274,804	464,363
Employee payables	15,439,741	14,671,036
TDS Payable	21,434	105,794
Outstanding liabilities - Audit fees	577,500	550,000
Outstanding liabilities - Other professional fee	25,000	20,000
Other liabilities	-	-
	18,135,845	17,870,650

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 2016 was Nu. 2,233,828/- (2015 Nu. 1,973,893/-)."

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

	2016	2015
Current service cost	889,376	823,681
Net interest on net defined benefit liability / (asset)	(214,546)	(266,558)
Cost recognised in Statement of Profit or Loss	674,830	557,123

ii) Other Comprehensive Income (OCI)

	2016	2015
Actuarial (gain)/loss due to liability experience	880,728	245,737
Actuarial (gain)/loss due to liability assumption changes	(219,678)	(109,511)
Return on plan assets (greater)/less than discount rate	(992,035)	397,900
Actuarial (gains)/ losses recognized in OCI	(330,985)	534,125
Cumulative Actuarial (Gain) Loss Recognized via OCI at Current Period End	(330,985)	534,125

iii) Statement of Financial Position

	2016	2015
Defined benefit obligation (DBO)	(4,486,850)	(3,489,132)
Fair value of plan assets (FVA)	7,318,021	5,815,297
Funded status [surplus/(deficit)]	2,831,171	2,326,165
Effect of Asset ceiling	-	-
Net defined benefit asset (DBA)	2,831,171	2,326,165

iv) Movements in the Present Value of Defined Benefit Obligation

	2016	2015
Opening Defined Benefit Obligation	3,489,132	2,473,553
Current service cost	889,376	823,681
Interest cost	241,190	187,784
Actuarial loss on experience adjusted	880,728	245,737
Benefits paid by the plan	(793,838)	(132,112)
Actuarial (gain)/loss due to change in demographic assumptions	(219,678)	-
Actuarial (gain)/loss due to change in financial assumptions	-	(109,511)
Benefits paid by the employer	(60)	-
Closing Defined Benefit Obligation	4,486,850	3,489,132

v) Movements in the Fair Value of Plan Assets

	2016	2015
Opening Fair Value of Plan Assets	5,815,297	5,890,966
Income on assets at the discount rate	455,736	454,343
Actual interest less than discount rate	992,035	(397,900)
Contribution by DHI	848,791	-
Benefits paid by the plan	(793,838)	(132,112)
Closing Fair Value of Plan Assets	7,318,021	5,815,297

vi) Expected Benefit Payments as at 31 December 2016

31 December 2017 (Retirement Benefit Obligations - Current)	1,427,322
31 December 2018	1,187,923
31 December 2019	1,398,000
31 December 2020	2,175,811
31 December 2021	1,550,534
31 December 2022 to 31 December 2026	9,963,177

vii) Expected Benefit Payments as at 31 December 2015

31 December 2016 (Retirement Benefit Obligations - Current)	440,831
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

	2016	2015
VIII) Weighted Average Duration of Defined Benefit Obligation	9.83 Years	13.96 Years

	2016	2015
ix) Accrued Benefit Obligation at 31 December	2,867,469	1,910,193



x) Plan Asset Information (Asset Allocation in Percentage)

	2016	2015
Insurance Policy with RICBL	95.68%	88.35%
Gratuity Fund with BIL	4.11%	11.60%
Balance in Current Account	0.21%	0.05%
Total	100.00%	100.00%

xi) Sensitivity Analysis

I) Discount Rate -

	2016	2015
Discount Rate as at 31 December	7.80%	7.80%
Effect on DBO due to 0.5% increase in Discount Rate	4,353,376	3,317,182
Effect on DBO due to 0.5% decrease in Discount Rate	4,628,151	3,674,460

II) Salary Escalation Rate -

	2016	2015
Salary Escalation Rate as at 31 December	10.00%	10.00%
Effect on DBO due to 1% increase in Salary Escalation Rate	4,635,845	3,585,332
Effect on DBO due to 1% decrease in Salary Escalation Rate	4,333,708	3,378,859

III) Attrition Rate -

	2016	2015
Attrition Rate as at 31 December	11.00%	5.00%
Effect on DBO due to 1% increase in Attrition Rate	4,439,689	3,479,997
Effect on DBO due to 1% decrease in Attrition Rate	4,532,677	3,487,142

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.

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

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

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) Statement of Profit or Loss

	2016	2015
Current service cost	497,116	825,238
Net interest on net defined benefit liability / (asset)	(6,816)	-
Remesurement (gains) / losses	(29,279)	-
Cost recognised in Statement of Profit or Loss	461,021	825,238

ii) Statement of Financial Position

	2016	2015
Defined benefit obligation (DBO)	(1,322,354)	(825,238)
Fair value of plan assets (FVA)	1,861,333	-
Funded status [surplus/(deficit)]	538,979	(825,238)
Effect of Asset ceiling	-	-
Net defined benefit asset (DBA)	538,979	(825,238)

iii) Movements in the Present Value of Defined Benefit Obligation

	2016	2015
Opening Defined Benefit Obligation	825,238	-
Current service cost	497,116	825,238
Interest cost	61,782	-
Actuarial loss on experience adjusted	110,719	-
Benefits paid by the plan	(66,318)	-
Actuarial (gain)/loss due to change in demographic assumptions	(106,183)	-
Actuarial (gain)/loss due to change in financial assumptions	-	-
Benefits paid by the employer	-	-
Closing Defined Benefit Obligation	1,322,354	825,238



iv) Movements in the Fair Value of Plan Assets

	2016	2015
Opening Fair Value of Plan Assets	-	-
Income on assets at the discount rate	68,598	-
Actual interest less than discount rate	33,815	-
Contribution by DHI	1,825,238	-
Benefits paid by the plan	(66,318)	-
Closing Fair Value of Plan Assets	1,861,333	-

v) Expected Benefit Payments as at 31 December 2016

31 December 2017 (Retirement Benefit Obligations - Current)	229,427
31 December 2018	125,021
31 December 2019	122,276
31 December 2020	182,196
31 December 2021	107,373
31 December 2022 to 31 December 2026	590,002

	2016	2015
vi) Weighted Average Duration of Defined Benefit Obligation	8.06 Years	-

	2016	2015
vii) Accrued Benefit Obligation at 31 December	756,807	264,657

viii) Plan Asset Information (Asset Allocation in Percentage)

	2016	2015
Investment with RICBL	100.00%	-
Balance in Current Account	0.00%	-
Total	100.00%	-

ix) Sensitivity Analysis**I) Discount Rate -**

	2016	2015
Discount Rate as at 31 December	7.80%	-
Effect on DBO due to 0.5% increase in Discount Rate	1,282,438	-
Effect on DBO due to 0.5% decrease in Discount Rate	1,364,865	-

II) Salary Escalation Rate -

	2016	2015
Salary Escalation Rate as at 31 December	10.00%	-
Effect on DBO due to 1% increase in Salary Escalation Rate	1,414,933	-
Effect on DBO due to 1% decrease in Salary Escalation Rate	1,238,994	-

III) Attrition Rate -

	2016	2015
Attrition Rate as at 31 December	11.00%	-
Effect on DBO due to 1% increase in Attrition Rate	1,311,531	-
Effect on DBO due to 1% decrease in Attrition Rate	1,334,575	-

Since 2015 was the first year of valuation for accumulated annual leave with no dedicated asset for the same, most of the previous year's comparative numbers are not available.

15. CURRENT TAX LIABILITIES

As per Income-tax Rule	2016	2015
Tax liability (asset) as at the beginning of the year	383,656,506	108,691,699
Add: Tax liability for the current year	2,180,910,011	1,855,561,774
Less: Advance tax paid during the year	1,618,344,801	963,284,946
Less : Adjustment of tax deducted at source	23,519,078	617,312,021
Tax liability as at the end of the year	922,702,638	383,656,506

16. OTHER CURRENT LIABILITIES

	2016	2015
Advance received from subsidiary companies	12,640,771	10,000,000
"Advance received from Druk Green Power Corporation Ltd. (Refer Note 9)"	740,000,000	1,835,200,000
"Advance received from Bhutan Power Corporation Ltd. (Refer Note 3e)"	-	400,000,000
Deposits received	154,211	35,950
	752,794,982	2,245,235,950

17. DIVIDEND INCOME

	2016	2015
Dividend income from Subsidiaries -		
Bhutan Board Products Ltd.	5,346,672	4,678,338
State Trading Corporation of Bhutan Ltd.	13,764,075	-
Bank of Bhutan Ltd.	131,040,000	300,133,375
Bhutan Telecom Ltd.	490,806,576	337,011,130
Druk Green Power Corporation Ltd.	5,104,359,807	4,593,273,664
Bhutan Power Corporation Ltd.	1,281,655,159	702,082,000
Penden Cement Authority Ltd.	47,987,590	109,685,920
	7,074,959,879	6,046,864,427
Dividend income from Associates and Portfolios -		
Bhutan Ferro Alloys Ltd.	15,437,840	28,945,950
Bhutan National Bank Ltd.	57,556,144	40,819,960



Royal Insurance Corporation of Bhutan Ltd.	44,195,000	30,936,500
	117,188,984	100,702,410
	7,192,148,863	6,147,566,837

18. OTHER INCOME

	2016	2015
Sale of tender document	13,200	6,400
Corporate guarantee fee	18,470,307	16,822,496
Miscellaneous income	12,340	12,101
	18,495,847	16,840,997

19. FINANCE INCOME

	2016	2015
Interest income on term deposits with BNBL -	9,394,342	3,680,802
Interest income on term deposits with BOBL (Inter-company) -	6,011,368	1,202,791
Interest income on inter-company loans	57,612,798	16,702,553
	73,018,508	21,586,146

20. OPERATION AND MAINTENANCE EXPENSES

	2016	2015
Office Equipment, Furniture, IT Equipment and Network	412,966	407,660
SAP System	3,028,649	2,647,271
Motor Vehicles	1,079,347	461,968
	4,520,962	3,516,899

21. EMPLOYEE BENEFITS EXPENSES

	2016	2015
Payroll and related expenses -		
Salaries and Performance based variable pay	45,825,109	41,561,158
Leave travel allowance	2,710,621	2,450,801
Bonus	5,407,397	4,945,999
Overtime allowances	99,063	68,577
Medical expenses	789,253	442,332
Staff welfare	585,513	97,160
Uniforms	45,712	-
HRD expenses	11,237,725	5,773,559
	66,700,393	55,339,586
Post employment benefits -		
Provident fund contribution	2,233,828	1,973,893
Gratuity	674,830	557,123
	2,908,658	2,531,016
Other employee benefits -		
Leave encashment (Annual benefit)	793,320	706,810

Leave encashment (Separation benefit)	461,021	825,238
Others	473,345	112,211
	1,727,686	1,644,259
	71,336,737	59,514,861

22. OTHER EXPENSES

	2016	2015
Meeting and retreat expenses	455,253	379,491
Board sitting fees	575,000	1,055,000
Sub-Committee sitting fee	225,500	352,500
Fees and subscription	154,110	210,451
Research and development expenses	751,658	435,809
Printing and stationery	1,050,584	1,043,737
Advertisement	531,991	163,971
Office expenses	8,594,539	3,477,073
Office rent	1,821,942	1,811,490
Travelling expenses - Foreign	5,591,022	4,342,063
Travelling expenses - Local	2,796,457	1,768,390
Communication, internet and telephone charges	1,097,736	998,763
Rates and taxes	11,761	11,761
License and registration	5,000	5,000
Electricity and water charges	240,516	220,434
Hospitality expenses	528,620	1,842,967
Books and periodicals	-	26,495
CSR expenses	7,773,872	7,852,350
Loss on disposal/retirement of property, plant and equipment	149,112	471,640
Actuarial valuation fee	25,000	20,000
Miscellaneous expenses	18,457	138,012
Consulting charges	3,004,064	1,096,734
Audit fees and expenses (Refer Note 26)	1,071,552	956,973
	36,473,746	28,681,104

23. FINANCE COST

	2016	2015
Interest on inter-company borrowings	-	13,150,684
Bank charges - Local	430	90
Bank charges - Inter-company	51,528	29,308
Loss on foreign exchange fluctuation	23,874	12,840
	75,832	13,192,922

24. EARNINGS PER SHARE

Profit after income-tax	5,082,568,026	4,322,755,900
Other comprehensive income for the year (Net off income-tax)	231,689	(373,887)



Profit used to determine basic earnings per share	5,082,799,715	4,322,382,013
Number of shares at the beginning of the year	450,677,169	443,335,142
Number of Shares allotted to MoF during the year	198,729	7,342,027
Number of shares at the end of the year	450,875,898	450,677,169
Weighted average number of ordinary shares in issue	450,677,712	448,620,621
Basic and Diluted Earnings per Share	11.28	9.63

25. MANAGERIAL REMUNERATION

	2016	2015
Remuneration paid to the Chairman of the company -		
Salary and allowances	2,288,065	2,184,281
Other benefits	1,119,995	644,906
Provident fund contribution	146,964	142,680
Sitting fees	121,000	180,000
	3,676,024	3,151,867
Remuneration paid to the Chief Executive Officer of the company -		
Salary and allowances	1,641,013	153,000
Other benefits	78,226	-
Provident fund contribution	107,184	10,098
Sitting fees	105,000	30,000
	1,931,423	193,098
Sitting fees paid to the other Board of Directors of the company -	527,500	1,012,500
Remuneration, separation benefits etc. paid to the former Chairman of the company -		
Remuneration and other benefits	-	146,470
	-	146,470
Benefits paid to the former Chief Executive Officer of the company -		
Other benefits	-	902,028
	-	902,028

26. AUDITOR'S REMUNERATION

	2016	2015
Statutory audit fee for standalone financial statements	157,500	150,000
Statutory audit fee for consolidated financial statements	420,000	400,000
Other audit expenses (relating to previous year)	494,052	406,973
	1,071,552	956,973

27. RELATED PARTY DISCLOSURES

a) Related Parties

Parent (State) -

	2016 % of Holding	2015 % 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%	80%
DHI Infra Ltd. (DHILL)	0%	100%
DHI Hospitality Ltd. (DHIHL)	0%	100%
Thimphu TechPark Ltd. (TTPL)	100%	100%
State Mining Corporation Ltd. (SMCL)	100%	100%
Wood Craft Center Ltd. (WCCL)	100%	100%
Construction Development Corporation Ltd. (CDCL)	100%	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)		



State Owned Enterprises -

Dasho Sangay Khandu, Chairman
Dasho Karma Y. Raydi, CEO
Mr. Nim Dorji (date of appointment : 21 July 2016)
Mr. Ugyen Rinzin
Mr. Tenzin Dhendup
Mr. Pema Chewang
Mr. Karma Tsetop Rinchen

b) (i) Transactions with Parent -

	2016	2015
Dividend paid	3,782,100,322	3,689,738,830
Allotment of shares (fully paid of Nu. 100/- each)	19,872,900	734,202,700
Advance as made for dividends	2,670,554,127	3,710,671,558
Expenses adjusted by the company on behalf of MoF	1,546,195	1,267,272

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

	2016	2015
Advance to MoF	3,033,831,009	4,143,831,009

c) (i) Transactions with Subsidiaries -

	2016	2015
Equity contribution in cash	294,670,000	60,580,000
Equity contribution recovered in cash	-	6,311,377
Bonus shares received (12,000,000 shares of Nu. 100/- each)	-	-
Augmentation in shares by transfer	-	734,202,700
Transfer of shares by merger	200,000,000	-
Purchase of shares of DHI Infra Ltd. against dividend of Druk Green Power Corporation Ltd.	190,000,000	-
Dividend income	7,074,959,879	6,046,864,427
Consultancy income	500,000	-
Brand management fee	99,581,253	105,277,008
Corporate guarantee fee	18,470,307	16,822,496
Interest income on bank deposits	6,011,368	1,202,791
Electricity expenses	235,002	215,436
Telephone and internet expenses	1,097,736	998,763
Purchase of air tickets and others	3,399,502	2,326,641
Research and development expenses	-	18,728
Repairs and maintenance charges	1,052,914	416,918
Transfer of ownership of lands	19,872,830	-
Purchase of assets	9,393,369	7,799,461
Hall hiring charges	80,000	26,000
Bank charges	51,528	29,308

Inter-company loan provided (principal and interest)	2,596,296,295	685,435,594
Inter-company loan recovered (principal)	1,837,416,539	500,000,000
Inter-company loan settled (principal and interest)	-	336,849,316
Inter-company advances taken	1,295,000,000	1,835,200,000
Inter-company advances settled	2,390,200,000	1,719,800,000
Advances given on behalf (net)	2,440,771	10,000,000
Advance provided for project	10,680,000	-
Corporate guarantee provided	1,100,000,000	1,500,000,000
Corporate guarantee terminated	1,100,000,000	-

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

	2016	2015
Current account balances	2,941,040	4,058,055
Fixed deposits	878,000,000	11,540,000

c) (iii) Outstanding Balances with Subsidiaries-

	2016	2015
Corporate guarantee fee receivable	6,198,403	9,666,003
Accrued interest on bank deposits	5,837,808	214,917
Other interest receivable	29,498,630	5,361,458
Electricity expenses payable	(39,230)	(44,716)
Telephone and internet expenses payable	(93,997)	(70,081)
Payable for air tickets	(141,577)	(19,453)
Repairs and maintenance charges payable	-	(44,741)
Payable for purchase of Assets	-	(285,372)
Inter-company loan receivable (principal and interest)	899,498,630	174,094,499
Capital commitment for project	(47,000,000)	-
Inter-company advances payable	(740,000,000)	(2,235,200,000)
Advances given on behalf (net)	(12,440,771)	10,000,000
Corporate guarantees	(3,460,003,594)	(4,015,086,363)

d) (i) Transactions with Associates -

	2016	2015
Dividend income	15,437,840	28,945,950
Advances given on behalf (net)	(200,000)	-
Corporate guarantee provided	-	9,000,000

d) (ii) Outstanding Balances with Associates -

	2016	2015
Advances given on behalf (net)	200,000	-
Corporate guarantees	(25,609,197)	(18,786,000)



e) (i) Transactions with Other Portfolios -

	2016	2015
Dividend income	101,751,144	71,756,460
Interest income on bank deposits	9,394,342	3,680,802
Bank charges	430	90
Insurance of vehicles	160,582	192,925
Medical insurance	564,551	486,299
Actuarial valuation fee	25,000	20,000

e) (ii) Balance as at the end of the year with Other Portfolios -

	2016	2015
Current account balances	26,000	12,904
Fixed deposits	127,325,000	373,725,000

e) (iii) Outstanding Balance with Other Portfolios -

	2016	2015
Accrued interest on bank deposits	3,016,764	1,321,562
Actuarial valuation fee payable	(25,000)	(20,000)

f) Compensation to Key Management Personnel -

	2016	2015
Short-term benefits	5,880,799	5,253,185
Post-employment benefits	254,148	152,778

g) (i) Transactions with SoEs -

	2016	2015
Media and publication expenses	1,074,222	717,128
Postage charges	83,375	94,340

g) (ii) Outstanding Balances with SoEs -

	2016	2015
Media and publication expenses payable	-	(61,299)

28. OTHER INFORMATION

During the year 2013, DHI's contingent liability went up by Nu. 533,000,000/- on account of guarantees provided to Bhutan National Bank Ltd. for working capital loan extended to Dungsam Cement Corporation Ltd. The outstanding balance of the loan as on 31 December 2016 is Nu. 3,594/-.

During the year 2014 DHI provided corporate guarantee of Nu. 13,770,000/- to Koufuku International Private Ltd. For loan taken from Bhutan Development Bank Ltd. (BDBL). The outstanding loan balance as on 31 December 2016 is Nu. 16,413,973/- including interest thereon.

Further, during 2014 DHI provided its corporate guarantee to Dungsam Cement Corporation Ltd. for DCCL Bond Series I (Nu. 1,260,000,000/-), DCCL Bond Series II (Nu. 700,000,000/-). For both the cases outstanding balances as on 31 December 2016 is equal to the amount of guarantee originally provided for.

Again during the year 2015, DHI's corporate guarantee has been extended to Dungsam Cement Corporation Ltd. for DCCL Bond Series III for Nu. 1,500,000,000/-. The outstanding balance as on 31 December 2016 is equal to the amount of guarantee originally provided for.

During the year 2015 DHI provided corporate guarantee of Nu. 9,000,000/- to Koufuku International Private Ltd. for a Term Loan taken from Bank of Bhutan Ltd. The outstanding loan balance as on 31 December 2016 is Nu. 9,195,224/- against such loan including interest thereon.

Outstanding capital commitment as on 31 December 2016 is Nu. 53,000,000/- (Refer Note 5 and 7). The number for the previous year is Nu. 13,000,000/-.

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

The current year's financial statements cover the period from 1 January 2016 to 31 December 2016.

