

ANNUAL REPORT 2017

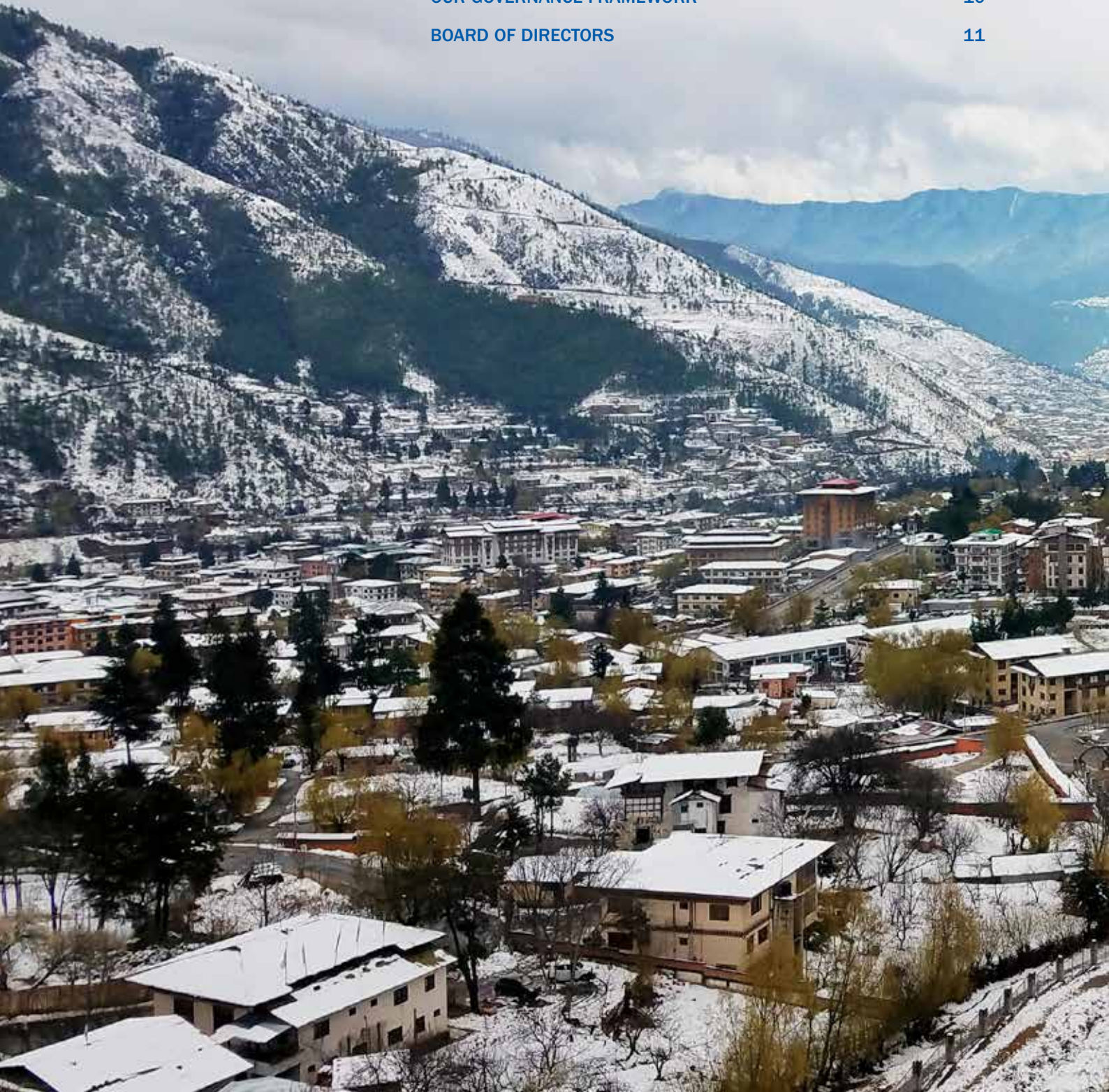




ANNUAL REPORT 2017

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INTRODUCTION

WHO WE ARE

Druk Holding and Investments Limited (DHI), the country's only government owned holding company, was born as the nation prepared to make the historic transition to a democracy, after 100 years of monarchy. It was inspired by His Majesty's clear vision to strengthen and transform the economy to safeguard nation's wealth for future generations. Based on the Royal Charter issued on November 11, 2007, as the guiding document, the government announced it would build a strong institution in DHI, with an initial grouping of selected government companies that would be managed by a board of directors. DHI was created to promote competitiveness of Bhutan's economy by transforming government companies into entities that strive for operational and business excellence. As a specialised agency between the government and its companies, DHI would primarily focus on enhancing performance of government companies and explore new investment opportunities. In essence it would manage the government's assets and investments on a commercial basis.

Presently we have nineteen portfolio companies, of which 9 are fully owned (DHI Owned Companies), five are controlled (DHI Controlled Companies-shareholding of more than 50%) and five are linked companies (DHI-Linked Companies-shareholding of 50% and below). Our portfolio spreads over various strategic sectors such as energy and resources, communication and transportation, financial services, real estate and trading.

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 second Chairman, Dasho Sangay Khandu was appointed in 2014 and served till March 2018. 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 (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.



FUNCTIONS OF DHI

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.'

CORE VALUES

Integrity, Honesty,
Excellence, Prudence,
Teamwork, Responsibility

PERFORMANCE IMPROVEMENT

RESOURCE OPTIMIZATION

NEW INVESTMENT

PRIVATE SECTOR DEVELOPMENT

REVENUE TO THE GOVERNMENT





Portfolio Companies



80%

Dungsam Cement Corporation Ltd.



100%

Wood Craft Center Ltd.



51%

Dungsam Polymers Ltd.



58%

Bhutan Board Products Ltd.



40.3%

Penden Cement Authority Ltd.



80%

Koufuku International Private Ltd.



25.7%

Bhutan Ferro Alloys Ltd.



100%

Druk Green Power Corporation Ltd.



100%

Bhutan Power Corporation Ltd.



100%

Natural Resources Development Corporation Ltd.



100%

State Mining Corporation Ltd.



80%

Bank of Bhutan Ltd.



18.4%

Royal Insurance Corporation of Bhutan Ltd.



12%

Bhutan National Bank Ltd.



100%

Bhutan Telecom Ltd.



100%

Drukair Corporation Ltd.



100%

Construction Development Corporation Ltd.



100%

Thimphu Tech Park Ltd.



57%

State Trading Corporation of Bhutan Ltd.

MANUFACTURING

ENERGY &
RESOURCES

FINANCIAL
SERVICES

COMMUNICATION &
TRANSPORTATION

REAL ESTATE &
CONSTRUCTION

TRADING

*DHI-INFRA WAS MERGED WITH CDCL IN 2016

DHI PORTFOLIO COMPANIES DEPICTING DHI SHAREHOLDING AND NET WORTH/MARKET CAPITALIZATION OF THE COMPANIES AS AT 31st DECEMBER 2017

Sector	Shareholding (in %)	DPC Category	Net Worth*/Market Capitalization (in million Nu.)2017
Energy & Resources			
Druk Green Power Corporation Ltd.	100	DOC	46,167.10
Bhutan Power Corporation Ltd.	100	DOC	13,694.80
Natural Resources Development Corporation Ltd.	100	DOC	522.05
State Mining Corporation Ltd.	100	DOC	295.85
Communication & Transport			
Bhutan Telecom Ltd.	100	DOC	4,224.35
Drukair Corporation Ltd.	100	DOC	2,943.36
Finance			
Bank of Bhutan Ltd.	80	DCC	4,719.34
Bhutan National Bank Ltd. **	12	DLC	1,081.73
Royal Insurance Corporation of Bhutan Ltd.**	18.4	DLC	1,303.75
Real Estate and Construction			
Thimphu Tech Park Ltd.	100	DOC	243.44
Construction Development Corporation Ltd.	100	DOC	951.92
Trading			
State Trading Corporation of Bhutan Ltd.**	57	DLC	178.37
Manufacturing			
Dungsam Cement Corporation Ltd.	80	DCC	2,908.05
Wood Craft Center Ltd.	100	DOC	123.18
Dungsam Polymers Ltd.**	51	DCC	57.38
Penden Cement Authority Ltd.**	40.3	DLC	904.91
Bhutan Ferro Alloys Ltd.**	25.7	DLC	231.57
Bhutan Board Products Ltd.**	58	DLC	80.63
Koufuku International Private Ltd.	80	DCC	-1.72

Accompanying Notes:

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

**Market Capitalization is reflected for listed DHI Linked Companies to the extent of DHI's share holding only.

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.

A YEAR IN REVIEW

March



Injected Nu 55 million in State Mining Corporation Limited

April

Injected Nu 53 million in State Mining Corporation Limited

July



Bhutan Telecom commissioned the new core and intelligent network in Thimphu



Increased DHI shareholding in Koufuku International Limited to 80%

May



- » Bhutan Telecom commissioned disaster recovery component in Kanglung
- » Injected Nu 169.79 million in Construction Development Corporation Limited

August



December



- » Secured financing for Phuntsholing Township Development Project (PTDP): DHI \$10 million & ADB \$53 million
- » Drifting works for 400 MW Nyera-Amari project reached 427m for Gomdar site (out of 665.55m) and 360m for Martshala site (out of 887.60m)
- » Developed an IT system to manage the lands transferred to DHI and formally launched the system on November 11, 2017
- » Created over 700 direct employment at the Park



- » Drukair started domestic flights to Gelephu and Yonphula
- » Incorporated BHUTAN AUTOMATION, a Joint Venture Company between Druk Green Power Corporation Limited (DGPC) and Andritz Hydro Private Limited, India (Andritz Hydro)
- » Launched Bhutan Future Fund with a principle transfer of Nu 300 million



November





OUR GOVERNANCE FRAMEWORK

Druk Holding and Investments (DHI) upholds the highest standards of corporate governance to ensure transparency and accountability. The Board of Directors has the full authority to make decisions on investments, divestments and issuance of securities. The Board shall act with integrity and be held accountable for its actions.

The Board of Directors are appointed by the Blue Ribbon Panel (BRP) composed of Chairpersons of DHI and RCSC, Secretaries of Ministry of Finance and Ministry of Economic Affairs and the Governor of the Royal Monetary Authority. The Chairperson of DHI is appointed by His Majesty the King.

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

As the holding company, DHI is also mandated to strengthen corporate governance in portfolio companies. The Ownership Policy, introduced in 2010 and revised in 2013, provides the guiding framework for the governance of DHI's companies.

As part of DHI's on-going efforts in strengthening corporate governance, DHI introduced Corporate Governance Code in 2013. The document contains corporate governance principles and associated model charters, namely the 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 portfolio companies, DHI conducts orientation program and Board Directorship skills training for the newly appointed Board Directors annually.

BOARD OF DIRECTORS

DASHO SANGAY KHANDU

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. NIM DORJI

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



MR. PEMA CHEWANG

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



MR. TENZIN DHENDUP

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



MR. KARMA TSETOP RINCHHEN

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's of Arts in English (honours) from St. Stephen's College, Delhi University, India. He serves as an Independent Non-Executive Director on DHI Board.



MR. UGYEN RINZIN

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 an Independent Non-Executive Director on DHI Board.



DASHO KARMA YEZER RAYDI

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



MANAGEMENT TEAM

DR. DAMBER SINGH KHARKA, DIRECTOR, CORPORATE PERFORMANCE DEPARTMENT

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 in Commerce from Sherubtse College.



MS. TASHI LHAMO, DIRECTOR, DEPARTMENT OF FINANCE

Ms. Tashi Lhamo 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, Bachelors of Business (Major in Accounting) from University of South Australia and Bachelor in Commerce (Honors) from Sherubtse College.



MR. PASSANG DORJI, DIRECTOR, DEPARTMENT OF INVESTMENTS

Mr. Passang Dorji currently serves as the Director of the Department of Investments. Prior to DHI, he has worked in Bhutan Power Corporation as the Company secretary. He also serves as a Board Director in Bank of Bhutan and Drukair Corporation. He has previously served on the Board of Bhutan Telecom and State Trading Corporation of Bhutan and as the Chairman of the Board of Directors of Thimphu Techpark Limited. Mr. Passang Dorji received his Bachelor of Civil Engineering from Thailand, and PG Diploma from Maastricht School of Management, Netherlands and MBA from the Asian Institute of Management, Philippines.



DIRECTORS' REPORT

Dear Shareholders,

MAJOR HIGHLIGHT OF THE YEAR

At the outset, I would like to share that in 2017 DHI completed 10 years of its establishment. The highlight of a simple celebration we organised in November 2017 was the august presence of His Majesty the King. DHI is indebted to His Majesty for gracing the celebrations and providing us with encouragement to continue our journey into the next decade and beyond. If the spirit of the Royal Charter provided DHI with the much-needed drive during its first 10 years, the Royal presence during our 10th anniversary celebration will provide us with renewed vigour and purpose into the future.

I feel honored and privileged to report that DHI in past 10 years increased the Group's net worth to Nu. 88,712.63 million from Nu. 22,253 million in FY2008, a compounded annual growth rate (CAGR) of 14%. The Group's total asset increased to Nu. 172,949.67 million from Nu. 51,091.89 million in FY2008 at 16.20% CAGR.

Overall, DHI's contribution to Ministry of Finance increased to Nu. 6,364.29 million (dividend of Nu. 4,038.23 million and tax of Nu. 2,326.06 million) from Nu. 2,110.49 million in FY2008 (dividend of Nu. 1,463.85 million and tax of Nu. 646.65 million).

Let me now present company's performance for the period January 1, 2017 to December 31, 2017.

As mandated by the Royal Charter, DHI carried out numerous activities aimed at improving performances of the portfolio companies; optimizing resources; leading and stimulating private sector growth; making investments; and contributing steady stream of revenue to the government.

FINANCIAL HIGHLIGHTS

First and foremost, we would like to report that FY2017 was yet another successful year for the Group. We are proud to report that in 2017, we developed a Group accounting policy and made it effective that same year. The 2017 accounts of DHI and its subsidiary companies, excepting BOB, were prepared with all BAS standards adopted.

The following table summarizes the Group and DHI's standalone accounts for the year ended 2017:

Table 1: Consolidated and DHI standalone accounts

Particulars	Group (in million Nu.)			DHI Standalone (in million Nu.)		
	2017	2016	Variance	2017	2016	Variance
Total assets	172,949.67	163,619.74	5.70%	56,724.52	54,518.50	4.05%
Net worth	88,712.63	85,581.53	3.66%	54,832.30	52,294.01	4.85%
Income	38,895.56	41,360.04	-5.96%	7,922.98	7,385.68	7.27%
Expenditure	26,995.80	28,805.01	-6.28%	155.95	122.19	27.63%
PBT	11,899.77	12,555.02	-5.22%	7,767.03	7,263.49	6.93%
Tax	5,888.99	5,960.61	-1.20%	2,326.06	2,180.93	6.65%
PAT	6,010.78	6,594.42	-8.85%	5,440.97	5,082.56	7.05%

GROUP ACCOUNTS

TOTAL ASSETS AND NET WORTH

The Group's financial position saw a notable increase in size in FY2017, as total assets and net worth increased by 5.70% and 3.66% respectively.

The increase in total assets was mainly on account of substantial increase in 'banking loans and advances' (by 33.74% or Nu. 8,257.90 million), 'other receivables and advances' (by 62.99% or Nu. 4,117.03 million) and 'investments' (by 38.43% or Nu. 1,139.13 million).

The increase in net worth was mainly on account of increase in 'paid-up share capital' (to Nu 45,946.20 million from Nu. 45,087.59 million in FY2016) and increase in 'reserve' (to Nu. 38,033.61 million from Nu. 35,699.89 million in FY2016).

REVENUE

On the income statement, the group realized a total comprehensive income of Nu 38,895.56 million during the year, a drop of 5.96% from FY2016. The decrease was mainly on account of increase in inter-group transactions by 27.76%, to Nu. 13,756.90 million from Nu. 10,767.80 million in FY2016. Also, the income from 'energy and resources' segment, which constitutes about 50% of the group's total income, dropped by 1.93% (or Nu. 508.16 million). However, the year saw a notable increase, of 11.76% (Nu.727.72 million), in the income of 'communications and transport' segment.

EXPENDITURE

On the expenditure front, there was a decrease of 6.28% over FY2016. The decrease is attributed to decrease in direct cost of sales, which reduced to Nu. 11,098.05 million from Nu. 13,401.02 million in FY2016.

PROFIT FROM OPERATIONS AFTER TAX (PAT)

Despite decrease in expenditure, the group's PAT decreased by 8.85%, to Nu 6,010.78 million from Nu 6,594.34 million in FY2016. It was mainly because the drop in total comprehensive income was much higher than the drop in total expenditure.

DHI STANDALONE ACCOUNTS

TOTAL ASSETS AND NET WORTH

Under DHI's standalone accounts, the total assets and the net worth grew by 4.05% and 4.85% respectively.

The increase in total assets was mainly on account of increase in 'investments' by 3.12% or Nu. 1,543.82 million. Investments increased due to allotment of DGPC's shares worth Nu.832.82 million injected by GoI in Kholongchhu Hydro Energy Limited (KHEL) to DHI, injection of fresh equity into SMCL (Nu.108M), CDCL (Nu.169.79 M) and TTPL (Nu. 34.52 M) and increase in market capitalization of RICBL stock by Nu.419.84 million.

The increase in net worth was mainly on account of increase in 'paid-up share capital' (to Nu 45,946.20 million from Nu. 45,087.59 million in FY2016) due to allotment of DGPC's KHEL share as explained before and transfer of ownership of lands of DOCs to DHI worth Nu. 25.79 million. There was also a gain of Nu. 279.61 million in equity investments classified as Fair Value through Other Comprehensive Income (FVOCI).

REVENUE

Total income for FY2017 registered a growth of 7.27%, an increase of Nu. 537.3 million over FY2016. The growth was largely due to increase in dividend income (5.59% or Nu. 401.91 million). It may be informed that while dividend remittances of BPCL, BTL, BOBL and PCAL increased, dividend from DGPC decreased marginally by 2.17% (or Nu. 111.01 million).

EXPENDITURE

Total expenditure for FY2017 also grew by 27.63%, an increase of Nu. 33.76 million over FY2016 figure. The increase was mainly on account of liquidating KIL's loan to BOBL and BDBL based on the guarantees provided by DHI.

PROFIT AFTER TAX (PAT)

Although expenditure increased, the impact was not so significant as to affect the overall profitability of the year. The PAT saw an increase of 7.05%, an increase of Nu. 358.41 million over FY2016.

OPERATIONAL HIGHLIGHTS

DHI and the group companies have continued to improve their performances over the years. The signing of annual compacts and the introduction of performance management system have proven effective in improving the standards and performances of the companies. Despite numerous challenges they faced, companies across all segments stood well in FY2017.

ENERGY AND RESOURCES

Save for decrease in generation on account of lower hydrological flows, which reduced DGPC's profitability by close to 8.5%, and decrease in construction contracts, which reduced BPC's profitability by close to 16%, the overall performance of DGPC and BPC were meritorious. Together, they contributed close to 85% of the total returns (dividend) to DHI in FY2017.

Similarly, besides reducing and stabilizing sand and timber prices, NRDCL's operating profit improved by close to 45%. But the superlative performance in the segment came from SMCL. We are proud to report that SMCL in its second year of operation itself registered profit, paid income tax of Nu. 24M and entered as the new top company in terms of return on equity. Also, in its recent AGM, the company declared a dividend of 11% of its share capital.

COMMUNICATION AND TRANSPORT

The returns achieved by companies under this segment in FY2017 are among the top in the group. In FY2017, BT registered the second highest return on equity. Further, its shareholders return (dividend divided by DHI's share of total net worth) was the highest in FY2017.

We are delighted to report that Drukair registered the best performance improvement in FY2017. Its bottom line improved by close to 250% and reported a PAT of Nu. 348.62 million. Subsequently, in its recent AGM, after a gap of five years, Drukair also declared a dividend of Nu.108M.

MANUFACTURING

Under this segment, as per the objectives set for the companies, DCCL, KIL and DPL managed to reduce losses in FY2017.

It is worth noting that PCAL is still one of the top companies in terms of shareholders return. In terms return on DHI's portion of funds invested, PCAL was the second highest at 15.92%.

FINANCIAL SERVICES

Despite reducing lending rates, which benefitted more than 17,400 individuals/groups/agencies, but hampered growth in interest income, BOB maintained a bottom line figure of Nu.707.52 million. Further, deposits from customers continued to increase (by 17.40% in FY2017), which confirms people's confidence and trust in the Bank.

REAL ESTATE AND CONSTRUCTION

As mandated, Thimphu Tech-Park Limited (TTPL) achieved commercial space occupancy rate of 98% and maintained direct employment figure of more than 700. It also registered a profit of Nu. 17.24 million against Nu 5 million in FY2016.

Construction Development Corporation Ltd. (CDCL) made its debut as the first Bhutanese construction company to enter hydropower plant construction. It began with construction of 3.51km Adit & Head Race Tunnel (HRT) for the 118 MW Nikachhu project in 2017. We take pride in reporting that CDCL continued to maintain cent percent national workforce in all its projects.

TRADING

Despite challenges from implementation of Indian Goods and Service Tax (GST) and valuation of Bhutan Sales Tax (BST), STCBL too performed remarkably well in 2017. While vehicle sales declined by 18%, it was able to push the growth of non-vehicular products by more than 24%. STCBL posted a net profit of Nu.81.29 million, an increase of 4.65% over FY2016.

OTHER OPERATIONAL HIGHLIGHTS

In addition to the segment-wise achievements, DHI also developed a 'Media and Public Relations' guideline. The guideline will help establish proper channels and protocols while engaging with various forms of media.

Also, based on the mandatory requirements put to the companies on Risk Management processes, DHI has managed to build a firm foundation on which the risk management culture can develop and improve.

In terms of synergy between the group companies, the revenue from inter-group transaction increased by 27.76%, to Nu. 13,756.90 million from Nu. 10,767.80 million in FY2016 and resulted in savings of Nu. 6,265.22 million, which otherwise, would have gone out of the group as expenses. The increase in this saving is 74.10% over FY2016's Nu. 3,598.63 million.

DHI continued with the consolidation and registration of DOCs' lands under freehold with DHI. In FY2017, DHI completed transfer of lands in nine dzongkhags and obtained 39 lagthrams.

DHI also piloted first phase of electronic procurement system (e-GP) with the Government to create synergies, enjoy economies of scale, better use resources, save cost and reduce procurement lead times. As a pre-requisite for the transition to e-procurement, a study was carried out to review the existing procurement manuals and come up with a uniform set of procurement processes, standards, and framework for the Group. Similarly, under DHI's guidance the in-house ERP team developed and deployed an open-source ERP for CDCL.

Additionally, a concept note was developed on co-location of services provided by the service-oriented DOCs to leverage the availability of strategically located lands in prime areas. This will enable companies to provide their services from a single location and enhance service delivery to customers, thereby improving customer experience. Two locations were identified, viz, Tshongdue town in Paro and Denchi in Pemagatshel, under the initiative.

NEW INVESTMENTS

DHI carried out a number of studies and activities during the year 2017 towards fulfilling its investment mandate. DHI secured financing for the first phase of Phuentsholing Township Project (*which was earlier called as Amochu Land Reclamation and Township Project*). We approved an equity of USD 10 million for the first phase as DHI's equity. The pass-through mechanism for the ADB grant and loans were also finalized with the MoF.

As the need arises, DHI also supports the growth of its existing portfolio companies either through issuance of corporate guarantees or injection of capital in the form of equity. In FY2017, DHI further injected Nu. 169.79 million into CDCL in addition to Nu. 204.26 million injected in FY2016 to support their venture into hydropower construction. Similarly, a sum of Nu. 108 million was injected into State Mining Corporation Ltd. (SMCL) and another Nu. 34.52 million into TTPL.

To diversify our portfolio, DHI carried out a feasibility study to set up online gaming business. The study report has been shared with Bhutan Lottery Ltd. for the online gaming to be either taken up by them or DHI.

Continuing with the investments abroad initiative, DHI looked into making investments through the capital markets and developed a guideline for the same. SBI Mutual Funds, India was identified as our strategic partner in fulfilling our endeavor of investing in the capital markets of India.

In order to fulfill the dual mandate of supporting the cash flow needs of the Government and creating value through new investments, DHI developed Bhutan Future Fund Policy and set up the fund with a principle transfer of Nu. 300 million. It was launched on November 11, 2017 to commemorate the completion of a decade of DHI's journey.

Other investments through group companies included the following:

- Incorporated Bhutan Engineering and Automation Limited, a joint venture between DGPC and Andritz Hydro Private Limited (India) with 51% and 49% shareholdings respectively;
- Rehabilitated and automated the first mini hydel in Bhutan – Jungshina Mini Hydel, in Thimphu;
- Launched Agency Banking, branded 'BOBconnect', to increase the reach as well as for financial inclusion;
- Commissioned the new Core and IN (Intelligent Network) for Thimphu and DR (Disaster Recovery) components for Kanglung to ensure uninterrupted telecommunication services; and

- Installed additional 75 LTE (long term evolution) nodes and 10 densifying LTE nodes to improve coverage in core areas. Similarly, installed 20 3G nodes, 35 3G 3rd Carriers and 20 2G BTSs to enhance voice and data services.

PRIVATE SECTOR DEVELOPMENT

Under private sector development, DHI continued its support to Loden-DHI Fund, managed by Loden Foundation. A total fund of Nu.20 Million was released to Loden Foundation in the following three tranches - Nu. 7 Million in the year 2015; Nu. 7 Million in the year 2016; and Nu. 6 Million in the year 2017. Twelve entrepreneurs were financed with the support of the last tranche. Through the Loden-DHI Fund, a total of 30 entrepreneurs in diverse sectors have been provided business-financing support.

DHI also maintained a Corpus Fund at BoB to help entrepreneurs access capital in the form of bank guarantee for bidding of contract works, supplies or services to any entrepreneurs bidding for small contract works/supplies/services up to Nu.1.5 million. The fund stands as collateral for the entrepreneurs when securing bank guarantees for bidding of contract works and supplies services. Through the DHI corpus fund facility, Bhutan Alternatives is supplying toner and cartridges to twelve different organizations.

Further, in order to support cottage and small-scale entrepreneurs, DHI is currently sponsoring an entrepreneur who has a candle manufacturing unit in Tashichhoeling, Samtse. She presently employs five individuals and shows keen interest to learn and enhance her skills in candle making.

DIVIDENDS AND TAXES

During the financial year 2017, DHI remitted a dividend of Nu. 4,038.23 million in total to the Ministry of Finance (MoF). DHI's tax contribution for FY2017 also increased by 6.65% to Nu. 2,326.06 million in 2017 from Nu. 2,180.93 million in 2016.

Finally, as per the consolidated accounts, the group as a whole paid an income tax of Nu. 5,888.99 million for FY2017. The 'effective tax rate' charged to the DHI Group works out to 49.49%, which is an increase of 4.24% over FY2016, when it was charged 47.48%.

CORPORATE GOVERNANCE

DHI believes that strong corporate governance (CG) policies and practices are essential for the long-term success of the Group. In FY2017, DHI carried out capacity development and re-orientation programs for the board directors and senior executives to help them keep abreast of the current CG best practices, performance systems and finance.

Further, to make continual improvements in corporate governance policies and practices, DHI conducted corporate governance assessments of four DOCs, viz. DGPC, DCL, CDCL and NRDCL in FY2017. The assessment's key findings included CG good practices and challenges faced by companies. The study will be continued in 2018 with the remaining DOCs.

DHI values and takes pride in the high level of accountability and transparency it has achieved over the years. Similar to FY2016, DHI neither had any audit issue with the Royal Audit Authority (RAA) or any audit qualifications in the Audited Accounts for FY2017. This is the third year in a row that DHI has not received any adverse audit observation in its audited accounts. DHI has fully complied with the Companies Act of Bhutan 2016 and other statutory requirements for FY2017.

At the end of 2017, the DHI Board consisted of seven Directors including the Chairman and the CEO. Six board meetings were held in 2017 and the gap between two meetings did not exceed three months in accordance with the Companies Act of Bhutan 2016. A total of twenty-two Board Committees for Performance Management (BCPM) meetings were held in 2017 to negotiate, finalize and review compacts of DOCs. In addition, four Nomination and Governance Committees (NGC) were formed in 2017 in relation to the recruitment of CEOs for BTL, DCCL, NRDCL and WCCL.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

DHI strives to generate maximum social value through CSR and charitable contributions we make to CSOs, NGOs or any other agencies. DHI provided financial support amounting to Nu. 9.29 million as CSR and charitable contributions. Further, DHI, in partnership with DOCs, contributed Nu. 4.1 million to offer Ku-Sung-Thuk mendrel to His Holiness the Je Khenpo during oral transmission of Kanjyur at Kuensel Phodrang.

Majority of the activities supported by DHI were targeted to benefit the community at large. DHI's CSR activities reflect our ongoing commitment to the society and support to the activities that excite and benefit the society as a whole. We believe that doing so enhances corporate value and helps to build a better, more sustainable society for all.

STATUTORY AUDIT REPORT

M/s ASA and Associates LLP was appointed as the statutory auditors for the year 2017 by the Royal Audit Authority (RAA). The firm audited the standalone accounts from 29th January to 9th February 2018 and the consolidated accounts from 27th March to 10th April 2018. 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 Act of Bhutan 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 Act of Bhutan 2016.

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

CHALLENGES AND WAY FORWARD

With the close of FY2017, DHI successfully completed first 10 years of its journey. It has been successful in positioning itself as an integral part of the economy and leader in the corporate landscape. Now, as it enters the next decade, numerous challenges remain to fulfil the mandates spelt out in the Royal Charter.

As one of the biggest employers, DHI is aware of the growing unemployment rate in the country. However, it is also faced with the challenges of finding skilled and experienced manpower at the senior level to take up leadership roles.

While we are cognizant of the fact that more than 80% of our revenues come from hydro-sector, finding new investments in other areas continues to pose major challenges. Moreover, DHI is also concerned about being able to manage the hydropower projects that are about to be completed, which are two to three times bigger than the existing plants.

Under holding and management functions, DHI continues to deal with challenges related to securing mines for DCCL and SMCL. Numerous clearances have to be sought and at every step there is a problem. However, DHI will continue exploring opportunities to bring about synergies and savings to the economy.

In FY2018, DHI plans to come up with a road map that will define DHI's strategic direction for the next 10 years. The road map will outline detailed strategic objectives and initiatives that will help DHI achieve the shared common vision.

As business environments are constantly evolving both domestically and globally, so does the need for DHI to adapt to these changes. Business systems, processes, management decision-making, technological advancements and the use of technology in business are continuously progressing. We recognise that keeping abreast of all these developments will be no easy feat. However, DHI has always believed in continually learning and improving. We shall continue to do so. Our company's core values are a testament to this conviction.

ACKNOWLEDGEMENTS

To start with, I on behalf of the board and the management of DHI would like to sincerely thank His Majesty the King for his valuable guidance as DHI continues to learn and evolve over the years.

I would like to thank the Royal Government of Bhutan, the Ministry of Finance, the line ministries and their respective departments, the regulatory agencies, the CSOs and all private sector agencies for their unwavering support and co-operation.

Similarly, I want to extend my sincere appreciations to the Government of India and other international agencies for their constant partnership and support.

Last but not the least, I would like to thank all the boards, the management teams and employees of DHI and its companies for their unfaltering commitment and hard work towards achieving the shared vision of the DHI group. I look forward to a wonderful 2018.

Thank you!



(Karma Yezer Raydi)
Chief Executive Officer, DHI

REPORT ON CORPORATE GOVERNANCE

Corporate Governance (CG) is a set of systems and procedures that enable and ensure companies are being managed in the most accountable, transparent, and fair manner while meeting the expectations of shareholders and other stakeholders. Sound CG practices are critical for effective use of company resources with the highest ethical standards.

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

Having been given the mandate to strengthen CG, DHI has not only complied with the Companies Act of Bhutan 2016 and other statutory requirements for the FY 2016 but also continues to adopt CG best practices in DHI and its Companies.

BOARD OF DIRECTORS

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

As of December 2017, the DHI Board consisted of seven board directors including the Chairman and the CEO. Composition of the Board and attendance in 2017

Name of Director	Category	Profile	No. of BM attended in 2017	No. of Directorship on other DHI owned/controlled companies
				Chairman Board member
Dasho Sangay Khandu	Non-independent Executive	Chairman, DHI	6	1. Druk Green Power Corporation Ltd. 2. Drukair Corporation Ltd. 3. Bank of Bhutan Ltd.)
Mr. Nim Dorji	Non-independent Non-executive	Secretary, MoF	5	1. Druk Green Power Corporation Ltd.
Mr. Tenzin Dhendup	Independent Non-executive	Secretary, MoAF	5	1. Bhutan Telecom Ltd.)
Mr. PemaChhewang	Independent Non-executive	Secretary, NLC	5	1. Drukair Corporation Ltd.
Mr. UgyenRinzin	Independent Non-executive	Chairman, Yangphel Private Limited	4	
Mr. Karma TsetopRinchhen	Independent Non-executive	CEO, Middle Path to Bhutan	5	
Dasho Karma Yezer Raydi	Non-independent Executive	CEO, DHI	6	1. State Mining Corporation Ltd. 2. Dungsam Cement Corporation Ltd.

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 22 BCPM meetings were held in 2017 including the compact negotiation meetings and mid-term review of the compacts.

NOMINATION AND GOVERNANCE COMMITTEE (NGC) FOR THE SELECTION OF CEOs OF DHI OWNED COMPANIES

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 2017 for appointment of CEOs in Bhutan Telecom Ltd (BTL), Dungsam Cement Corporation Ltd (DCCL), Natural Resources Development Corporation Ltd (NRDCL) and Wood Craft Center Ltd (WCCL).

BOARD AND CEO EVALUATION

In 2017, DHI evaluated the performance of Board of Directors of DOCs, BoB, DCCL and KIL. 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, DCCL and KIL. 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.

2017 CHARITABLE CONTRIBUTION HIGHLIGHTS

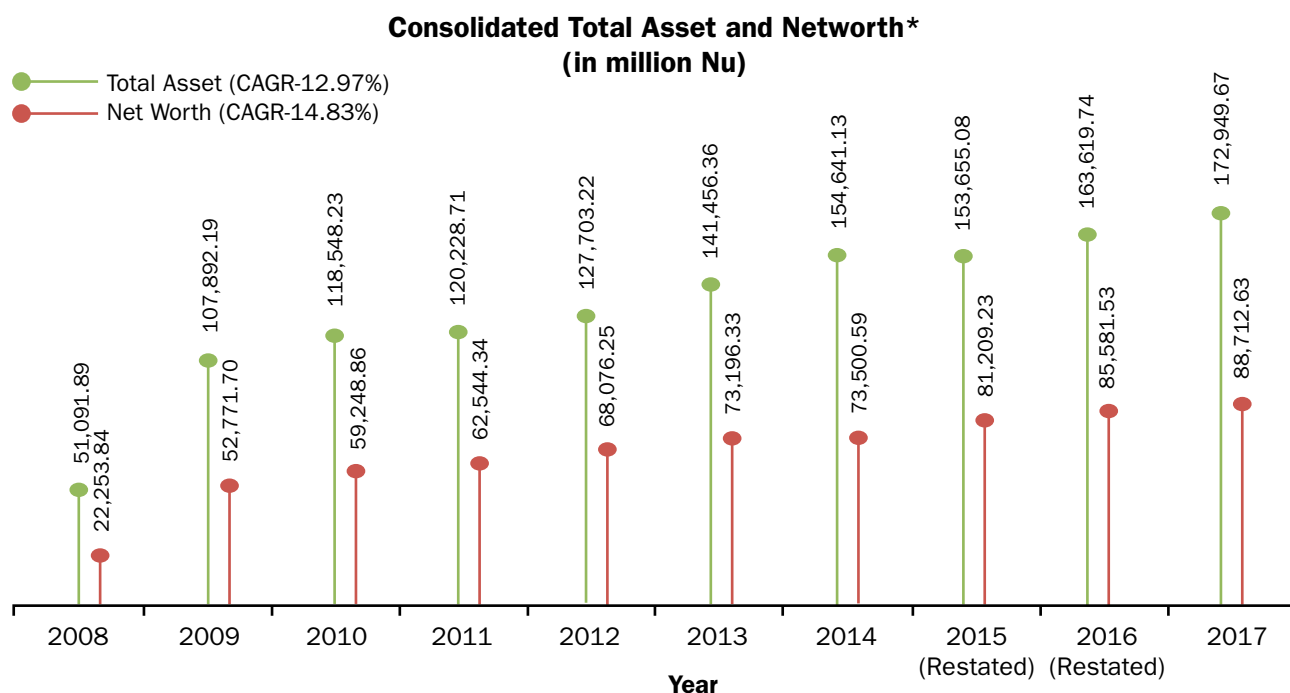
In 2017, under the CSR charitable contributions alone, DHI provided financial support to activities initiated by external agencies, CSOs/NGOs, institutions and individuals amounting to a total contribution of 4.699 million and under the Donation scheme, DHI contributed to more than 30 activities amounting to Nu. 4.6 million.



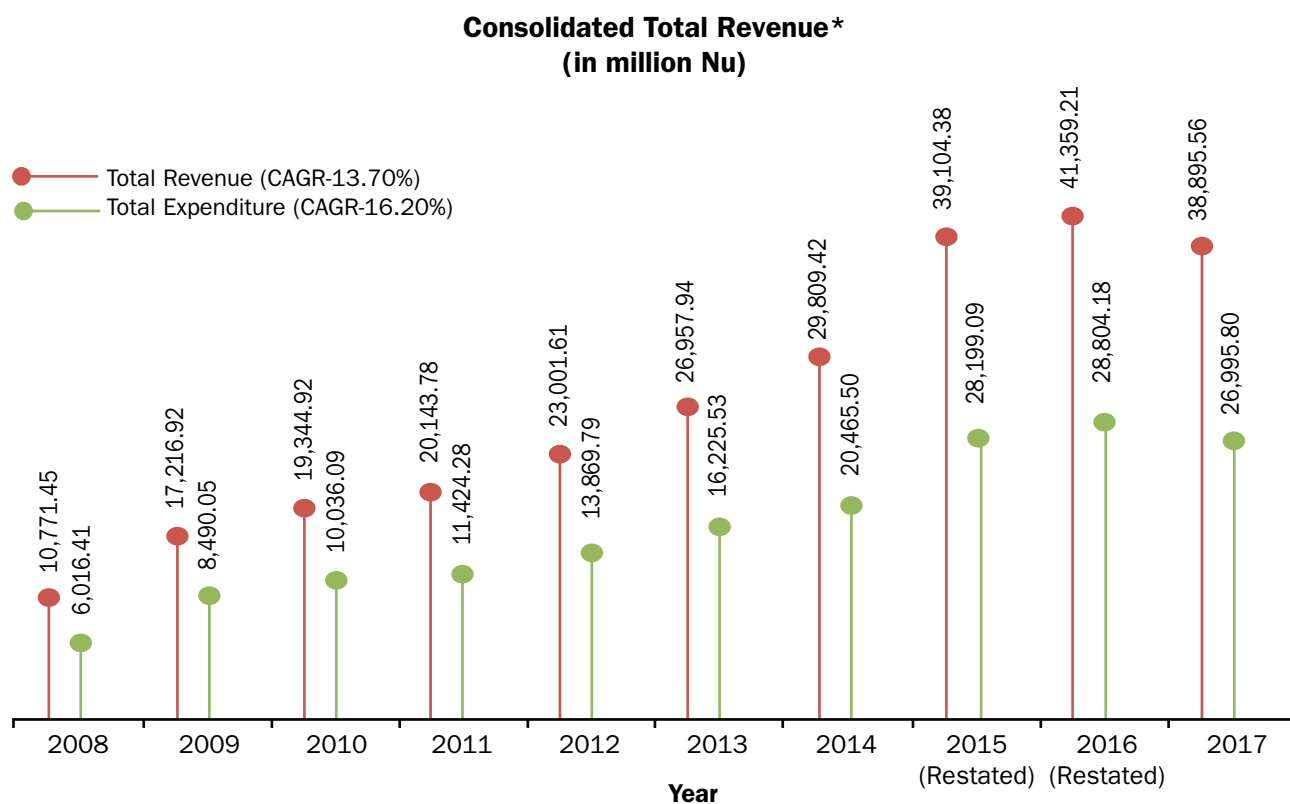


FINANCIAL REVIEW

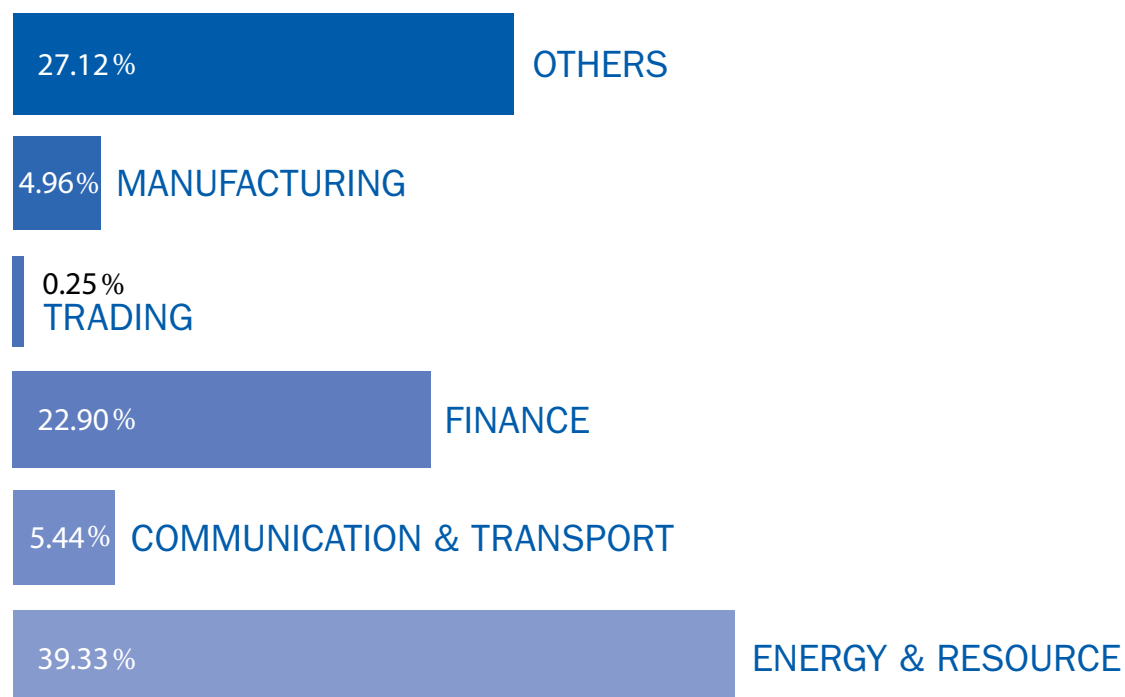
GROUP ASSETS AND NETWORK



GROUP REVENUE AND EXPENDITURE



ASSET BY SECTOR, 2017



PERCENTAGE CONTRIBUTION TO NATIONAL REVENUE

Source	2016-17	2015-16	2016-17	2015-16
DHI	4,961.741	4,699.365	16.07%	16.46%
DGPCL	2486.546	2,630.943	8.05%	9.22%
BPCL	561.619	775.470	1.82%	2.72%
BTCL	436.993	285.163	1.42%	1.00%
BNBL	340.300	456.334	1.10%	1.60%
BOBL	439.84	388.996	1.42%	1.36%
DGM	329.471	258.175	1.07%	0.90%
RICBL	261.975	223.754	0.85%	0.78%
AWPL	144.977	83.601	0.47%	0.29%
MHPA	136.438	124.915	0.44%	0.44%
Total	10,099.900	9,926.716	32.71%	34.78%
Total Gross Domestic Revenue (in million Nu.)	30,879.476	28,541.616	28,541.616	25,665.773



KEY FINANCIAL AND OPERATIONAL HIGHLIGHTS OF DHI SUBSIDIARIES



DRUK GREEN POWER CORPORATION LIMITED

- Achieved power plant availability (PPA) of 98.92% and water utilization factor (WUF) of 99.96%;
- Generated 7,248.918 million units (MU) of electricity during 2017;
- Incorporated a Joint Venture company between DGPC and Andritz Hydro Private Limited, India (Andritz Hydro) with 51 percent and 49 percent shareholdings respectively on November 8, 2017; and
- DGPCL became one of the few companies in South Asia to be ISO certified in Asset Management System.

Company	Particulars	2017	2016
DGPCL	Total Assets	54,943.37	55,300.32
	Net Worth	46,167.10	44,411.23
	Income	12,277.25	12,882.94
	Expenditure	5,052.79	4,931.33
	PBT	7,224.45	7,951.61
	Tax	2,137.48	2,397.64
	PAT	5,086.97	5,553.97



BHUTAN POWER CORPORATION LIMITED

- Added 7,979 new customers. As of 2017, 99.97% households in Bhutan are provided with electricity;
- Domestic electricity consumption increased by 8.8% to 2,185.75 MU from 2,008.90 MU in 2016;
- Achieved global energy loss of 2% and transmission and distribution (T&D) loss of 6.54%;
- Connected all 20 dzongkhag administration offices, 201 gewog offices and 196 community centers with optical fiber as part of the National Broadband Master Plan Project; and
- BPCL was awarded certificate of best performing utility having integrated operation in generation, transmission and distribution by the Central Board of Irrigation and Power (CBIP), India.

Company	Particulars	2017	2016
BPCL	Total Assets	28,964.16	27,766.61
	Net Worth	13,694.80	13,837.47
	Income	11,507.14	11,852.75
	Expenditure	9,614.59	9,601.34
	PBT	1,892.55	2,251.41
	Tax	564.59	674.81
	PAT	1,327.96	1,576.59



BHUTAN TELECOM LIMITED

- Commissioned new Core and Intelligent Network (IN) for Thimphu and the Disaster Recovery (DR) components in Kanglung;
- Upgraded the current international bandwidth from 6.2 Gigabit to 20 Gigabit, 10 Gigabit each from its two international gateways at Phuentsholing and Gelephu;
- Deployed 4G in all twenty Dzongkhags; and
- Successfully built and deployed Enterprise Resource Planning (ERP) for Construction Development Corporation Limited.

Company	Particulars	2017	2016
BTL	Total Assets	5,495.82	5,036.57
	Net Worth	4,224.35	4,083.23
	Income	3,194.09	3,131.86
	Expenditure	1,977.67	1,852.88
	PBT	1,216.42	1,278.98
	Tax	387.51	409.87
	PAT	828.91	869.10



NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED

- Produced 1.66 million cft. of timber;
- Two wood joinery units set up, one at Ramtokto, Thimphu and the other at Lingmethang, Mongar;
- Extracted 526,490.28 m³ of sand and 5.57 million cft. of stones/boulders;
- Produced 0.74 million cft. of stone chips; and
- Produced and supplied 493 beams of various sizes for glue-laminated timber (equivalent to 7,659.79 cubic feet of timber) and supplied to 'The Royal Academy Project', Paro.

Company	Particulars	2017	2016
NRDCL	Total Assets	742.05	694.25
	Net Worth	522.05	591.89
	Income	459.01	431.93
	Expenditure	510.91	410.14
	PBT	-51.90	21.80
	Tax	9.93(deferred tax)	14.06
	PAT	-61.83	7.74



DRUKAIR CORPORATION LIMITED

- Increased aircraft utilization by 11%, from 4,433 flights in 2016 to 4,903 flights in 2017;
- Increased number of passengers flown by about 16%, from 233,570 passengers in 2016 to 271,007 passengers in 2017 and, thereby, achieved a load factor of 72.9%;
- Retained 73% of the overall market share; and
- Started domestic flights to Gelephu and Yonphula with Government support from 11th November 2017.

Company	Particulars	2017	2016
DCL	Total Assets	6,261.59	5,620.61
	Net Worth	2,943.36	2,551.09
	Income	3,526.45	2,859.81
	Expenditure	3,024.74	2,764.22
	PBT	540.07	109.67
	Tax	191.46	9.91
	PAT	348.62	99.76



CONSTRUCTION DEVELOPMENT CORPORATION LIMITED

- Commenced construction of 3.51 km Adit & Head Race Tunnel (HRT) for the 118 MW Nikachhu project;
- Drifting works for 400 MW Nyera-Amari project reached 427m for Gomdar site (out of 665.55m) and 360m for Martshala site (out of 887.60m);
- Commenced construction and erection of 18 km 132 kV transmission line from pothead of the Nikachhu project's power house to the pothead of the Mangdechhu project at Yurmo; and
- Completed 40% of the construction works for 66 kV double circuit transmission line from Jemina to Changedaphu.

Company	Particulars	2017	2016
CDCL	Total Assets	1,521.01	1,247.18
	Net Worth	951.92	812.29
	Income	689.13	540.91
	Expenditure	696.70	567.37
	PBT	-7.56	-26.46
	Tax	0.07(deferred tax)	13.64(deferred tax)
	PAT	-7.56	-40.10



WOODCRAFT CENTRE LIMITED

- Contained rubber wood wastage at 11.38% against the target of 13%;
- Partnered with NRDCL for supply of quality timber and increased usage of local timber to over 20% of total production;
- Trained 38 youths in furniture making; and
- Achieved customer satisfaction index (CSI) of 3.79 against the target of 3.75.

Company	Particulars	2017	2016
WCCL	Total Assets	149.75	145.85
	Net Worth	123.18	121.16
	Income	93.51	83.26
	Expenditure	85.94	74.11
	PBT	7.57	9.15
	Tax	3.32	2.84
	PAT	4.25	6.32



THIMPHU TECHPARK LIMITED

- Achieved an annual average occupancy rate of 98.33%;
- Created over 700 direct employment at the Park;
- Contracted out the construction of the second IT Park building within the five-acre compound of the IT Park; and
- The company has successfully 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.

Company	Particulars	2017	2016
TTPL	Total Assets	369.75	317.76
	Net Worth	243.44	182.38
	Income	48.72	32.32
	Expenditure	31.48	27.28
	PBT	17.24	5.04
	Tax	Tax exempted	
	PAT	17.24	5.04



STATE MINING CORPORATION LIMITED

- Started mining operation at the second coal mine in Tshophangma;
- Completed construction of access road and benches for stone extraction at Dzongthung stone quarry; and
- Mined 53,622 MT of coal.

Company	Particulars	2017	2016
SMCL	Total Assets	365.35	153.62
	Net Worth	295.85	120.37
	Income	260.44	63.52
	Expenditure	170.19	67.10
	PBT	90.25	-3.58
	Tax	22.86	0.75 (de-ferred tax)
	PAT	67.39	-4.33



BANK OF BHUTAN LIMITED

- Implemented loan origination system with which processing loans have become easier, reliable and faster, thereby increasing efficiency and productivity;
- Introduced Quick Response (QR) Code to make payments to merchants much easier and simpler through *mBoB*;
- Added one more correspondent Bank in its list; the Sumitomo Mitsui Banking Corporation, in Japan; and
- Converted five of its extension counters to full-fledged branch offices to capture more market base in the country.

Company	Particulars	2017	2016
BOBL	Total Assets	51,132.28	44,758.74
	Net Worth	5,899.17	5,491.56
	Income	3,045.28	3,143.40
	Expenditure	681.19	606.83
	PBT	1,019.47	1,319.90
	Tax	311.96	397.88
	PAT	707.52	922.02



DUNGSAM CEMENT CORPORATION LIMITED

- Achieved plant availability of 84% in clinkerisation unit and 60% in grinding units;
- Produced 532,913 MT of clinker, an increase of 2% from 520,919 MT produced in FY2016;
- Achieved the highest monthly clinker production (61,776 MT) in a particular year since commercial operation began in 2014; and
- Produced 571,150 MT of cement.

Company	Particulars	2017	2016
DCCL	Total Assets	11,231.05	11,725.00
	Net Worth	3,635.06	4,187.38
	Income	3,299.86	3,296.84
	Expenditure	4,020.04	4,052.32
	PBT	-720.18	-755.48
	Tax	206.67	218.09
	PAT	-513.51	-537.39



KOUFUKU INTERNATIONAL LIMITED

- Improved milk quality as well as milk intake from an average of less than 500 liters per day until June 2017 to 1,089 liters per day by end of the year;
- Partnered with 7 dairy cooperatives, 3 private dairy farms and one state owned dairy farm (FMCL). Today it is working with more than 200 rural households in Tashigang. It is expanding its supply networks with other Dzongkhags in the East as well;
- Farmers are provided with Chillers and milk buckets with support from Livestock Department; and
- Undertook production diversification as a strategy to ensure that it is able to produce other processed dairy products such as cottage cheese, fermented cheese, processed cheese, whey health drinks, butter ghee and cup yogurts.

Company	Particulars	2017	2016
KIL	Total Assets	79.07	89.25
	Net Worth	-2.15	-6.17
	Income	35.80	2.27
	Expenditure	31.78	32.37
	PBT	4.01	-30.10
	Tax		
	PAT	4.01	-30.10



DUNG SAM POLYMERS LIMITED

- Achieved plant availability of 90.72%;
- Contained power consumption per unit KG of fabric produced at 1.23 unit against the target of 1.5 unit of power;
- Produced 1,085.89 metric tons of fabric; and
- Produced 14.7 million polypropylene (PP) bags;

Company	Particulars	2017	2016
DPL	Total Assets	150.48	163.67
	Net Worth	-20.73	-14.47
	Income	146.10	158.48
	Expenditure	152.69	178.84
	PBT	-6.59	-20.37
	Tax		
	PAT	-6.59	-20.37



STATE TRADING CORPORATION LIMITED

- Was recognized as one of the top ten compliant tax payers in the country by the Department of Revenue and Customs, MoF;
- Five Toyota technicians were certified by Toyota Motors Corporation, Japan in the Technical Education for Automotive Mastery in the 21st Century;
- Launched new vehicle models like the Toyota Fortuner, the Innova Crysta and the Toyota Coaster bus; and
- Launched new products such as JK tyres, Eternia Aluminium windows, RFK pipes

and introduced new services such as angle welding in the Tata service center.

Company	Particulars	2017	2016
STCBL	Total Assets	950.89	998.16
	Net Worth	439.20	390.31
	Income	2,285.79	2,598.96
	Expenditure	2,167.95	2,485.91
	PBT	117.83	113.05
	Tax	36.58	34.59
	PAT	81.26	78.46



CONSOLIDATED FINANCIAL STATEMENTS 2017

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

Report on the Consolidated Financial Statements

Qualified Opinion

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 entities, which comprise the Consolidated Statement of Financial Position as at 31st December 2017, 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").

In our opinion, *except for the matters described in the Basis for Qualified Opinion section of our report*, the accompanying Consolidated Financial Statements give a true and fair view of the consolidated financial position of the Group as at 31st December 2017 and of their financial performance and cash flows for the year then ended in accordance with Bhutanese Accounting Standards (BAS).

Basis for Qualified Opinion

- We draw attention to note 27 of this Consolidated Financial Statements with regard to Bhutanese Accounting Standard (BAS) 19 Employee Benefits, which is applicable for the Group from 1st January 2016. In this 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.*
- We draw attention to note 3 and 4 of this Consolidated Financial Statements, which discusses, in detail, the applicability of the Bhutanese Accounting Standards in phases. According to Accounting and Auditing Standards Board of Bhutan, the Bhutanese Accounting Standards for Phase III shall come into force from 1st January 2018. The Group, however, has decided to early adopt the standards, which are included in Phase III effective from 1st January 2017.*
- One of the subsidiary of the Holding company viz. Bank of Bhutan Limited (BOB) has not early adopted Phase III and hence BOB's accounting policies are not consistent with the Group's accounting policies. The Group is unable to ascertain the impact on account of this non-compliance in the consolidated financial statements.*
- Further, in the reconciliation of equity and total comprehensive income (note 33) showing the transition from the previous BAS to Full BAS it was noted that there are certain adjustments to accounting treatments in certain subsidiaries which were not in the nature of First Time Adoption of Full BAS but were errors in depreciation rates, etc which were incorporated in the subsidiary's restated financial statements (at 1 January 2016 and 31 December 2016). We are unable to comment on the completeness and magnitude of such adjustments in absence of details in the Group.*



- We draw attention to note 4 of this Consolidated Financial Statements with regards to Bhutanese Financial Reporting Standard (BFRS) 7 which is applicable for the Group from 1st January 2017 viz. the date on which the Group decided to early adopt such BFRS 7. There is no consistency in disclosing information as required by BFRS 7 by all the Companies in the Group. The Group is not able to ascertain the impact of this non-compliance in the consolidated financial statements and accordingly full disclosure according to BFRS 7 is not provided/disclosed in these financial statements.
- We draw attention to the following matters qualified by the other auditor who audited the Subsidiary of the Holding company (Natural Resources Development Corporation Ltd-NRDCL), not audited by us, who have expressed an opinion that except for the effects of the matters described below, the financial statements of the Company (NRDCL) give a true and fair view of the state of affairs of the Company (NRDCL) as at 31 December 2017, of the profit of the Company (NRDCL) for the year ended on that date, of the changes in equity of the Company (NRDCL) for the year on that date and of the movement in cash flows for the year on that date.
 - 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.
- We draw 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, 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 2017, 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
 - RAA (Royal Audit Authority) has conducted two special audits of the company i.e., first for the period from 1st January 2011 to 31st January 2015, the second audit for the period from 1st January 2010 to 31st December 2014; the consequential effect of which on the financial statements of the company is not ascertainable.
- We draw 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, 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 2017, 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
 - 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.



Emphasis of Matter

We draw your attention to the following matters:

In the case of the Subsidiary of the Holding company - Druk Green Power Corporation Limited ('DGPCL'), not audited by us, the other auditor who audited DGPCL has drawn attention, without qualifying his opinion, to the fact that DGPCL has an investment of Nu 174 million in Bhutan Hydropower Services Limited (BHSL) (Joint venture). BHSL has been incurring losses and their accumulated losses have exceeded more than 50% of the net worth of BHSL. The management has not carried out any impairment testing of the same since in their view, the losses are temporary in nature and BHSL has got various orders which shall result in the company making profits in future.

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 matters;

- i. Note No.4.3 (b) regarding non-adjustments of Debits Nu. 37,678,864.71 and credits Nu.62,814,027.45 relating to unmatched entries in the accounts with State Bank of India in the NOSTRO Accounts
- ii. Note No 4.3 (c) regarding non-adjustment of Debits Nu. Nil and Credits Nu. 17,486,461.05 relating to unmatched entries in accounts with other Banks in the NOSTRO Accounts.

In the case of Subsidiary of the Holding Company - Dungsum Cement Corporation Ltd not audited by us, the other auditor who audited Dungsum Cement Corporation Ltd has drawn attention, without qualifying his opinion, to the following matters:

(i) 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.

(ii) In term of BAS 16 property, plant and equipment (PPE), items such as spare parts, stand by equipment and servicing equipment are recognized under PPE when they meet the definition of PPE. Certain stores, spares and service equipment meeting the definition of PPE in terms of BAS 16 have not been shown under PPE, rather shown under inventory. Consequently, depreciation charge/ provision due to technical and commercial obsolescence and wear and tear while an asset remains idle has not been considered.

In the case of the Subsidiary of the Holding company – Dungsam Polymers Limited (DPL), not audited by us, the other auditor who audited DPL has drawn attention, without qualifying his opinion, to the following matter:

(i) Attention has been drawn to the fact that even though losses are reducing since commercial inception due to improved capacity utilization the Company is unable to bear the finance costs. The same seems to be the case with regards to the future trend and hence unless the debt structure of the Company is restructured recuperating the losses will be doubtful. This describes the problem relating to going concern of the Company.

In the case of the Subsidiary of the Holding company – Construction Development Corporation Limited (CDCL), not audited by us, the other auditor who audited CDCL has drawn attention, without qualifying his opinion, to the following matters:

(i) 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.

(ii) 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.



In the case of the Subsidiary of the Holding company – Penden Cement Authority Ltd (PCAL), not audited by us, the other auditor who audited PCAL has drawn attention, without qualifying his opinion, to the following matters:

- (i) Note no 42 (viii) of financial statements wherein it explained that 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.
- (ii) Note no 42 (xii), regarding non-availability of balance confirmation for various receivables and payables which on subsequent reconciliation/confirmations may have financial impact on the profitability and certain disclosures.

Our opinion is not modified in respect of these matters.

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.

Key Audit Matter

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 2017. 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 in 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.

- 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.
- There could be improvement in consistency and standardization in compliance, reporting and disclosure of Full BAS by the component companies for consolidation purpose.

Other Matters

We did not audit the financial information of 19 subsidiaries, whose financial information reflects total assets of Nu. 116,225.14 Million as at 31st December 2017, total revenues of Nu. 30,972.58 Million and cash flows for the year amounting to Nu. 5,054.62 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. 4.51 Million for the year 31st December 2017, as considered in the consolidated financial statements, in respect of 2 associates and 2 joint venture, whose financial information have not been audited by us. This financial information has 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.



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

Management is responsible for the preparation and fair presentation of these Consolidated Financial statements in accordance with Bhutanese Accounting Standards (BAS), and for such internal controls as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as 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.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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.

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

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.

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.

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

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.

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.



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.

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.

For ASA & ASSOCIATES LLP

Chartered Accountants

Firm Reg No: 009571N/N500006



Name: D K Giridharan

Partner

Membership No. : 028738



Date: 15-6-18.

Place: Chennai

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

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

INCOME	Note	31-Dec-17	31-Dec-16
Revenue from customers	2	37,110.25	39,598.13
Other Income	3	1,724.86	1,761.08
Share of Profits of Associates	4a	60.45	0.84
Total Income		38,895.56	41,360.05
EXPENDITURE			
Direct Costs of Sales	5	11,098.05	13,401.02
Personnel and Other Costs	6	8,461.76	7,843.60
Finance Cost		1,614.49	1,751.28
Depreciation and amortization	7 & 11	5,667.89	5,710.27
Impairment losses		88.64	64.34
Share of Losses of Associates & Joint venture	4a & b	64.96	34.51
Total Expenditure		26,995.79	28,805.02
Profit on Operations before Tax		11,899.77	12,555.03
Income Tax Expenses	8	5,888.99	5,960.61
Profit on Operations after Tax		6,010.78	6,594.42
OTHER COMPREHENSIVE INCOME			
Actuarial (gain)/loss on post employment benefits		121.99	(7.29)
Fair value gain/(loss) on Financial Instruments measured through FVOCI		352.07	(225.65)
Currency translation variances		66.79	-
Tax on Other Comprehensive Income		(158.79)	6.32
TOTAL COMPREHENSIVE INCOME		6,392.84	6,367.80
Attributable to shareholders of DHI		6,224.11	6,180.75
Attributable to Non controlling interest		168.73	187.05
Basic and Diluted Earnings per Share	9	13.20	14.63

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



Pema Chewang

Chairman



Dasho Karma.Y.Raydi

Chief Executive Officer



D.K Giridharan

Partner

Membership No.028738

Place: Chennai

Date: 15-6-18




Tashi Lhamo

Director, Finance

Place: Thimphu

Date: 11-6-18



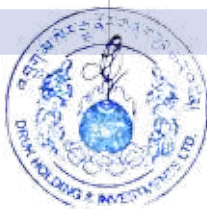
Nim Dorji

Board Director

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER, 2017

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

	Note	31-Dec-17	31-Dec-16	1-Jan-16
Non-current Assets				
Property Plant and Equipment	7	98,129.77	96,936.20	96,733.35
Investment Property	10	325.05	315.16	301.09
Intangible Assets	11	1,354.26	1,080.43	901.78
Goodwill	12	11.95	11.95	11.95
Investments	13	4,103.60	2,964.48	2,804.08
Deferred Tax Assets	8	1,229.96	1,012.91	745.33
Long Term Financial assets	14	706.77	1,056.77	550.00
Banking Loans and Advances		33,802.77	25,274.87	17,775.21
Long Term Employee Benefits		6.52	14.61	7.80
Other Non Current Assets	15	1,989.94	1,734.04	2,304.18
Total Non-current Assets		141,660.59	130,401.42	122,134.77
Current Assets				
Inventory	16	3,199.06	3,622.73	3,308.57
Trade Receivables	17	2,235.23	2,395.45	1,877.35
Other Receivables and Advances	18	10,652.84	6,535.81	16,099.52
Cash and bank	19	15,201.94	20,664.37	13,913.55
Total Current Assets		31,289.07	33,218.36	35,198.99
TOTAL ASSETS		172,949.66	163,619.78	157,333.76
Equity				
Paid up Share capital	20	45,946.20	45,087.59	45,067.72
Reserves	21	38,033.61	35,699.90	33,162.46
Non-controlling Interests		4,732.82	4,794.03	4,754.34
Total Equity		88,712.63	85,581.52	82,984.52
Non-current Liabilities				
Long Term Borrowings	22	22,928.47	25,395.22	28,703.80
Customer Deposits in Banking Sector		40,313.68	33,777.47	28,621.61
Deferred Government Grants	23	1,700.18	1,601.95	68.54
Long Term Employee Benefits		1,318.08	1,240.65	1,096.08
Deferred Tax Liability	8	1,482.40	1,419.76	1,201.45
Other Non Current Liabilities	24	1,093.75	1,174.62	2,869.49
Total Non-current Liabilities		68,836.56	64,609.67	62,560.97



Consolidated Statement of Financial Position as at 31 December, 2017 Contd.,

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

Current Liabilities				
Current Portion of Borrowings	22	3,654.86	3,716.21	3,994.19
Deferred Government Grants	23	76.44	100.34	-
Income Tax Payable		3,477.22	4,058.84	2,617.48
Trade and Other Payables	25	4,173.67	3,376.80	2,652.61
Other Current Liabilities	26	4,018.28	2,176.40	2,523.99
Total Current Liabilities		15,400.47	13,428.59	11,788.27
TOTAL EQUITY AND LIABILITIES		172,949.66	163,619.78	157,333.76

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

Pema Chewang
Chairman

Dasho Karma.Y.Raydi
Chief Executive Officer

D.K Giridharan
Partner
Membership No.028738
Place: Chennai
Date: 15-6-18

Tashi Lhamo
Director, Finance

Nim Dorji
Board Director

Place: Thimphu
Date: 11-6-18



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER, 2017

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

	Note	Share Capital	Retained earnings	Statutory and Restricted Reserves	Group Investments	Other Reserves	Shareholder Equity	Total Controlling Interests	Non Controlling Interests	Total Equity
Opening Balance 1 January 2016		45,067.72	17,078.87	5,648.32	1,612.09	8,823.18	78,230.18	4,754.34		82,984.52
Operating Income for the year			6,407.64				6,407.64	186.78		6,594.42
Other Comprehensive Income for the year			(226.89)				(226.89)	0.27		(226.62)
Dividends Paid			(3,782.10)				(3,782.10)	(151.21)		(3,933.31)
Transfer to Reserve			(710.70)	0.67	(590.00)	1300.03				
Other adjustments			138.79				138.79	3.85		142.64
Shareholders contributions to paid up capital	19.87						19.87			19.87
Closing Balance 31 December 2016		45,087.59	18,905.61	5,648.99	1,022.09	10,123.21	80,787.49	4,794.03		85,581.52
Operating Income for the year			5842.30				5,842.30	168.48		6,010.78
Other Comprehensive Income for the year			381.81				381.81	0.25		382.06
Dividends Paid			(4,038.23)				(4,038.23)	(215.87)		(4,254.10)
Transfer to Reserve			(1,087.15)		(313.18)	1,400.33				
Other adjustments			150.20				150.20	(14.07)		136.13
Shareholders contributions to paid up capital		858.61	(2.37)				856.24			856.24
Closing Balance 31 December 2017		45,946.20	20,152.17	5,648.99	708.91	11,523.54	83,979.81	4,732.82		88,712.63

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

D.K. Giridharan

D.K Giridharan
 Partner
 Membership No.028738
 Place: Chennai
 Date: 15-6-18

Pema Chewang

Pema Chewang
 Chairman

Dasho Karma Y. Raydi

Dasho Karma Y. Raydi
 Chief Executive Officer

Tashi Lhamo

Tashi Lhamo
 Director, Finance

Nim Dorji

Nim Dorji
 Board Director



CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER, 2017

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

	Note	31-Dec-17	31-Dec-16
CASHFLOWS FROM OPERATING ACTIVITIES			
Sales of Goods and Services		34,646.90	36,127.89
Interest Received		3,170.79	3,121.98
Dividends received		111.24	103.34
Other Income		920.78	1,084.66
Expenses		(17,907.48)	(21,611.32)
Interest Paid		(1,614.49)	(1,751.28)
Cash Flows from Operations		19,327.74	17,075.27
Tax Paid		(6,350.29)	(4,681.73)
Movements in Banking Loans and Deposits		-	-
- Increase/(Decrease) in Customer Deposits		6,536.22	5,155.86
- Decrease/(Increase) in Customer Loans		(8,579.30)	(7,499.20)
OPERATING CASH FLOWS		10,934.37	10,050.20
Net Cash Generated by OPERATING ACTIVITIES			
Investment in Investment Property		(0.59)	(5.66)
Increase/(Decrease) in Other Investments		(2,446.20)	3,459.43
Purchase of Plant Property & Equipment		(6,967.34)	(6,091.80)
Investment in Associates and Joint Ventures		(735.92)	(180.35)
Net Cash used in INVESTING ACTIVITIES		(10,150.05)	(2,818.38)
CASHFLOWS FROM FINANCING ACTIVITIES			
Government Grants received		82.86	467.81
Increase/(Decrease) in Borrowings		(1,978.91)	(4,008.67)
(Increase)/Decrease in Advance to MOF		-	1,110.00
Dividends Paid		(4,254.10)	(3,933.31)
Net Cash used in FINANCING ACTIVITIES		(6,150.15)	(6,364.17)
Net Increase/(Decrease) in Cash and Cash Equivalents		(5,365.83)	867.65
Opening Cash and Bank Balances		20,557.66	19,688.97
Foreign currency movements on year end translation		66.79	1.04
Closing Cash and Bank Balances		15,258.62	20,557.66

This is the statement of cash flows 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: 15-6-18




Pema Chewang
Chairman


Tashi Lhamo
Director, Finance

Place: Thimphu
Date: 11-6-18




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 2017.

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 2017.



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 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 cash flow statement and certain financial instruments which are measured on a fair value basis 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

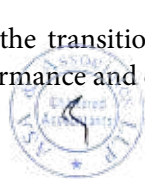
The Financial Statements have been prepared in accordance with the Bhutanese Accounting Standards and in compliance with the relevant provisions of The Companies Act of Bhutan 2016. The DHI and its group companies have early adopted the BAS in full during the current year (from 1 January 2017 those standards of BAS Phase III applicable from 1 January 2018) except for Bank of Bhutan Limited (BOB) which has not adopted phase III of BAS.

4. TRANSITION TO FULL BAS

These are the group's first Financial Statements prepared in accordance with complete full BAS.

The accounting policies set out have been applied in preparing the financials statements for the year ended 31 December, 2017, the comparative information presented in these financials statements for the year ended 31 December, 2016 and in preparation of an opening full BAS statement of financials position as at 1 January, 2016 (Group's date of transition). In preparing its opening full BAS statement of financials position, the company has adjusted the amounts reported previously in financials statements prepared in accordance with previous GAAP.

An explanation of how the transition from previous GAAP to full BAS has affected the group's financial position, financials performance and cash flows is set out in note 3 to the attached financial statements.



5. EXEMPTIONS AND EXCEPTIONS AVAILABLE

BFRS 1 requires that all BAS and BFRS effect for the first full BAS financial statements to be applied constitutently and retrospectively for all financial years presented. However, the standard provides some exceptions and exemptions to this general requirement in specific cases.

Set out below are the applicable BFRS 1 optional exemptions and mandatory exceptions applied in transition from previous GAAP to full BAS.

5. i) Full BAS optional exemptions

5.i.i) *Investments in subsidiaries, associates and joint ventures*

In the consolidated financial statements, a first-time adopter that subsequently measures investments in subsidiaries, associates and joint ventures at cost, may measure such investment at cost (determined in accordance with BAS 27) or deemed cost (fair value or previous GAAP carrying amount) in the consolidated opening full BAS statement of financial position. Selection of fair value or previous GAAP carrying amount for determining deemed cost can be done for each subsidiary, associate and joint ventures.

Accordingly, the Group has elected to measure all of its investments in subsidiaries, associates and joint ventures at their previous GAAP carrying value.

5.i.ii) *Property, plant and equipment*

A first-time adopter that subsequently measures property, plant and equipment at cost, may measure such property, plant and equipment at cost (determined in accordance with BAS 16) or fair value in its opening full BAS statement of financial position.

Accordingly, the Group has elected to measure all of its property, plant and equipment as per BAS 16.

5.i.iii) *Business combinations*

As under BFRS 3, the group may elect not to apply BFRS 3 retrospectively to all business combinations that occurred before the date of transition to full BAS.

Accordingly, the Group has elected to account business combinations as per the current GAAP and apply BFRS 3 prospectively.

5.i.iv) *Investments in equity shares – Other entities*

As per BFRS 9, impairment requirements under BFRS 9 should be applied retrospectively based on the reasonable and supportable information that is available on transition date without undue cost or effort. The group has applied the impairment requirements retrospectively.

5.ii) Full BAS mandatory exceptions

5.ii.i) *Estimates*

The group's estimates in accordance with full BAS at the date of transition to full BAS shall be consistent with estimates made for the same date in accordance with previous GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error.

Estimates as per full BAS at 1 January 2016 are consistent with the estimates as at the same date made in conformity with previous GAAP.



5.ii.ii) Classification and measurement of financial assets

BFRS 1 requires an entity to assess classification and measurement of financial assets on the basis of the fact and circumstances that exists at the date of transition to full BAS.

6. 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.

7. 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 except as stated above in note 3 above as regards to Bank of Bhutan Limited. 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.

8. 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.

9. 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.



10. INTANGIBLE ASSETS

Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 3 to 10 years.

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

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

11. BUSINESS COMBINATION

i) Business combination other than under common control

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

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

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

ii) Business combination under common control

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

In case of business combinations involving entities under common control, the above policy does not apply. Business combinations involving entities under common control are accounted for, using the pooling of

interests method. The net assets of the transferor entity or business are accounted at their carrying amounts on the date of the acquisition subject to necessary adjustments required to harmonise accounting policies.

12. 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.

13. 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 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.

14. 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.

15. INVESTMENTS

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

i) Associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights and the representative on the Board of Directors. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The company's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit (loss) of associates' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the group and its associate are recognised in the group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

Dilution gains and losses arising in investments in associates are recognised in the income statement.

ii) Joint Ventures

Joint venture is an arrangement where two or more parties have joint control through contractual agreement to the net assets of the arrangement. The group uses equity method of accounting for its investment in joint venture.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the group's net investment in the joint ventures), the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the group and its joint ventures are eliminated to the extent of the group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the group.

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 are measured at fair value through other comprehensive income (FVTOCI).

16. 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.



17. 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.

18. INVESTMENTS AND OTHER FINANCIAL ASSETS

i) Initial measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

ii) Classification and subsequent measurement

For the purpose of subsequent measurement, financial assets of the Company are classified in the following categories:

- Financial assets measured at amortized cost;
- Financial assets measured at fair value through other comprehensive income (FVTOCI); and
- Financial assets measured at fair value through profit and loss (FVTPL)

The classification of financial assets depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. Management determines the classification of its financial assets at initial recognition.

FINANCIAL ASSETS MEASURED AT AMORTIZED COST

A financial asset is measured at amortized cost if both the following conditions are met:

- a. The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows; and
- b. Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the profit or loss. The losses arising from impairment are recognized in the profit or loss. This category generally applies to trade and other receivables, bank deposits, security deposits, investment in Government Securities, bonds, cash and cash equivalents and employee loans, etc.

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVTOCI)

A financial instrument shall be measured at fair value through other comprehensive income if both of the following conditions are met:



- a. the objective of the business model is achieved by both collecting contractual cash flows and selling financial assets; and
- b. the asset's contractual cash flow represent SPPI.

Financial instruments included within FVTOCI category are measured initially as well as at each reporting period at fair value. Fair value movements are recognized in other comprehensive income (OCI).

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE THROUGH PROFIT AND LOSS (FVTPL)

Fair value through profit and loss is the residual category. Any financial instrument that does not meet the criteria for categorization as at amortized cost or fair value through other comprehensive income is classified at FVTPL. Financial instruments included within FVTPL category are measured initially as well as at each reporting period at fair value. Fair value movements are recorded in statement of profit and loss.

iii) Impairment of financial assets

The Company assesses on a forward looking basis the credit losses associated with its assets carried at amortised cost and FVOCI debt instruments. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables only, the Company applies the simplified approach permitted by BFRS 9 Financial Instruments, which requires losses to be recognised from initial recognition of the receivables.

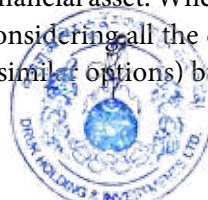
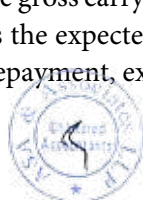
iv) Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised only when:

- The rights to receive cash flows from the asset have been transferred, or
- The Company retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.
- When the Company has transferred an asset, it evaluates whether it has substantially transferred all risks and rewards of ownership of the financial asset. In such cases, the financial asset is derecognized.
- When the Company has not transferred substantially all the risks and rewards of ownership of a financial asset, the financial asset is not derecognised.
- When the Company has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is derecognised if the entity has not retained control of the financial asset. When the entity retains control of the financial asset, the asset is continued to be recognized to the extent of continuing involvement in the asset.

v) Income recognition

Interest income: Interest income from debt instruments is recognized using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the expected credit losses.



Dividend income: Dividends are recognised in profit or loss only when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Company, and the amount of the dividend can be measured reliably.

19. FINANCIAL LIABILITY

i) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, borrowings, payables. All financial liabilities are recognised initially at fair value and, in the case of borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade and other payables, borrowings including bank overdrafts.

ii) Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognised in the profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in BFRS 9 are satisfied. For liabilities designated as FVTPL, fair value gains/losses attributable to changes in own credit risk are recognized in OCI. These gains/loss are not subsequently transferred to P&L. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the statement of profit or loss. The Company has not designated any financial liability as at fair value through profit and loss.

BORROWINGS

Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Where there is a breach of a material provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand on the reporting date, the entity classify the liability as current, if the lender does not agreed not to demand payment as a consequence of the breach before reporting date.



TRADE AND OTHER PAYABLES

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

iii) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other gains/(losses).

FINANCIAL GUARANTEE CONTRACTS

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with BAS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

20. OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the group or the counterparty.

21. 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.



22. 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.

23. 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.

24. 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.

25. 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.

26. 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.

27. 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.

28. 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.

29. 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.

30. REVENUE RECOGNITION

Revenue is measured at the amount entity expects to be entitled in exchange for transferring promised goods or services to a customer, and represents amounts receivable for goods supplied, stated net of discounts, returns and taxes and royalty collected on behalf of government.



a) **Sale of goods and services:** The group recognises revenue when the entity satisfies a performance obligation identified in the contract by transferring a promised good or service (ie an asset) to a customer and the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the group. An asset is assumed to be transferred to customer when (or as) the customer obtains control of that asset. Incremental cost incurred by the company for obtaining a contract with customer is recognised as assets if the recovery of such cost is expected. Such assets are amortised on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates.

Bilateral contracts between two entities in the same line of business for non-monetary exchange of goods and services to facilitate sales to its customers or potential customers are not accounted for as sales (revenue) as per BFRS 15. Any balance against such exchange contracts not settled during the same financial year are accounted for as payable/receivable and included under other current assets/liabilities in statement of financial position.

b) **Construction Contracts:** In case of construction contracts, group recognises revenue, if one of the following criteria as enunciated in BFRS 15, “Revenue from contract with customers” is met:

- the customer simultaneously receives and consumes the benefits provided by the entity’s performance as the entity performs; and
- the entity’s performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; and
- the entity’s performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

Earnings on construction contracts are determined using the percentage-of-completion method. Earnings are not recognised until the outcome can be reliably estimated. The company uses its professional judgment to assess both the physical completion and the forecast financial result of the contract. Provision is made for estimated future losses on the entire contract from the date it is first recognised that a contract loss may be incurred.

Construction work in progress is stated at cost plus profit recognised to date, less progress billings and any provision for foreseeable losses. Cost includes all expenditure directly related to specific projects, plus a share of relevant overheads.

31. 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.

32. DIVIDEND INCOME

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

33. 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.

34. 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.

35. 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.

36. COMPARATIVE INFORMATION

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

C. NOTES TO THE FINANCIALS 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 includes 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.

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 30.

YEAR ENDED 31 DECEMBER 2017

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

	Energy & Resources	Communication & Transport	Manufacturing	Finance	Trading	Others	Total	Eliminations	Grand Total
Revenue	8,317.74	6,475.31	5,334.04	2,715.96	2,133.36	449.56	25,425.97	3,416.77	28,842.74
Revenue (PTC India)	8,267.51	-	-	-	-	-	8,267.51	-	8,267.51
Revenue from group	5,136.55	100.68	381.01	122.31	113.01	279.85	6,133.41	(6,133.41)	-
Interest Received	357.36	26.62	40.38	176.57	-	145.43	746.36	(316.28)	430.08
Other Income	3,791.97	315.50	104.76	31.96	39.42	7,795.62	12,079.23	(10,724.00)	1,355.23
Total Income (A)	25,871.13	6,918.11	5,860.19	3,046.80	2,285.79	8,670.46	52,652.48	(13,756.92)	38,895.56
Direct Cost of Sales	8,040.53	1,563.65	3,113.30	1,228.60	1,992.55	418.47	16,357.10	(5,259.05)	11,098.05
Personnel and Other Costs	3,677.34	2,264.50	2,129.81	601.73	151.31	392.35	9,217.04	(690.32)	8,526.72
Finance Cost	1,046.06	196.52	591.82	70.42	14.10	11.43	1,930.35	(315.86)	1,614.49
Depreciation and Amortization	3,867.48	1,136.44	531.44	76.13	9.99	46.41	5,667.89	-	5,667.89
Impairment losses	4.69	0.50	17.21	50.45	-	15.79	88.64	-	88.64
Income Tax	2,783.11	578.97	(147.67)	311.96	36.58	2,326.04	5,888.99	-	5,888.99
Total Expenses (B)	19,419.21	5,740.58	6,235.91	2,339.29	2,204.53	3,210.49	39,150.01	(6,265.23)	32,884.78
Net Profit after tax (A-B)	6,451.92	1,177.53	(375.72)	707.51	81.26	5,459.97	13,502.47	(7,491.69)	6,010.78
OCI	60.03	43.98	(1.27)	1.38	0.04	277.92	382.08	(0.02)	382.06
Current assets	13,752.52	2,936.62	2,505.51	13,139.91	626.25	6,349.30	39,310.11	(8,021.04)	31,289.07
Non Current Assets	86,694.09	8,820.80	11,249.95	3,083.30	324.64	52,265.97	162,438.75	(55,687.23)	106,751.52
Assets - Bank	(0.00)	(0.00)	(0.00)	34,909.07	(0.00)	(0.00)	34,909.07	(0.00)	34,909.07
Total assets	100,446.61	11,757.42	13,755.46	51,132.28	950.89	58,615.27	236,657.93	(63,708.27)	172,949.66
Current Liabilities	11,469.08	2,106.00	2,782.76	716.48	411.09	1,675.60	19,161.01	(3,760.54)	15,400.47
Non Current Liabilities	22,702.98	2,483.71	5,571.82	26.63	100.60	912.01	31,797.75	(7,451.18)	24,346.57
Liabilities-bank	(0.00)	(0.00)	(0.00)	44,489.99	(0.00)	(0.00)	44,489.99	(0.00)	44,489.99
Total Liabilities	34,172.06	4,589.71	8,354.58	45,233.10	511.69	2,587.61	95,448.75	(11,211.72)	84,237.03



YEAR ENDED 31 DECEMBER 2016

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

	Energy & Resources	Communication & Transport	Manufacturing	Finance	Trading	Other	Total	Eliminations	Grand Total
Revenue	5,903.84	5,627.48	5,373.07	2,682.00	2,507.78	387.28	22,481.45	5,917.29	28,398.74
Revenue (PTC India)	11,199.39	-	-	-	-	-	11,199.39	-	11,199.39
Revenue from group	2,459.09	95.22	374.19	119.40	58.71	119.11	3,225.72	(3,225.72)	-
Interest Received	285.86	38.14	20.71	305.93	1.16	74.14	725.94	(304.85)	421.09
Other Income	6,531.11	429.54	77.38	37.53	32.15	7,387.63	14,495.34	(13,154.51)	1,340.83
Total Income (A)	26,379.29	6,190.38	5,845.35	3,144.86	2,599.80	7,968.16	52,127.84	(10,767.79)	41,360.05
Direct Cost of Sales	7,861.12	1,355.51	3,068.94	1,108.69	2,318.45	286.13	15,998.84	(2,597.82)	13,401.02
Personnel and Other Costs	3,305.59	2,017.21	2,167.33	540.16	137.81	342.55	8,510.65	(632.54)	7,878.11
Finance Cost	1,153.46	229.30	625.99	58.64	24.12	7.60	2,099.10	(347.83)	1,751.28
Depreciation and Amortisation	3,873.70	1,194.68	519.49	70.86	5.53	45.84	5,710.10	0.17	5,710.27
Impairment losses	0.00	3.69	8.20	52.21	-	0.24	64.34	-	64.34
Income Tax	3,047.71	420.19	(145.70)	394.86	34.25	2,194.57	5,945.88	14.73	5,960.61
Total Expenses (B)	19,241.59	5,220.58	6,244.25	2,225.42	2,520.16	2,876.93	38,328.91	(3,563.29)	34,765.63
Net Profit after tax (A-B)	7,137.71	969.80	(398.90)	919.44	79.64	5,091.24	13,798.93	(7,204.51)	6,594.42
OCI	(197.88)	(4.66)	5.99	-	(1.12)	(21.99)	(219.65)	(6.96)	(226.62)
Current assets	14,275.42	2,332.91	2,912.91	15,964.92	758.50	5,573.64	41,818.30	(8,599.94)	33,218.36
Non Current assets	84,993.33	8,325.21	11,416.38	3,014.73	240.57	50,509.79	158,500.01	(53,373.46)	105,126.55
Assets - Bank				25,971.62			25,971.62	(696.75)	25,274.87
Total assets	99,268.75	10,658.12	14,329.29	44,951.27	999.07	56,083.43	226,289.93	(62,670.15)	163,619.78
Current Liabilities	10,788.59	1,670.66	2,544.08	994.81	543.09	1,997.94	18,539.17	(5,110.58)	13,428.59
Non- Current Liabilities	24,299.83	2,352.20	5,708.13	67.03	64.76	796.81	33,288.76	(2,456.56)	30,832.20
Liabilities_ Bank				38,397.87			38,397.87	(4,620.40)	33,777.47
Total Liabilities	35,088.42	4,022.86	8,252.21	39,459.71	607.85	2,794.75	90,225.80	(12,187.54)	78,038.26



2. REVENUE

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

	31-Dec-2017	31-Dec-2016
Sales of:		
- Goods	5,336.65	5,341.31
- Services	26,387.63	28,617.11
- Trading	2,601.18	2,938.83
- Interest	2,784.79	2,700.88
	37,110.25	39,598.13

3. OTHER INCOME

	31-Dec-2017	31-Dec-2016
Dividends Received	111.24	103.34
Grants and Subsidies	235.57	235.11
Interest Received	430.08	421.09
Other Income	947.97	1,001.54
	1,724.86	1,761.08

4. SHARE OF PROFIT/(LOSSES) OF ASSOCIATES/JOINT VENTURES

4a. Share of Profit of Associates/Joint Ventures	31-Dec-2017	31-Dec-2016
Profits of BFAL	60.30	-
Profits of RSEBL	0.15	-
Profit of BHSL	-	0.84
	60.45	0.84
4b. Share of Losses of Associates/Joint Ventures	31-Dec-2017	31-Dec-2016
Profit of BHSL	64.96	-
Profits of BFAL	-	3.18
Profits of KIPL	-	22.30
Profits of RSEBL	-	9.03
	64.96	34.51

5. DIRECT COSTS OF SALES

5. Direct costs of Sales	31-Dec-2017	31-Dec-2016
Energy and wheeling charges	122.34	125.95
Aircraft fuel, oil and operating Costs	1,402.85	1,180.54
Cost of Goods Sold	6,093.06	6,416.23
Material used in infrastructure development	3,479.80	5,678.30
	11,098.05	13,401.02

6. PERSONAL AND OTHER COSTS

6. Personnel and other Costs	31-Dec-2017	31-Dec-2016
Payroll and Related Costs	3,382.11	3,208.73
Employee Related Costs	487.89	451.61
Other Costs	2,995.60	2,682.37
Maintenance	1,596.16	1,401.73
Gains/losses on Foreign Exchange Fluctuations	-	99.16
	8,461.76	7,843.60



7. PROPERTY PLANT AND EQUIPMENT

a) Property, Plant and Equipment for year ended 31 December 2017

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

2017	Opening	Additions	Adjust	Disposals	COST	Opening	Additions	Disposals	DEPRECIATION	DEPRECIATION	Net Book
					Closing				Adjust	Closing	Value
Land and Buildings	63,664.36	509.21	0.010	(12.13)	64,161.45	15,008.21	2,115.37	(1.65)	0.00	17,121.93	47,039.52
Plant & Equipment	38,778.57	1,635.74	45.07	(90.96)	40,368.42	15,972.13	1,951.12	(63.89)	18.04	17,877.40	22,491.02
Furniture & Office Equipment	2,060.02	256.64	(3.02)	(49.31)	2,264.33	1,358.15	206.72	(46.12)	(1.04)	1,517.17	746.62
Vehicles	991.73	139.52	(46.25)	(40.52)	1,044.48	641.10	83.03	(33.20)	(24.43)	666.50	377.98
Aircraft and other aviation assets	6,899.45	284.56	0.00	(588.27)	6,595.74	3,215.51	445.74	(588.27)	0.00	3,072.98	3,522.76
Transmission & Distribution Lines	19,348.55	869.83	0.00	(65.32)	20,153.06	4,991.37	653.71	(29.65)	0.00	5,615.43	14,537.63
Totals	131,742.68	3,695.50	(4.19)	(846.51)	134,587.48	41,186.47	5,455.69	(762.78)	(7.43)	45,871.95	88,715.53

i) Depreciation in statement of comprehensive income is after adjusting grant.

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

2016	Opening	Additions	Adjust	Disposals	COST	Opening	Additions	Disposals	DEPRECIATION	DEPRECIATION	Net Book
					Closing				Adjust	Closing	Value
Land and Buildings	63,194.60	537.50	12.44	(80.18)	63,664.36	12,938.38	2,092.73	(14.42)	(8.48)	15,008.21	48,656.15
Plant & Equipment	37,778.24	1,318.73	57.06	(375.46)	38,778.57	14,137.92	1,999.04	(165.48)	0.65	15,972.13	22,806.44
Furniture & Office Equipment	1,896.62	204.08	31.15	(71.83)	2,060.02	1,174.07	228.80	(57.65)	12.93	1,358.15	701.87
Vehicles	893.90	106.47	33.12	(41.76)	991.73	575.72	83.11	(38.91)	21.18	641.10	350.63
Aircraft and other aviation assets	6,776.43	123.45	0.00	(0.43)	6,899.45	2,719.74	496.20	(0.43)	0.00	3,215.51	3,683.94
Transmission & Distribution Lines	18,412.50	963.72	0.00	(27.67)	19,348.55	4,377.57	626.30	(12.50)	-	4,991.37	14,357.18
Totals	128,952.29	3,253.95	133.77	(597.33)	131,742.68	35,923.40	5,526.18	(289.39)	26.28	41,186.47	90,556.21



a) Capital Work in Progress (by Segment) *(All figures in millions of Bhutanese Ngultrums, except share data and as otherwise stated)*

	31-Dec-2017	31-Dec-2016	1-Jan-2016
Electricity Generation	4,401.04	2,971.97	1,976.80
Power Generation	4,416.95	2,814.93	1,261.78
Manufacturing	13.22	32.67	12.03
Others	583.03	560.42	453.85
	9,414.24	6,379.99	3,704.46

8. TAXATION

	31-Dec-2017	31-Dec-2016
Income Tax Payable -		
Current Tax	6,063.12	6,096.31
Prior Period Tax	0.00	0.00
Total Income Tax Expenses Recognised	6,063.12	6,096.31
Deferred Tax Expenses/(Benefit)	(174.13)	(135.70)
Total Tax on Operating Income	5,888.99	5,960.61
Reconciliation of Tax on Operating Income -		
Profit Before Income-tax from Operations	11,899.77	12,555.03
Tax at 30%	3,569.93	3,766.51
Adjustments required for:		
- Non deductible expenses & Non assessed Income	15.27	2.52
- Tax losses	230.04	(205.39)
- Other Adjustments (Timing)	(171.09)	253.01
- Tax on Dividends from subsidiaries	2,244.84	2,136.90
- Tax paid in foreign countries	0.00	7.06
Current Tax Expenses	5,888.99	5,960.61
Effective Tax Rate -	49.49%	47.48%

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-2017	31-Dec-2016
Opening	(406.85)	(271.15)
Recognised during Year	(174.13)	(135.70)
Restatement of prior years	328.54	0.00
Closing	252.44	(406.85)
Deferred Tax Assets	1,229.96	1,012.91
Deferred Tax Liabilities	(1,482.40)	(1,419.76)
Total	252.44	(406.85)



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

Tax on Comprehensive Income	31-Dec-2017	31-Dec-2016
Actuarial (Gain)/Loss on Post-employment benefits	121.98	(7.29)
Fair value gain/(loss) on Equity Investment measured through FVOCI	352.07	(225.65)
Less: Tax	158.79	6.32
Total	315.27	(226.62)
Currency translation Variance	66.79	0.00
Total	382.06	(226.62)

9. EARNINGS PER SHARE

	31-Dec-2017	31-Dec-2016
Profit After Tax Continuing Operations	6,010.78	6,594.42
Weighted Average number of Shares	455.25	450.88
Basic and Diluted Earnings per Share (Nu)	13.20	14.63

10. INVESTMENT PROPERTY

	31-Dec-2017	31-Dec-2016	1-Jan-2016
Value on 1 st January	315.16	269.09	46.07
Increase in valuation for the year	9.89	46.07	255.02
Closing Value	325.05	315.16	301.09

11. INTANGIBLE ASSETS

	31-Dec-2017	31-Dec-2016	1-Jan-2016
A) Software			
Cost			
Opening	1,753.89	1,345.50	695.95
Additions less disposals	528.36	408.39	497.84
Closing	2,282.25	1,753.89	1,193.79
Amortization			
Opening	695.68	443.72	152.63
Additions less disposals	276.74	251.95	139.38
Closing	972.42	695.67	292.01
TOTAL	1,309.83	1,058.22	901.78
B) Pre-operative Expenses			
Opening	22.21	0.00	158.83
Additions	22.64	22.64	
Amortizations	(0.42)	(0.43)	(158.83)
Closing	44.43	22.21	0.00
TOTAL (A+B)	1,354.26	1,080.43	901.78



12. GOODWILL

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

	31-Dec-2017	31-Dec-2016	1-Jan-2016
Value on goodwill	11.95	11.95	11.95
Closing Value	11.95	11.95	11.95

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-2017	31-Dec-2016	1-Jan-2016
Bhutan Ferro Alloys Ltd	26.50	492.13	252.95	273.48
Royal Stock Exchange of Bhutan Ltd	16.00	23.80	25.15	24.32
Total		515.93	278.10	297.80
B. Other Investments in Companies		31-Dec-2017	31-Dec-2016	1-Jan-2016
Bhutan National Bank Ltd		1,081.74	1,102.14	1,183.78
Bhutan Development Bank Ltd		12.73	12.73	12.73
Royal Insurance Company of Bhutan Ltd		1,303.75	883.90	830.87
Druk Ferro Alloy Ltd		23.65	23.65	23.65
Bhutan Carbides and Chemicals Ltd		16.26	16.26	16.26
Financial Institutions Training Institute		18.00	18.00	18.00
Entrepreneur Promotion Fund		22.97	23.72	9.99
Credit Information Bureau		1.75	1.75	1.75
Total		2,480.85	2,082.15	2,097.03

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

C. Joint Venture	%	31-Dec-2017	31-Dec-2016	1-Jan-2016
Kholongchu Hydro Energy Limited	50	996.59	429.58	204.58
Bhutan Hydro Services Limited	51	110.23	174.65	204.67
Total		1,106.82	604.23	409.25

Total Investments (A+B+C)	4,103.60	2,964.48	2,804.08
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Summarised Information on Associate Companies	31-Dec-2017	31-Dec-2016	1-Jan-2016
Long Term Assets	1,415.46	688.05	1,018.24
Current Assets	727.58	1,007.76	1,983.15
	2,143.04	1,695.81	3,001.39
Long Term Liabilities	91.93	89.52	130.13
Current Liabilities	236.50	527.76	852.51
Equity	1,814.61	1,078.53	2,018.75
	2,143.04	1,695.81	3,001.39
DHI Group Share of Equity	506.04	297.45	699.01
Net Profit after Tax	213.34	4.91	397.83
Other Comprehensive Income	(0.94)	(12.97)	12.50
DHI Group share of Profits after Tax	60.45	0.84	138.85

Summarized Information of Joint Venture

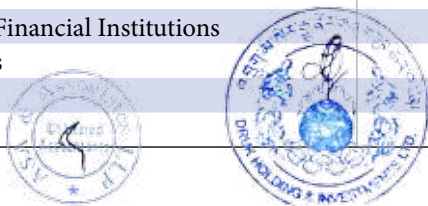
Long Term Assets	2,917.02	2,069.15	1,218.98
Current Assets	164.12	177.19	341.16
	3,081.14	2,246.34	1,560.14
Long Term Liabilities	746.70	854.91	696.38
Current Liabilities	135.38	26.03	67.37
Equity	2,199.06	1,365.40	796.39
	3,081.14	2,246.34	1,560.14
DHI Group Share of Equity	1,106.82	604.23	409.25
Net Profit after Tax	(128.43)	(72.85)	(52.03)
Other Comprehensive Income	1.06	(0.98)	0.23
DHI Group share of Profits after Tax	(64.96)	(34.51)	(26.55)

14. LONG TERM FINANCIAL ASSETS

	31-Dec-2017	31-Dec-2016	1-Jan-2016
Debt Securities			
- Listed	706.77	550.00	550.00
- Unlisted	0.00	506.77	0.00
Total	706.77	1,056.77	550.00

15. OTHER NON-CURRENT ASSETS

	31-Dec-2017	31-Dec-2016	1-Jan-2016
Trade Receivables	21.28	18.88	287.89
Term Deposits with Bank and Financial Institutions	1,737.92	1,523.39	1,629.39
Advance Payments to Suppliers	203.20	147.79	195.93
Prepaid Expenses	27.54	43.98	190.97
Total	1,989.94	1,734.04	2,304.18



16. INVENTORIES

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

	31-Dec-2017	31-Dec-2016	1-Jan-2016
Raw material	480.40	631.19	759.62
Work in progress	219.87	224.96	179.54
Finished goods	527.99	734.40	525.52
Other inventory	998.33	978.99	352.22
Stores, spares and loose tools	972.47	1,053.19	1,491.67
Total	3,199.06	3,622.73	3,308.57

17. TRADE RECEIVABLES

	31-Dec-2017	31-Dec-2016	1-Jan-2016
Receivable in Ngultrum	1,704.66	1,279.15	1,253.22
Receivable in foreign currency	716.53	1,285.19	790.28
Less: Provision for Impairment	(185.96)	(168.89)	(166.15)
Total	2,235.23	2,395.45	1,877.35

18. OTHER RECEIVABLES AND ADVANCES

	31-Dec-2017	31-Dec-2016	1-Jan-2016
Non Trade Receivables and Advances	3,376.34	1,654.36	1,261.08
Term deposits with financial institutions	533.56	969.09	4,246.68
Other Financial Assets	3,189.78	126.02	5,972.24
Advance payments to vendors	259.19	240.23	195.93
Advance to Ministry of Finance	3,033.83	3,033.83	4,143.83
Advance payments to employees	38.06	42.40	55.45
Prepaid expenses	123.06	159.68	190.97
Income Tax Refund Receivable	99.02	310.20	33.34
Total	10,652.84	6,535.81	16,099.52

19. CASH AND BANK BALANCES

	31-Dec-2017	31-Dec-2016	1-Jan-2016
Cash in hand	810.05	750.18	663.29
Cash at bank	3,312.59	2,448.15	2,720.75
Short-term deposits	462.16	4,130.89	3,318.67
Cash Reserve and Balances with RMA*	10,617.14	13,335.15	7,210.83
Closing cash balance	15,201.94	20,664.37	13,913.55
Less: Bank overdraft*	56.68	(106.71)	5,775.43
Cash and cash equivalents for the statement of cash flows	15,258.62	20,557.66	19,688.98

20. PAID UP CAPITAL

	31-Dec-2017	31-Dec-2016	1-Jan-2016
Authorised Capital			
5,000,000,000 Equity Shares of Nu. 100/- each	500,000.0	500,000.00	500,000.00
Issued and Paid up capital			
Opening number of Equity Shares	45,087.59	45,067.72	44,333.51
Issued during the year	858.61	19.87	734.21
Closing	45,946.20	45,087.59	45,067.72



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 onwership of 51 plots of land transferred from its subsidiaries for a total amount of Nu. 19,872,830/- through book adjustments for which an aggregatre 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

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

Retained Earnings are the undistributed profitsof the DHI group since incorporation. They are held in the parent and subsidiary sompnaies.

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

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

	31-Dec-2017	31-Dec-2016	1-Jan-2016
Borrowings from:			
Banks & Financial Institutions in Bhutan	3,298.39	3,010.78	4,143.88
Banks & Financial Institutions in other countries	18,858.36	18,725.39	18,604.88
Foreign Governments	920.39	3,436.38	5,794.01
Bonds listed by the RSEB	3,506.19	3,938.88	4,155.22
	26,583.33	29,111.43	32,697.99
Less Portion repayable within 1 year	3,654.86	3,716.21	3,994.19
Net Long Term Borrowings	22,928.47	25,395.22	28,703.80

23. DEFERRED GOVERNMENT GRANTS

	31-Dec-2017	31-Dec-2016	1-Jan-2016
Opening Balance	1,702.29	68.54	1,009.58
Add: Receipts during the year	309.89	1,868.86	193.00
Less: Amortisation against expenditure	(235.56)	(235.11)	(1,134.04)
Closing Balance	1,776.62	1,702.29	68.54
Current portion of Grant	76.44	100.34	(0.00)
Non-current portion of Grant	1,700.18	1,601.95	68.54

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-2017	31-Dec-2016	1-Jan-2016
Trade and other payables	287.19	40.82	570.44
Advances	167.37	93.29	563.01
Retention money payable	282.94	745.43	1,356.92
Deposits received	356.25	295.08	379.12
Total	1,093.75	1,174.62	2,869.49

25. TRADE AND OTHER PAYABLES

	31-Dec-2017	31-Dec-2016	1-Jan-2016
Trade Payables	2,524.25	1,867.37	1,471.89
TDS Payable	83.51	81.76	67.04
Employee and other payables	1,050.42	1,102.36	789.96
Accrued expenses	513.94	325.16	323.72
Unclaimed Dividend	1.55	0.15	0.00
Total	4,173.67	3,376.80	2,652.61



26. OTHER CURRENT LIABILITIES

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

	31-Dec-2017	31-Dec-2016	1-Jan-2016
Advances and Deposits Received	767.34	637.85	621.97
Construction Contracts (refer Note 27)	1,826.81	249.89	965.51
Listed Bonds repayable	216.34	-	-
Working Capital Loans from Banks	249.60	188.71	-
Retention money payable	394.26	723.85	88.28
Other Liabilities	135.31	109.48	822.53
Provision	428.62	266.62	25.70
Total	4,018.28	2,176.40	2,523.99

27. CONSTRUCTION CONTRACTS

	31-Dec-2017	31-Dec-2016	1-Jan-2016
Gross Advance Received	20,611.47	17,839.32	12,977.59
less: Recognised as Revenue	18,784.66	17,589.43	12,012.08
Total	1,826.81	249.89	965.51
Construction contracts			
-with net work in progress	3,601.51	2,730.13	2,730.13
-with advances received in respect of revenue booked	(1,774.70)	(2,480.24)	(1,764.62)
Total	1,826.81	249.89	965.51

28. LONG TERM EMPLOYEE BENEFITS

Bhutanese Accounting Standards (BAS) 19 Employee Benefits is applicable for the group's compliance from 1.1.2016. In respect Post-employment benefits like gratuity and other long-term employee benefits (such as accumulated leave liability), there is no consistency in adoption of the group policy accordingly 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 followed actuarial valuation. The group is not able to ascertain the impact of this non-compliance in the consolidated financial statements and accordingly full disclosure accordingly to BAS 19 is not provided/disclosed in these financial statements.

29. RELATED PARTY TRANSACTIONS.

	2017 % of Holding	2016 % 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 Corporation Ltd. (KCL)		
Bhutan Broadcasting Services Corporation Ltd. (BBSCL)		
Food Corporation of Bhutan (FCB)		
Bhutan Chamber and Commerce Industry (BCCI)		

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

Managerial Remuneration	2017	2016
Remuneration paid to the chairman of the company		
- Salary and allowances	2.43	2.29
- Other Benefits	1.15	1.12
- Provident fund contribution	0.15	0.15
- Sitting fees	0.12	0.12
	3.85	3.68
Remuneration paid to the CEO of the company		
- Salary and allowances	1.69	1.64
- Other Benefits	0.84	0.07
- Provident fund contribution	0.11	0.11
- Sitting fees	0.11	0.11
	2.75	1.93
Sitting fees paid to the other Board of Directors	0.74	0.53
Transactions with Other Portfolios		
Dividend income	109.94	101.75
Interest income on bank deposits	6.43	9.39
Insurance of vehicles	0.26	0.16
Medical insurance	0.52	0.56
Actuarial valuation fee	0.03	0.03
Bank balances with other portfolios-		
Current account balances	81.88	0.03
Fixed deposits	76.19	127.33
Outstanding Balance with Other Portfolios –		
Accrued interest on bank deposits	7.08	5.88
Actuarial valuation fee payable	0.26	0.25
Transactions with SoEs-		
Media and publication expenses	0.77	1.07
Postage charges	0.08	0.08

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-2017 % Shareholding	31-Dec-2016
Druk Holding and Investments Ltd	Holding Company	100.00	100.00
Bank of Bhutan Ltd	Finance	80.00	80.00
Dungsum Cement Corporation Ltd	Manufacturing	80.00	80.00

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

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
Construction Development Corporation Limited	Real Estate	100.00	100.00
Thimphu TechPark Ltd (previously named Thimphu TechPark Private Ltd)	Real Estate	100.00	100.00
State Mining Corporation Ltd	Non-trading	100.00	100.00
Bhutan Telecom Ltd	Communications and Transport	100.00	100.00
Drukair Corporation Ltd	Communications and Transport	100.00	100.00
Druk Green Power Corporation Ltd	Energy and Resources	100.00	100.00
Bhutan Power Corporation Ltd	Energy and Resources	100.00	100.00
Natural Resources Development Corporation Ltd	Energy and Resources	100.00	100.00
Dagachu Hydropower Corporation Ltd	Energy and Resources	59.00	59.00
Tangsibji Hydro Energy Ltd	Energy and Resources	100.00	100.00
Wood Craft Centre Limited	Manufacturing	100.00	100.00
Penden Cement Authority Ltd	Manufacturing	40.00	40.00
Koufuku International Limited	Manufacturing	80.00	30.00

B. The following companies are associates where the shareholding range is 15% to 51% and Joint Venture. The Consolidated Financial statement accounts investment in associates and joint venture using the equity method.

Associate Companies	31-Dec-2017	31-Dec-2016
Bhutan Ferro Alloys Ltd	28.42	28.42
Royal Securities Exchange of Bhutan Ltd	16.35	16.35

Joint Venture Companies	31-Dec-2017	31-Dec-2016
Kholongchu Hydro Energy Limited	50.00	50.00
Bhutan Hydro Services Limited	51.00	51.00

31. COMMITMENTS AND CONTINGENT LIABILITIES

a) Commitments

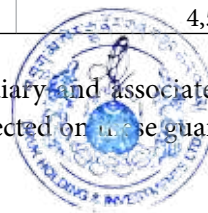
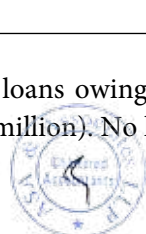
Commitments for capital expenditure by various members of the Group total Nu 16,302.92 million (2016: Nu 13,271.99 million).

b) Contingent Liabilities

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

	31-Dec-2017	31-Dec-2016
Liability for Acceptances Endorsements and other Obligations	1,467.23	1,323.82
Guarantees issued and outstanding and bill payable	3,085.92	2,398.50
Total	4,553.15	3,722.32

Guarantees have been provided for loans owing by subsidiary and associate companies amounting to Nu. 4,103.40 million (2016: Nu 4,017.77 million). No loss is expected on these guarantees.



DHI's investments totaling Nu. 3,460.00 million (2016: Nu. 3,460.00) in some of the subsidiaries have been pledged in support of the guarantee.

Various companies have outstanding legal claims totaling Nu 82.37 million (2016: Nu 313.63 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. RECONCILIATION BETWEEN PREVIOUS GAAP AND FULL BAS

I. Reconciliation of total equity

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

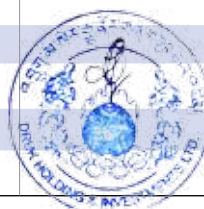
	Note	31-Dec-2016	1-Jan-2016
Total equity (shareholder's funds) as per previous GAAP		84,021.83	81,209.23
Adjustments			
Measurement of financial liability at fair value	1	(124.46)	(3.30)
Fair value of investment in equity shares	2	1,922.43	1,753.99
Investment in EPF (contribution to Loden foundation measured at fair value)	3	(0.68)	(0.26)
Intercompany loans measured at fair value	4	0.63	0.63
Reversal of revenue where control has not been transferred to customer	5	(3.05)	(1.36)
Recognition of Inventory for revenue reversal	6	2.75	1.23
Provision for impairment Loss on trade receivables	7	(15.36)	(12.00)
Interest income from financial instruments at amortised cost	8	20.09	8.23
Effect of Capitalization of expenses	9	95.72	98.81
Effect of fair valuation of financial asset	10	41.75	62.50
Effect of reversal of foreign exchange loss/gain	11	73.18	73.94
Effect of employee benefit obligation recognized as per actuarial report	12	(22.71)	(54.58)
Impact recognition of CER revenue and interest thereon	13	(286.33)	(210.10)
Effect of adjustment in revenue of construction contracts	14	0.93	-
Amortisation of deferred mining cost	15	(4.57)	(1.76)
Interest income for sale on deferred settlement terms	16	0.92	0.08
Prior period expense adjusted	17	(0.85)	(0.76)
Un-amortized origination fees adjusted with borrowings as per effective interest rate (EIR) method	18	41.27	36.95
Reclassification of other comprehensive income to CWIP	19	1.43	(0.09)
Effect of property, plant and equipment	20	455.50	480.72

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

Loss of discard of property, plant and equipment	21	(15.52)	-
Lease rental recognised as per straight lining	22	4.85	3.72
Unwinding and discounting of deferred rent	23	(4.34)	(3.36)
Group investment reserve adjusted with investment amount	24	-	-
Deferred tax (asset)/liability		(619.72)	(627.13)
Changes in Associate and joint venture profit share *		(4.16)	169.19
Balance of Equity as Per BAS		85,581.53	82,984.52

II. Reconciliation of total comprehensive income for the year ended December 31, 2016 and January 1, 2016

	Notes	31-Dec-16
Total comprehensive income as per previous GAAP		6,639.27
Adjustments		
Measurement of financial liability at fair value	1	(0.13)
Fair valuation of investment in equity shares	2	(225.65)
Investment in EPF (contribution to Loden foundation measured at fair value)	3	(0.43)
Effect of fair valuation of intercorporate loan	4	(0.00)
Reversal of revenue where control has not been transferred to customer	5	(1.69)
Recognition of Inventory for revenue reversal	6	1.52
Provision for impairment Loss on trade receivables	7	(3.36)
Interest income from financial instruments at amortised cost	8	(54.20)
Interest income for sale on deferred settlement terms	16	0.84
Capitalisation of expenditure	9	(3.09)
Effect of fair valuation of financial assets at amortised cost	10	114.79
Effect of reversal of foreign exchange loss	11	(0.75)
Effect of employee benefit obligation recognized as per actuarial report	12	5.32
Impact recognition of CER revenue and interest thereon	13	(76.23)
Effect of adjustment in revenue of construction contracts	14	0.93
Amortisation of deferred mining cost	15	(3.32)
Prior period expense adjusted	17	-
Un-amortized origination fees adjusted with borrowings as per effective interest rate (EIR) method	18	-
Effect of property, plant and equipment	20	(25.22)
Loss on discard of property, plant and equipment	21	(15.52)
Lease rental recognised as per straight lining	22	1.13
Unwinding and discounting of deferred rent	23	(0.98)
Deferred tax adjustment		8.58
Tax effects of adjustments		24.34
Amortisation of deferred grant		7.79
Tax effects of adjustments		(25.69)
Other comprehensive income (Net of tax)		0.09
Other adjustments		(0.54)
Total comprehensive income as per Full BAS		6,367.80



NOTE 1: MEASUREMENT OF FINANCIAL LIABILITY AT FAIR VALUE

Under the previous GAAP, financial liabilities are recorded at their transaction value. Under BFRS, all financial liabilities are required to be recognised at fair value. Accordingly, the Company has fair valued the financial liabilities under BFRS at the date of initial recognition. Difference between the fair value and transaction value of the financial liabilities was adjusted with retained earnings or Statement of Comprehensive income.

NOTE 2: FAIR VALUATION OF EQUITY INVESTMENTS

The company also holds investment in equity shares of entities other than in subsidiaries, associate and joint venture. Under previous GAAP such investments were measured at cost. Under BFRS, these investments have been measured at fair value. The company has categorised these investments as fair value through other comprehensive income (FVOCI) and any changes in fair value of those investment has been recognised in the statement of total comprehensive income.

NOTE 3: INVESTMENT IN EPF (CONTRIBUTION TO LODEN FOUNDATION)

The company 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. These contribution will be paid back by the foundation to DHI after the end of five years. Under pervious GAAP, contribution made to foundation was measured by the company at face value (transaction value). Under BFRS, such investments are required to measured at fair value at the time of initial recognition and subsequently at amortised cost. Accordingly, investment recognised for the contribution to the Loden foundation has been measured at fair value on the date of transition. Further, loss allowance has been also provided based on expected credit loss.

NOTE 4: INTER-CORPORATE LOANS

DHI has given loans to other group companies at below market rate. Under previous GAAP such loan are measured at transaction value and interest income is recognised considering the contractual rate. Under BFRS, such intercorporate loans are required to be measured at fair value and subsequently at amortised cost. Interest on such loan is required to be recognised using effective interest rate.

NOTE 5: REVERSAL OF REVENUE

Under previous GAAP revenue is recognised on dispatch basis. As per BFRS 15, revenue should be recognised when control of asset is transferred to the customers. Hence revenue is reversed to the extent control is not transferred at the reporting date.

NOTE 6: RECOGNITION OF INVENTORY

Under previous GAAP revenue is recognised on dispatch basis. As per BFRS 15, revenue should be recognised when control of asset is transferred to the customers. Hence inventory to the extent of revenue reversed is recognised at the reporting date.



NOTE 7: PROVISION FOR IMPAIRMENT LOSS ON TRADE RECEIVABLES

Under previous GAAP provision on trade receivable is recognised basis the Company policy framed on the ageing of trade receivable. As per BFRS 9, the Company is required to apply credit loss model for recognising the allowance for doubtful debts. As a result, the allowance for doubtful debts was recognised under BFRS.

NOTE 8: FINANCIAL ASSETS INSTRUMENTS AT AMORTISED COST

Under the previous GAAP, financial assets are recorded at their transaction value. Under BFRS, all financial assets are required to be recognised at fair value. Accordingly, the Company has fair valued the financial assets under BFRS at the date of initial recognition. Difference between the fair value and transaction value of the financial assets was adjusted with retained earnings or Statement of Comprehensive income.

NOTE 9: CAPITALIZATION OF EXPENSES

Under BAS Phase I and II, the Company had capitalized about fifty percent of the total cost and the remaining was charged off to statement of profit and loss. The Company was in the construction phase until February 2015, hence, the entire cost and incidental indirect income was on account of construction activity as it was directly attributable to construction activity carried out by the Company. As per BAS 16, the Company has capitalized the entire expenses incurred during the construction phase since the construction activity was the sole activity that was being carried out during the construction phase.

NOTE 10: FAIR VALUATION OF FINANCIAL ASSETS

Under BAS Phase I and II, liquidated damages receivables are recorded at their transaction value. Under BAS/BFRS, all financial assets are required to be recognized at fair value. Accordingly, the Company has fair valued the financial assets under BAS/BFRS at the date of initial recognition. Difference between the fair value and transaction value of the financial assets was adjusted with income from liquidated damages.

NOTE 11: REVERSAL OF FOREIGN EXCHANGE LOSS

Under BAS Phase I and II, advance for CER was restated at each balance sheet date to recognize foreign exchange loss/gain. As per BAS 21 only monetary items need to be restated for impact of foreign exchange movement. Hence the net loss recognized under BAS Phase I and II has been reversed.

NOTE 12: EMPLOYEE BENEFIT OBLIGATION

Under BAS, the Company had recognized employee benefit obligations as per management's estimates. However, under BAS/BFRS, employee benefit obligations have been accounted for as per the requirement of BAS 19 and the actuarial valuation report.

NOTE 13: RECOGNITION OF CER REVENUE AND INTEREST THEREON

Under BAS Phase I and II, CER revenue was being recognized based on estimation. Under BFRS 15, revenue should be recognized when control is transferred from the seller to the purchaser, as such CER revenue is recognized when the CER units are transferred to the purchaser. Also, under BAS Phase I and II, advance from customer was recognized at their transaction value. Under BFRS 15, a significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract. Hence, revenue has been recognized as per BFRS 15.



NOTE 14: ADJUSTMENT OF REVENUE ON CONSTRUCTION CONTRACTS

Revenue has been recognised based on percentage of completion method and consequently profit margin has been recognised on project inventory and unbilled revenue as per BFRS 15.

NOTE 15: ENVIRONMENT RESTORATION BOND

Under the previous GAAP, environment restoration fund are recorded at their transaction value. Under BFRS, all financial assets are required to be recognised at fair value. Accordingly, the Company has fair valued these bonds under BFRS at the date of initial recognition. Difference between the fair value and transaction value of the investments has been recognised as unamortised mine cost and amortised over the period of the fund.

NOTE 16: INTEREST INCOME FOR SALE ON DEFERRED SETTLEMENT TERMS

Under previous GAAP, the Company did not recognise any income for deferred settlement terms. Interest income is recognised on accrual basis as per the requirements of BFRS 15.

NOTE 17: PRIOR PERIOD ITEMS

An entity shall correct material prior period errors retrospectively in the first set of financial statements authorised for issue after their discovery by restatement of financial statement. Hence the prior period expense has been adjusted in the respective year.

NOTE 18: UN-AMORTIZED ORIGATION FEES ADJUSTED WITH BORROWINGS AS PER EFFECTIVE INTEREST RATE (EIR) METHOD

Under previous GAAP, the Company is amortizing the processing charge on loan on a straight-line basis. However as per BFRS 9, the same has been calculated as per EIR method and Un-amortized portion of origination fees has been netted off with long-term borrowings.

NOTE 19: RECLASSIFICATION OF OTHER COMPREHENSIVE INCOME TO CWIP

As per BAS 16, the Company is required to capitalize the expenses directly attributable towards purchase/construction of fixed assets. Accordingly the items in OCI are transferred to CWIP as the same is directly attributable towards the construction of hydro power plant.

NOTE 20: PROPERTY, PLANT AND EQUIPMENT

Under BAS, the Company has recognised depreciation on property, plant and equipment has been provided based on the rates provided in the Income Tax act of the Bhutan. However under BFRS depreciation have been provided on the basis of the useful life of the asset as per the requirement of BAS 16.

NOTE 21: LOSS ON DISCARD OF PROPERTY, PLANT AND EQUIPMENT

Under BAS, the Company has not derecognised railway sidings under property, plant and equipment the title of which was surrendered in the year 2016. This has been derecognised as per BAS 16.



NOTE 22: LEASE RENTAL

Under BAS, the Company recognised lease rental as per the contractual terms. However as per BAS 17, lease income under an operating lease are to be recognised as an income on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

NOTE 23: INITIAL RECOGNITION OF FINANCIAL ASSET

As per BAS 32, deferred rent would meet the definition of financial asset. Further as per BAS 39, financial asset should initially be recognised at fair value. Hence deferred rent has been recognised at fair value and subsequent at amortised cost.

NOTE 24: GROUP INVESTMENT RESERVE

As per BAS 1, offsetting should be done when it would reflect the substance of the transaction or other event. Investment in DHI infra and group investment has been offset to reflect the substance of the transaction for which the group investment reserve was created.

34. EVENTS AFTER BALANCE SHEET DATE

On 13 February 2018, the board of directors proposed the dividend of Nu. 4,038.23 million for the financial year ended December 31, 2017 representing 8.79% on paid up capital.





STANDALONE FINANCIAL STATEMENTS 2017

AUDITORS' REPORT: STANDALONE FINANCIAL STATEMENTS 2017

ASA & ASSOCIATES LLP
CHARTERED ACCOUNTANTS
www.asa.in

INDEPENDENT AUDITORS' REPORT

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To

The Shareholders of Druk Holding and Investments Limited
Thimphu : Bhutan

Report on the Audit of the Standalone Financial Statements

Opinion

We have audited the standalone financial statements of Druk Holding and Investments Limited (the Company), which comprise the statement of financial position as at December 31, 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the standalone financial statements, including a summary of significant accounting policies.

In our opinion the accompanying standalone financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with Bhutanese Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of 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 in Bhutan 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.

Key Audit Matter(s)

Carrying value of investment in a Subsidiary company

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, 2017, 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, 2017. 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 four 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.

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 being put in place to improve the financial and operational performance of the subsidiary company.

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

Management is responsible for the preparation and fair presentation of the standalone financial statements in accordance with the Bhutanese Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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.



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

- 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.
- 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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.
- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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.



Report on Other Legal and Regulatory Requirements

As required by Section 266 of the Companies Act 2016 we enclose in the Annexure a statement on Minimum Audit Examination and Reporting Requirement to the extent applicable.

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 auditor's report is D K Giridharan.

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



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

Date: 14-2-2018
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) There are no undisputed outstanding amount payable in respect of contractor taxes/ health tax/ salary tax. etc. at the yearend.
- 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, 2017.
- 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 37 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 2017 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	2017	2016
Earnings per share	(Profit After Tax/ No. of shares issued)	11.95	11.27
Net Profit Ratio (%)	(Net Profit/ Turnover * 100)	68.67	68.82
Return on Assets (%)	(Net Profit/ Total Assets *100)	9.59	9.32
Return on Equity (%)	(Net Profit/ Owner's Equity *100)	9.92	9.72
Dividend Coverage Ratio	(Net Profit available to equity shareholders/ Dividend paid to Equity shareholders)	1.35	1.34
Dividend Payout Ratio (%)	(Dividend per share/ Earnings per share *100)	73.54	74.43
Current Ratio	Current Asset/ Current Liability	4.44	2.92

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 2017

(All figures in Bhutanese Ngultrums unless otherwise stated)

Particulars	Notes	As on December 31, 2017	As on December 31, 2016	As on January 1, 2016
ASSETS				
Non-current Assets -				
Property, Plant and Equipment	2	68,510,850	47,100,897	18,918,024
Intangible Assets	2	644,659	3,626,492	6,839,015
Capital Work-In-Progress	2	12,366,864	12,311,362	12,311,362
Investments	3	51,038,286,180	49,494,462,523	49,439,824,188
Deferred Tax Asset	16	-	-	-
Net Employee Benefit Assets - Gratuity	14	-	2,831,171	2,326,165
Net Employee Benefit Assets - Annual Leave Accumulation	14	763,351	538,979	-
Loans	4	-	-	14,568,372
Other Receivables	5	90,000	61,749	1,785,342
Other Non-current Assets	6	85,995,710	13,952,963	2,242,219
Total Non-current Assets		51,206,657,614	49,574,886,136	49,498,814,687
Current Assets -				
Trade and Other Receivables	7	7,345,874	6,304,798	293,021
Cash and Cash Equivalents	8	1,313,528,144	1,002,314,639	368,005,677
Loans	9	1,161,266,657	899,384,283	168,760,501
Advance to Ministry of Finance	10	3,033,831,009	3,033,831,009	4,143,831,009
Other Current Assets	11	1,890,045	1,778,861	773,487
Total Current Assets		5,517,861,729	4,943,613,590	4,681,663,695
Total Assets		56,724,519,343	54,518,499,726	54,180,478,382
EQUITY AND LIABILITIES				
Capital and Reserves -				
Share Capital	12	45,946,202,900	45,087,589,800	45,067,716,900
Retained Earnings	13(a)	3,002,210,034	3,000,229,807	3,000,469,028
General Reserve	13(b)	4,398,888,594	2,998,563,007	1,698,533,577
Other Comprehensive Income (OCI)	13(c)	1,484,999,455	1,207,627,246	1,227,419,701
Total Equity		54,832,300,983	52,294,009,860	50,994,139,206
Non-current Liabilities -				
Entrepreneurship Promotion Fund	15	10,517,295	9,363,291	8,054,164
Net Employee Benefit Obligations - Gratuity	14	51,113	-	798,182
Deferred Tax Liabilities	16	637,102,307	517,311,427	525,775,259
Non current liabilities	17	2,706,270	3,443,976	4,181,682
Total Non-current Liabilities		650,376,985	530,118,694	538,809,287
Current Liabilities -				
Trade and Other Payables	18	29,324,544	18,268,623	17,800,806
Net Employee Benefit Obligations - Annual Leave Accumulation	14	-	-	27,056
Net Current Tax Liabilities	19	1,199,228,939	922,702,638	383,656,506
Other Current Liabilities	20	13,287,892	753,399,911	2,246,045,521
Total Current Liabilities		1,241,841,375	1,694,371,172	2,647,529,889
Total of Equity and Liabilities		56,724,519,343	54,518,499,726	54,180,478,382

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

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


Dasho Sangay Khundu
Chairman


Karma Y. Raydi
Chief Executive Officer

D. K. Giridharan
Partner
Membership No. 028738
Place: Chennai
Date :14-February 2018




Tashi Lhamo
Director, Finance
Place :Thimphu
Date : 13-February 2018



Tenzin Dhendup
Board Director
Place :Thimphu

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

(All figures in Bhutanese Ngultrums unless otherwise stated)			
	Notes	For year ended December 31, 2017	For year ended December 31, 2016
PROFIT OR LOSS -			
INCOME :			
Dividend Income	21	7,594,056,913	7,192,148,863
Consultancy Income		-	500,000
Brand Management Fee		184,143,544	99,581,253
Other Income	22	18,623,370	19,235,574
Finance Income	23	126,158,681	74,215,851
Total Income		7,922,982,508	7,385,681,541
EXPENDITURE :			
Operation and Maintenance Expenses	24	3,674,121	4,520,962
Employee Benefits Expense	25	68,188,746	71,336,737
Other Expenses	26	74,929,694	37,779,184
Finance Costs	27	775,587	714,996
Depreciation and Amortisation Expenses	2	8,385,027	7,840,509
Total Expenditure		155,953,176	122,192,388
Profit Before Tax		7,767,029,332	7,263,489,153
Income Tax Expense	28	2,326,057,641	2,180,928,659
Profit After Tax		5,440,971,691	5,082,560,494
OTHER COMPREHENSIVE INCOME -			
Items that will not be reclassified to profit or loss			
Actuarial Gain (Loss) on Post Employment	14	(3,196,507)	330,985
Fair value gain/(loss) on Equity Investment measured through FVOCI		399,442,520	(28,605,920)
Income Tax Expense/(benefit)	28	(118,873,804)	8,482,480
Net Other Comprehensive Income (Expense)		277,372,209	(19,792,455)
Total Comprehensive Income		5,718,343,900	5,062,768,039
Basic and Diluted Earnings per Share	29	11.95	11.27

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

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


Dasho Sangay Khandu
Chairman


Karma Y. Raydi
Chief Executive Officer


D. K. Giridharan
Partner
Membership No. 028738
Place: Chennai
Date :13-February 2018




Tashi Lhamo
Director, Finance
Place :Thimphu
Date : 13-February 2018

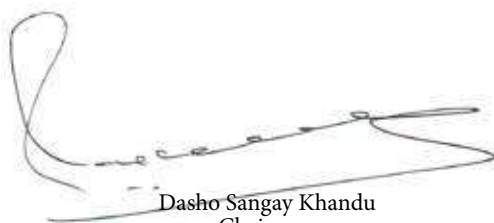

Tenzin Dhendup
Board Director

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017

(All figures in Bhutanese Ngultrums unless otherwise stated)		
	Year Ended 31 December 2017	Year Ended 31 December 2016
Cash Flows from Operating Activities -		
Dividends Received	7,594,056,913	7,002,148,863
Consultancy Income	-	500,000
Brand Management Fee	184,143,544	99,581,253
Interest Income	88,542,642	34,572,582
Other Incomes	17,816,859	21,963,447
Expenses	(130,749,973)	(108,218,395)
Interest Paid	(55,125)	(75,832)
Cash Flow from Operations	7,753,754,860	7,050,471,918
Tax Paid	(2,048,635,513)	(1,641,948,238)
Net Cash Generated by Operating Activities	5,705,119,347	5,408,523,680
Cash Flows from Investment Activities -		
Addition to Employee Benefits Assets	(2,569,369)	(2,888,867)
Increase in Equity Investments	(312,310,000)	(294,670,000)
Increase in Long Term Deposit	-	1,500,000
Addition to Fixed Assets	(1,104,217)	(13,087,146)
Net Cash Used in Investment Activities	(315,983,586)	(309,146,013)
Cash Flows from Financing Activities -		
Loans, Advances and Recoveries from Group Companies	-	1,851,468,602
Loans and Advances Provided to Group Companies	(1,039,702,305)	(3,644,563,497)
Net Security Deposit Received (Refunded)	12,386	146,512
New Security Deposit Provided	-	(20,000)
Dividend Paid to Ministry of Finance	(4,038,232,337)	(3,782,100,322)
Repayment of Loans to Group Companies	-	-
Decrease (Increase) in Advance to Ministry of Finance	-	1,110,000,000
Net Cash Used in Financing Activities	(5,077,922,256)	(4,465,068,705)
Net Increase (Decrease) in Cash and Cash Equivalents	311,213,505	634,308,962
Cash and Cash Equivalents at the beginning of the year	1,002,314,639	368,005,677
Cash and Cash Equivalents at the end of the year (Refer Note 11)	1,313,528,144	1,002,314,639

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

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



Dasho Sangay Khandu
Chairman


Karma Y. Raydi
Chief Executive Officer

D. K. Giridharan
Partner
Membership No. 028738
Place : Chennai
Date : 14-February 2018




Tashi Lhamo
Director, Finance
Place : Thimphu
Date : 13-February 2018


Tenzin Dhendup
Board Director
Place: Thimphu

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

(All figures in Bhutanese Ngultrums unless otherwise stated)

	Ordinary Shares			Retained Earnings	General Reserve	OCI	Total
	No. of Shares (issued and fully paid up)	Par value per Share	Total Value of Shares				
Balance as at 1 January 2017	450,875,898	100	45,087,589,800	3,000,229,807	2,998,563,007	1,207,627,246	52,294,009,860
Profit after income-tax	-	-	-	5,440,971,691	-	-	5,440,971,691
Other comprehensive income (expense) for the year	-	-	-	-	-	277,372,209	277,372,209
Dividends paid	-	-	-	(4,038,232,337)	-	-	(4,038,232,337)
Shares allotted to MoF	8,586,131	100	858,613,100	-	-	-	858,613,100
Transferred to General Reserve	-	-	-	(1,400,325,587)	1,400,325,587	-	-
Transferred to Entrepreneurship Promotion Fund	-	-	-	(433,542)	-	-	(433,542)
Balance as at 31 December 2017	459,462,029	100	45,946,202,900	3,002,210,034	4,398,888,594	1,484,999,455	54,832,300,982

	Ordinary Shares			Retained Earnings	General Reserve	OCI	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	3,000,469,028	1,698,533,577	1,227,419,701	50,994,139,206
Profit after income-tax	-	-	-	5,082,560,494	-	-	5,082,560,494
Other comprehensive income (expense) for the year	-	-	-	-	-	(19,792,455)	(19,792,455)
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	3,000,229,807	2,998,563,007	1,207,627,246	52,294,009,860

AUTHORIZED CAPITAL :

Authorized Share capital	As at 31 December		
	2017	2016	2015
5,000,000,000 equity shares of Nu. 100/- each	500,000,000,000	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

(All figures in Bhutanese Ngultrums unless otherwise stated)

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, 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, 2017 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 2017.

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 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



5

(All figures in Bhutanese Ngultrums unless otherwise stated)

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 except investments other than in subsidiary, associate and joint venture companies, where the investments are measured at market value and the net gain or loss reflected in Other Comprehensive Income as per BFRS-9.

The functional currency is the Bhutanese Ngultrum.

c) Application of Bhutanese Accounting Standards

The Company has early adopted in full all the standards (early adopted from 1 January 2017 those standards of phase III of BAS implementation which are applicable as per AASBB from 1 January 2018) that are applicable in line with its business operation prescribed in BAS 1 as issued by AASBB.

d) Transition to Full BAS

These are the Company's first financial statements prepared in accordance with complete full BAS.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 December, 2017, the comparative information presented in these financial statements for the year ended 31 December, 2016 and in the preparation of an opening Full BAS statement of financial position as at 1 January, 2016 (The company's date of transition). In preparing its opening Full BAS statement of financial position, the company has adjusted the amounts reported previously in financial statements prepared in accordance with previous GAAP.

An explanation of how the transition from previous GAAP to Full BAS has affected the company's financial position, financial performance and cash flows is set out in note 36 to the attached financial statements.

e) Exemptions and exceptions availed

BFRS 1 requires that all BAS and BFRS effective for the first full BAS financial statements to be applied constitutently and retrospectively for all fiscal years presented. However, the standard provides some exceptions and exemptions to this general requirement in specific cases.

Set out below are the applicable BFRS 1 optional exemptions and mandatory exceptions applied in the transition from previous GAAP to full BAS.



(All figures in Bhutanese Ngultrums unless otherwise stated)

e.1 Full BAS optional exemptions

e.1.1 Investments in subsidiaries and joint ventures

In separate financial statements, a first-time adopter that subsequently measures an investment in a subsidiaries, associates and joint ventures at cost, may measure such investment at cost (determined in accordance with BAS 27) or deemed cost (fair value or previous GAAP carrying amount) in its separate opening full BAS balance sheet. Selection of fair value or previous GAAP carrying amount for determining deemed cost can be done for each subsidiary, associate and joint venture.

Accordingly, the Company has elected to measure all of its investment in associates and subsidiaries at their previous GAAP carrying value.

e.1.2 Property, plant and equipment

A first-time adopter that subsequently measures property, plant and equipment at cost, may measure such property, plant and equipment at cost (determined in accordance with BAS 16) or fair value in its opening Full BAS balance sheet.

Accordingly, the Company has elected to measure all of its property, plant and equipment as per BAS 16.

e.1.3 As under BFRS 3 an entity may elect not to apply BFRS 3 retrospectively to all business combinations that occurred before the date of transaction to full BAS.

e.1.4 As per BFRS 9 impairment requirements under BFRS 9 should be applied retrospectively based on the reasonable and supportable information that is available on transition date without undue cost or effort. The company has applied the impairment requirements retrospectively.

e.2 Full BAS mandatory exceptions

e.2.1 Estimates

An entity's estimates in accordance with full BAS at the date of transition to full BAS shall be consistent with estimates made for the same date in accordance with previous GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error. Estimates as per full BAS at 1 January 2016 are consistent with the estimates as at the same date made in conformity with previous GAAP.

e.2.2 Classification and measurement of financial assets

BFRS 1 requires an entity to assess classification and measurement of financial assets on the basis of the fact and circumstances that exists at the date of transition to full BAS.

f) 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.



(All figures in Bhutanese Ngultrums unless otherwise stated)

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.



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 2017 -							
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 1 January 2017	22,327,160	1,947,404	280,340	6,885,112	1,317,918	14,342,963	47,100,897
Changes in the Book Value during the year -							
Additions	25,791,035	36,327	-	816,490	-	2,654,254	29,298,106
Deletion / Adjustments	-	(91,682)	(13,400)	-	(3,470)	(3,232,375)	(3,340,927)
Depreciation on Deletion / Adjustments	-	68,743	10,273	-	2,931	578,121	660,068
Depreciation for the year	-	(361,305)	(50,541)	(3,259,399)	(255,335)	(1,280,714)	(5,207,294)
Total Changes	25,791,035	(347,917)	(53,668)	(2,442,909)	(255,874)	(1,280,714)	21,409,953
Balance as at 31 December 2017 -							
Cost	48,118,195	4,095,248	581,163	23,922,749	2,813,069	19,527,241	99,057,665
Accumulated Depreciation	-	(2,495,761)	(354,491)	(19,480,546)	(1,751,025)	(6,464,992)	(30,546,815)
Book Value as at 31 December 2017	48,118,195	1,599,487	226,672	4,442,203	1,062,044	13,062,249	68,510,850

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 2017 DHI got the ownership of 39 plots of land transferred from its subsidiaries for a total amount of Nu. 25,791,035/- through book adjustments as per Boards approval for which an aggregate value of shares of Nu. 25,791,100/- has been allotted to its share holder MoF. The relevant adjustment entries have been duly communicated to the Registrar of Companies (RoC) and MoF in 2016.

Physical verification of all assets was carried out in 2017 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 2017.

(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 2017 -	
Cost	16,088,809
Accumulated Amortization	(12,462,317)
Book Value as at 1 January 2017	3,626,492
Changes in the Book Value during the year -	
Additions	195,900
Deletion / Adjustments	-
Amortization on Deletion / Adjustments	-
Amortization for the year	(3,177,733)
Total Changes	(2,981,833)
Balance as at 31 December 2017 -	
Cost	16,284,709
Accumulated Amortization	(15,640,050)
Book Value as at 31 December 2017	644,659



(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 - will be assessed by the board at every balance sheet date.

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

	Office Building	Total
Balance as at 1 January 2017	12,311,365	12,311,365
Additions	-	-
Capitalization / Adjustment	-	-
Balance as at 31 December 2017	12,311,365	12,311,365
	Azista Bhutan	Total
Balance as at 1 January 2017	-	-
Additions	55,500	55,500
Capitalization / Adjustment	-	-
Balance as at 31 December 2017	55,500	55,500

Azista Bhutan - Is a Joint Venture between DHI and Azista Industries Private Limited (AIPL) to establish a pharmaceutical manufacturing company in Bhutan. The 76th Board meeting held on 10th July 2017 approved the shareholding of 28% DHI and 72% AIPL. The initial expenses met for this project would be adjusted with DHI equity on allotment in the project. Hence Nu. 55,500 has been considered as expenses for Project under construction.



3. INVESTMENTS

(All figures in Bhutanese Ngultrums unless other stated)									
	2017			2016			1-Jan-16		
	% of Holding	Number of Shares	December 31, 2017	% of Holding	Number of Shares	December 31, 2016	Face Value per Share	Number of Shares	Friday, January 01, 2016
A) INVESTMENTS IN SUBSIDIARIES -									
Quoted - Equity Shares fully paid up -									
Bhutan Board Products Ltd. (Refer Note b below)	58%	6,683,340	66,833,400	58%	6,683,340	66,833,400	10	6,683,340	66,833,400
State Trading Corporation of Bhutan Ltd. (Refer Note b below)	55%	9,176,050	10,195,611	55%	9,176,050	10,195,611	10	9,176,050	10,195,611
Dungsam Polymers Ltd. (Refer Note I below)	51%	4,218,900	42,819,026	51%	4,218,900	42,819,026	10	4,218,900	42,819,026
Penden Cement Authority Ltd. (Refer Note c below)	40%	13,710,740	91,404,900	40%	13,710,740	91,404,900	10	13,710,740	91,404,900
Unquoted - Equity Shares fully paid up -									
Bank of Bhutan Ltd.	80%	24,000,000	240,000,000	80%	24,000,000	240,000,000	100	12,000,000	240,000,000
Bhutan Telecom Ltd.	100%	854,082	854,082,000	100%	854,082	854,082,000	1,000	854,082	854,082,000
Druk Green Power Corporation Ltd. (Refer Note h Below)	100%	31,545,688	31,545,688,000	100%	30,712,866	30,712,866,000	1,000	30,712,866	30,712,866,000
Druk Air Corporation Ltd.	100%	22,252,111	2,225,211,100	100%	22,252,111	2,225,211,100	100	22,252,111	2,225,211,100
Natural Resources Development Corporation Ltd.	100%	450,000	45,000,000	100%	450,000	45,000,000	100	450,000	45,000,000
Bhutan Power Corporation Ltd. (Refer Note f below)	100%	8,225,118	7,350,600,000	100%	8,225,118	7,350,600,000	1,000	8,225,118	7,350,600,000
Dungsam Cement Corporation Ltd. (Refer Note b below)	80%	46,739,479	4,673,947,900	80%	46,739,479	4,673,947,900	100	50,739,479	5,073,947,900
Thimphu TechPark Ltd. (Refer Note b and d below)	100%	1,305,961	117,714,588	100%	960,761	83,194,588	100	960,761	83,194,588
State Mining Corporation Ltd. (Refer Note d below)	100%	2,439,900	243,990,000	100%	1,359,900	135,990,000	100	455,800	45,580,000
Wood Craft Center Ltd.	100%	733,177	73,317,700	100%	733,177	73,317,700	100	733,177	73,317,700
Construction Development Corporation Ltd. (Refer Note d)	100%	995,433	995,433,000	100%	825,643	825,643,000	1,000	421,383	421,383,000
Koufuku International Ltd. (Refer note e below)	80%	150,000	15,000,000						
Total Investments in Subsidiaries			48,591,237,225			47,431,105,225			47,346,435,225



(All figures in Bhutanese Ngultrums unless other stated)

	2017			2016			1-Jan-16
	Face Value % of Holding	Number of Shares	December 31, 2017	Face Value % of Holding	Number of Shares	December 31, 2016	Friday, January 01, 2016
B) INVESTMENTS IN ASSOCIATES -							
Quoted - Equity Shares fully paid up -							
Bhutan Ferro Alloys Ltd.	26%	10	3,859,460	26%	10	3,859,460	38,594,600
Unquoted - Equity Shares fully paid up -							
Koufuku International Private Ltd. (Refer note e below)			-	30%	100	150,000	15,000,000
Total Investments in Associates			38,594,600			53,594,600	53,594,600
C) OTHER INVESTMENTS -							
Quoted - Equity Shares fully paid up -							
Bhutan National Bank Ltd. (Refer Note I below)	12%	10	40,819,960	12%	10	40,819,960	1,183,778,840
Royal Insurance Corporation of Bhutan Ltd. (Refer Note I below)	18%	10	22,097,500	18%	10	22,097,500	830,866,000
Total			2,385,481,440			1,986,038,920	2,014,644,840
Investments in EPF Assets (Refer Note 15) -							
Bank balance			71,028			232,937	78,159
Term deposits			8,800,000			13,825,000	20,765,000
Accrued interest			380,992			760,541	305,356
Contribution to Loden-DHI Fund (Refer Note g below)			13,720,895			8,905,300	4,001,008
Total			22,972,915			23,723,778	25,149,523
Total Other Investments			2,408,454,355			2,009,762,698	2,039,794,363
Total Investments (A+B+C)			51,038,286,181			49,494,462,523	49,439,824,188
Aggregate value of Quoted Investments			2,635,328,977			2,235,886,457	2,264,492,377
Aggregate value of Unquoted Investments			48,402,957,203			47,258,576,066	47,175,331,811
Market Value of Quoted Investments			51,038,286,180			49,494,462,523	Total 49,439,824,188
			3,806,749,195			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 and BTL holds 100% of the shares. 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 2017, Druk Holding and Investments Ltd. (DHI) has injected as equity Nu. 108,000,000/- into State Mining Corporation Ltd. (SMCL), Nu. 169,790,000/- into Construction Development Corporation Ltd. (CDCL) and into Thimphu Tech Park Ltd. (TTPL) Nu. 34,520,000/- from its internal accruals.
- e) During the year restructuring of KIL was carried out and shareholding of SNBL reduced from 70% to 14.99%, and DHI shareholding was increased to 80% from 30% and also a new shareholder (Sano Unyu Company Ltd, a company incorporated in Japan) was introduced with shareholding of 5.01% without any consideration being paid by both DHI and SUCL to SNBL.
- 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 par 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 par with the Dungsam Cement Corporation Limited Corporate Bond of Series - III for amount of Nu. 1,500,000,000/-.
- g) During the year 2015, DHI management entered into an agreement with The Loden Foundation and created Loden-DHI Fund to provide alternative access to the entrepreneurs in obtaining finance to start a new business or for expansion / growth of the existing business leading to employment generation and economic development of the nation. The Loden Foundation shall be solely responsible for the management of the fund as per the agreed conditions between DHI and Loden and will operate in line with the existing Loden Entrepreneurship Programme guidelines. As per the agreement DHI needs to contribute Nu. 20,000,000/- in three consecutive years starting from the year 2015. Following this, DHI contributed Nu. 20,000,000/- to Loden-DHI Fund till 31 December 2017. With Full adoption of BAS investment in EPF is fair valued.
- I) During the year 2015 DHI provided Intercompany loan of Nu 15,000,000/- to Dungsam Polymers Limited for two years, BFRS-9 requires loan to be fairvalued the loan has been fairvalued accordingly. BFRS-9 also requires fair valuation of investments in BNBL and RICBL thus the change in investments is due to change in share prices every closing period i.e. on 31st December every year.



4. LOAN TO - NON CURRENT

<i>(All figures in Bhutanese Ngultrums unless other stated)</i>			
	As on December 31, 2017	As on December 31, 2016	As on January 1, 2016
subsidiary company	-	-	14,568,372
	-	-	14,568,372

5. OTHER RECEIVABLE - NON-CURRENT

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

	As on December 31, 2017	As on December 31, 2016	As on January 1, 2016
Security deposits paid to third parties -			
Deposit with Bhutan Oil Distributor for vehicle fuel	90,000	61,749	70,000
Accrued Income			
Long term deposit	-	-	1,500,000
Accrued income on long term deposit	-	-	215,342
	90,000	61,749	1,785,342

6. OTHER NON-CURRENT ASSETS

	As on December 31, 2017	As on December 31, 2016	As on January 1, 2016
Advances provided for projects	82,400,000	10,680,000	-
Deferred Donation Expenses	3,595,710	3,272,963	2,152,474
Prepayments	-	-	89,745
	85,995,710	13,952,963	2,242,219

During the year 2016 DHI undertook Amochu Land Development and Township Project (ALDTP) through its subsidiary CDCL. A sum of Nu. 82,400,000/- has been paid to CDCL in this regard till 31 December 2017.

7. TRADE AND OTHER RECEIVABLES - CURRENT

	As on December 31, 2017	As on December 31, 2016	As on January 1, 2016
Trade receivables -			
Trade receivables from third parties	513,335	-	-
Inter-company trade receivable	6,832,539	6,304,798	293,021
	7,345,874	6,304,798	293,021
			0
	7,345,874	6,304,798	293,021



8. CASH AND CASH EQUIVALENTS

(All figures in Bhutanese Ngultrums unless other stated)			
	As on December 31, 2017	As on December 31, 2016	As on January 1, 2016
Bank balances -			
Local banks - Others	81,870,476	12,504	10,000
Balances with BOBL (Inter-company) - Others	218,689,846	2,708,103	3,979,896
Balances with BOBL (Inter-company) - BFF	1,500	-	-
	300,561,821	2,720,607	3,989,896
Short term bank deposits -			
Short-term deposits with BNBL -			
Term deposits - Others	76,190,000	121,500,000	363,000,000
Accrued interest - Others	1,765,085	2,812,388	1,015,781
	77,955,085	124,312,388	364,015,781
Short-term deposits with BOBL (Inter-company) -			
Term deposits - Others	930,920,000	870,000,000	-
Accrued interest - Others	4,091,237	5,281,644	-
	935,011,237	875,281,644	-
	1,313,528,144	1,002,314,639	368,005,677

Cash and Cash Equivalents

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

9. LOAN - CURRENT

	As on December 31, 2017	As on December 31, 2016	As on January 1, 2016
Loan to subsidiary company (including interest accrued)	1,161,266,657	899,384,283	168,760,501
	1,161,266,657	899,384,283	168,760,501

10. 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. This arrangement has stopped from the financial year 2017 and advance with MoF in the books of DHI is same as that of 2016.

11. OTHER CURRENT ASSETS

	As on December 31, 2017	As on December 31, 2016	As on January 1, 2016
Advances provided for projects	-	-	-
Advance to subsidiary company	-	-	-
Advance payments to employees	235,481	503,980	49,666
Deferred Donation Expenses	1,610,933	1,138,198	588,354
Prepayments	43,631	136,683	135,467
	1,890,045	1,778,861	773,487



ISSUED CAPITAL, RETAINED EARNINGS AND GENERAL RESERVE

12. ISSUED CAPITAL -

<i>(All figures in Bhutanese Ngultrums unless other stated)</i>			
	As on December 31, 2017	As on December 31, 2016	As on January 1, 2016
Authorized Capital	500,000,000,000	500,000,000,000	500,000,000,000
Issued Capital -			
459,462,029 fully paid ordinary shares of Nu. 100/- each (31 December 2016: 450,875,898)	45,946,202,900	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 2017, DHI got the ownership of additional 39 plots of land transferred from its subsidiaries for a total amount of Nu. 25,791,035/- through book adjustments for which an aggregate value of shares of Nu. 25,791,100/- (257,911 number of shares of Nu. 100/- each) has been allotted to its share holder MoF. Further during the year 2017 DGPC received Nu. 832,822,000/- from Government of India for onward injection as equity to the Kholongchhu Hydro Energy Limited (KHEL) which was allotted to DHI and DHI further allotted 8,328,220 number of shares to MOF for this.

13. RETAINED EARNINGS AND GENERAL RESERVE

A) RETAINED EARNINGS

	As on December 31, 2017	As on December 31, 2016	As on January 1, 2016
Opening Balance	3,000,124,163	3,000,355,852.00	2,999,981,965
Profit after income-tax	5,441,077,337	5,082,673,670	4,322,869,076
Dividends paid	(4,038,232,337)	(3,782,100,322.00)	(3,689,738,830)
Transferred to General Reserve	(1,400,325,587)	(1,300,029,430.00)	(631,600,876)
Transferred to Entrepreneurship Promotion Fund	(433,542)	(669,963.00)	(1,042,307)
	3,002,210,034	3,000,229,807	3,000,469,028

B) GENERAL RESERVE

	As on December 31, 2017	As on December 31, 2016	As on January 1, 2016
Opening Balance	2,998,563,007	1,698,533,577	1,066,932,701
Transferred from retained earnings	1,400,325,587	1,300,029,430	631,600,876
	4,398,888,594	2,998,563,007	1,698,533,577

C) OTHER COMPREHENSIVE INCOME

	As on December 31, 2017	As on December 31, 2016	As on January 1, 2016
Actuarial Gain (Loss) on Post Employment			
Opening Balance	(142,198)	(373,887)	-
Gain (Loss) during the year	(2,237,555)	231,689	(373,887)
Equity Investment classified as FVOCI			
Opening Balance	1,207,769,444	1,227,793,588	970,289,516
Gain (Loss) during the year	279,609,764	(20,024,144)	257,504,072
	1,484,999,455	1,207,627,246	1,227,419,701

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



14. EMPLOYEE BENEFITS

(All figures in Bhutanese Ngultrums unless otherwise stated)

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 2017 was Nu. 2,099,558/- (2016 Nu. 2,233,828/-).

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	2017	2016	2015
Current service cost	1,212,400	889,376	823,681
Net interest on net defined benefit liability / (asset)	(269,845)	(214,546)	(266,558)
Cost recognised in Statement of Profit or Loss	942,555	674,830	557,123
ii) Other Comprehensive Income (OCI)	2017	2016	2015
Actuarial (gain)/loss due to liability experience	32,044	880,728	245,737
Actuarial (gain)/loss due to liability assumption changes	2,190,577	(219,678)	(109,511)
Return on plan assets (greater)/less than discount rate	973,886	(992,035)	397,900
Actuarial (gains)/ losses recognized in OCI	3,196,507	(330,985)	534,126
Cumulative Actuarial (Gain) Loss Recognized via OCI at Current Period End	3,196,507	(330,985)	534,126
iii) Statement of Financial Position	2017	2016	2015
Defined benefit obligation (DBO)	(7,632,498)	(4,486,850)	(3,489,133)
Fair value of plan assets (FVA)	7,581,385	7,318,021	5,815,298
Funded status [surplus/(deficit)]	(51,113)	2,831,171	2,326,165
Net defined benefit asset (DBA)	(51,113)	2,831,171	2,326,165
iv) Movements in the Present Value of Defined Benefit Obligation	2017	2016	2015
Opening Defined Benefit Obligation	4,486,850	3,489,133	2,473,553
Current service cost	1,212,400	889,375	823,681
Interest cost	325,976	241,190	187,784
Actuarial loss on experience adjusted	32,044	880,728	245,737
Benefits paid by the plan	(615,240)	(793,838)	(132,112)
Actuarial (gain)/loss due to change in demographic assumptions	2,190,577	(219,678)	-
Benefits paid by the employer	(110)	(60)	-
Closing Defined Benefit Obligation	7,632,497	4,486,850	3,489,133

(All figures in Bhutanese Ngultrums unless otherwise stated)

v) Movements in the Fair Value of Plan Assets	2017	2016	2015
Opening Fair Value of Plan Assets	7,318,022	5,815,298	5,890,966
Income on assets at the discount rate	595,821	455,736	454,344
Actual interest less than discount rate	(973,885)	992,035	(397,900)
Contribution by DHI	1,256,668	848,791	-
Benefits paid by the plan	(615,240)	(793,838)	(132,112)
Closing Fair Value of Plan Assets	7,581,386	7,318,022	5,815,298
vi) Expected Benefit Payments as at 31 December 2017			
31 December 2018 (Retirement Benefit Obligations - Current)			2,309,616
31 December 2019			5,429,988
31 December 2020			1,631,187
32 December 2021			899,215
32 December 2022			609,808
31 December 2023 to 31 December 2027			4,021,439
vii) 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
viii) Weighted Average Duration of Defined Benefit Obligation			
	7.56 Years	9.83 Years	13.96 Years
	2017	2016	2015
ix) Accrued Benefit Obligation at 31 December	5,804,864	2,867,469	1,910,193
x) Plan Asset Information (Asset Allocation in Percentage)			
	2017	2016	2015
Insurance Policy with RICBL	91.90%	95.68%	88.35%
Gratuity Fund with BIL	8.00%	4.11%	11.60%
Balance in Current Account	0.10%	0.21%	0.05%
Total	100.00%	100.00%	100.00%
xi) Sensitivity Analysis			
I) Discount Rate -	2017	2016	2015
Discount Rate as at 31 December	7.80%	7.80%	7.80%
Effect on DBO due to 0.5% increase in Discount Rate	7,528,430	4,353,376	3,317,182
Effect on DBO due to 0.5% decrease in Discount Rate	7,742,087	4,628,151	3,674,460
II) Salary Escalation Rate -	2017	2016	2015
Salary Escalation Rate as at 31 December	10.00%	10.00%	10.00%
Effect on DBO due to 1% increase in Salary Escalation Rate	7,830,476	4,635,845	3,585,332
Effect on DBO due to 1% decrease in Salary Escalation Rate	7,434,543	4,333,708	3,378,859
III) Attrition Rate -	2017	2016	2015
Attrition Rate as at 31 December	10.00%	11.00%	5.00%
Effect on DBO due to 1% increase in Attrition Rate	7,530,550	4,439,689	3,479,997
Effect on DBO due to 1% decrease in Attrition Rate	7,736,172	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	2017	2016	2015
Current service cost	321,632	497,116	825,238
Net interest on net defined benefit liability / (asset)	(61,540)	(6,816)	-
Remesurement (gains) / losses	15,536	(29,279)	-
Cost recognised in Statement of Profit or Loss	275,628	461,021	825,238
ii) Statement of Financial Position	2017	2016	2015
Defined benefit obligation (DBO)	(1,643,986)	(1,322,354)	(825,238)
Fair value of plan assets (FVA)	2,407,337	1,861,333	-
Funded status [surplus/(deficit)]	763,351	538,979	(825,238)
Net defined benefit asset (DBA)	763,351	538,979	(825,238)
iii) Movements in the Present Value of Defined Benefit Obligation	2017	2016	2015
Opening Defined Benefit Obligation	1,322,354	825,238	-
Current service cost	321,632	497,116	825,238
Interest cost	97,823	61,782	-
Actuarial (Gains)/loss due to plan experience	191,809	110,719	-
Benefits paid by the plan	(136,434)	(66,318)	-
Actuarial (gain)/loss due to change in demographic assumptions	(153,198)	(106,183)	-
Closing Defined Benefit Obligation	1,643,986	1,322,354	825,238
iv) Movements in the Fair Value of Plan Assets	2017	2016	2015
Opening Fair Value of Plan Assets	1,861,333	-	-
Income on assets at the discount rate	159,363	68,598	-
Actual interest less than discount rate	23,075	33,815	-
Contribution by DHI	500,000	1,825,238	-
Benefits paid by the plan	(136,434)	(66,318)	-
Closing Fair Value of Plan Assets	2,407,337	1,861,333	-



v) Expected Benefit Payments as at 31 December 2017		<i>(All figures in Bhutanese Ngultrums unless otherwise stated)</i>		
31 December 2018 (Retirement Benefit Obligations - Current)				450,540
31 December 2019				657,629
31 December 2020				171,174
31 December 2021				65,935
31 December 2022				51,059
31 December 2023 to 31 December 2027				256,570
		2017	2016	2015
vi) Weighted Average Duration of Defined Benefit Obligation		6.70 Years	8.06 Years	-
		2017	2016	2015
vii) Accrued Benefit Obligation at 31 December		1,175,505	756,807	264,657
viii) Plan Asset Information (Asset Allocation in Percentage)		2017	2016	2015
Investment with RICBL		100.00%	100.00%	-
Balance in Current Account		0.00%	0.00%	-
Total		100.00%	100.00%	-
ix) Sensitivity Analysis				
I) Discount Rate -		2017	2016	2015
Discount Rate as at 31 December		7.80%	7.80%	-
Effect on DBO due to 0.5% increase in Discount Rate		1,613,946	1,282,438	-
Effect on DBO due to 0.5% decrease in Discount Rate		1,676,093	1,364,865	-
II) Salary Escalation Rate -		2017	2016	2015
Salary Escalation Rate as at 31 December		10.00%	10.00%	-
Effect on DBO due to 1% increase in Salary Escalation Rate		1,718,229	1,414,933	-
Effect on DBO due to 1% decrease in Salary Escalation Rate		1,577,117	1,238,994	-
III) Attrition Rate -		2017	2016	2015
Attrition Rate as at 31 December		10.00%	11.00%	-
Effect on DBO due to 1% increase in Attrition Rate		1,627,307	1,311,531	-
Effect on DBO due to 1% decrease in Attrition Rate		1,661,985	1,334,575	-

15. 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. 20,000,000/- to Loden-DHI Fund till 31 December 2017.

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 :



(All figures in Bhutanese Ngultrums unless other stated)

EPF Assets -			
	As on December 31, 2017	As on December 31, 2016	As on January 1, 2016
Bank balance	71,028	232,937	78,159
Term deposits	8,800,000	13,825,000	20,765,000
Accrued interest	380,992	760,541	305,356
Contribution to Loden-DHI Fund	13,720,895	8,905,300	4,001,008
	22,972,915	23,723,778	25,149,523
EPF Fund -			
	As on December 31, 2017	As on December 31, 2016	As on January 1, 2016
Fund balance	21,265,275	20,544,813	19,905,649
Accumulation due to interest earned on term deposits (net off tax @ 30%)	4,252,020	3,818,478	3,148,515
	25,517,295	24,363,291	23,054,164
Less: DHI's contribution to the fund	15,000,000	15,000,000	15,000,000
Net fund balance	10,517,295	9,363,291	8,054,164

16. DEFERRED TAX LIABILITIES

	As on December 31, 2017	As on December 31, 2016	As on January 1, 2016
Deferred Tax Liabilities on account of :			
Fair Valuation of Investment	637,448,232	517,615,476	526,197,252
Total deferred tax liabilities (A)	637,448,232	517,615,476	526,197,252
Deferred Tax Assets on account of :			
Depreciation	345,925	304,049	421,993
Total deferred tax assets (B)	345,925	304,049	421,993
	637,102,307	517,311,427	525,775,259

17. OTHER NON CURRENT LIABILITIES

	As on December 31, 2017	As on December 31, 2016	As on January 1, 2016
Deferred income on EPF liability	2,706,270	3,443,976	4,181,682
	2,706,270	3,443,976	4,181,682

18. TRADE AND OTHER PAYABLES - CURRENT

	As on December 31, 2017	As on December 31, 2016	As on January 1, 2016
Trade payable to third parties	1,189,239	1,797,367	2,059,457
Inter-company trade payables	308,013	274,804	464,363
Employee payables	14,188,849	15,439,741	14,671,036
Outstanding liabilities - Audit fees	627,500	577,500	550,000
Outstanding liabilities - Other professional fee	189,246	25,000	20,000
Deposits received	194,849	154,211	35,950
Other liabilities - Payable to Others	12,626,848	-	-
	29,324,544	18,268,623	17,800,806



19. CURRENT TAX LIABILITIES

<i>(All figures in Bhutanese Ngultrums unless other stated)</i>			
As per Income-tax Rule	As on December 31, 2017	As on January 1, 2016	As on January 1, 2016
Tax liability (asset) as at the beginning of the year	922,702,638	383,656,506	108,691,699
Add : Tax liability for the current year	2,332,762,443	2,180,910,011	1,855,561,774
Less : Advance tax paid during the year	2,014,170,484	1,618,344,801	963,284,946
Less : Adjustment of tax deducted at source	42,065,658	23,519,078	617,312,021
Tax liability as at the end of the year	1,199,228,939	922,702,638	383,656,506

20. OTHER CURRENT LIABILITIES

	As on December 31, 2017	As on December 31, 2016	As on January 1, 2016
Advance received from subsidiary companies	12,550,000	12,640,771	10,000,000
Advance received from Druk Green Power Corporation Ltd.	-	740,000,000	1,835,200,000
Advance received from Bhutan Power Corporation Ltd.	-	-	400,000,000
Deferred income on EPF liability	737,706	737,706	739,727
TDS Payable	186	21,434	105,794
	13,287,892	753,399,911	2,246,045,521

21. DIVIDEND INCOME

	As on December 31, 2017	As on December 31, 2016
Dividend income from Subsidiaries -		
Bhutan Board Products Ltd.	-	5,346,672
State Trading Corporation of Bhutan Ltd.	16,516,890	13,764,075
Bank of Bhutan Ltd.	240,000,000	131,040,000
Bhutan Telecom Ltd.	685,381,144	490,806,576
Druk Green Power Corporation Ltd.	4,993,351,834	5,104,359,807
Bhutan Power Corporation Ltd.	1,449,029,909	1,281,655,159
Penden Cement Authority Ltd.	95,975,180	47,987,590
	7,480,254,957	7,074,959,879
Dividend income from Associates and Portfolios -		
Bhutan Ferro Alloys Ltd.	3,859,460	15,437,840
Bhutan National Bank Ltd.	54,698,746	57,556,144
Royal Insurance Corporation of Bhutan Ltd.	55,243,750	44,195,000
	113,801,956	117,188,984
	7,594,056,913	7,192,148,863

22. OTHER INCOME

	As on December 31, 2017	As on December 31, 2016
Sale of tender document	2,000	13,200
Corporate guarantee fee	17,713,892	18,470,307
Income on amortisation on deferred income	737,706	739,727
Miscellaneous income	169,771	12,340
	18,623,369	19,235,574



23. FINANCE INCOME

(All figures in Bhutanese Ngultrums unless other stated)		
	As on December 31, 2017	As on December 31, 2016
Interest income on term deposits with BNBL	6,432,987	9,394,342
Interest income on term deposits with BOBL (Inter-company)	51,602,695	6,011,368
Interest Income	1,365,269	880,063
Interest income on inter-company loans	66,757,730	57,930,079
	126,158,681	74,215,851

24. OPERATION AND MAINTENANCE EXPENSES

	As on December 31, 2017	As on December 31, 2016
Office Equipment, Furniture, IT Equipment and Network	221,971	412,966
SAP System	2,459,808	3,028,649
Motor Vehicles	992,342	1,079,347
	3,674,121	4,520,962

25. EMPLOYEE BENEFITS EXPENSES

	As on December 31, 2017	As on December 31, 2016
Payroll and related expenses -		
Salaries and Performance based variable pay	41,903,901	45,825,109
Leave travel allowance	2,470,506	2,710,621
Bonus	4,858,638	5,407,397
Overtime allowances	86,400	99,063
Medical expenses	555,945	789,253
Staff welfare	69,620	585,513
Uniforms	16,145	45,712
HRD expenses	13,733,157	11,237,725
	63,694,312	66,700,393
Post employment benefits -		
Provident fund contribution	2,099,558	2,233,828
Gratuity	942,555	674,830
	3,042,113	2,908,658
Other employee benefits -		
Leave encashment (Annual benefit)	674,073	793,320
Leave encashment (Separation benefit)	275,628	461,021
Others	502,620	473,345
	1,452,321	1,727,686
	68,188,746	71,336,737

26. OTHER EXPENSES

	As on December 31, 2017	As on December 31, 2016
Meeting and retreat expenses	882,881	455,253
Board sitting fees	665,000	575,000
Sub-Committee sitting fee	349,000	225,500
Fees and subscription	150,005	154,110
Research and development expenses	64,439	751,658
Printing and stationery	427,802	1,050,584
Advertisement	379,263	531,991
Office expenses	11,491,881	8,594,539
Office rent	1,942,644	1,821,942



(All figures in Bhutanese Ngultrums unless otherwise stated)

Travelling expenses - Foreign	6,742,865	5,591,022
Travelling expenses - Local	2,497,185	2,796,457
Communication, internet and telephone charges	1,529,964	1,097,736
Rates and taxes	40,534	11,761
License and registration	5,000	5,000
Electricity and water charges	243,189	240,516
Hospitality expenses	587,996	528,620
Books and periodicals	7,500	-
CSR expenses	10,868,104	8,862,310
Loss on disposal/retirement of property, plant and equipment	26,605	149,112
Actuarial valuation fee	25,000	25,000
Miscellaneous expenses	3,716	18,457
Consulting charges	6,979,674	3,004,064
Loss allowance for investment in EPF	186,000	217,000
Corporate Guarantee Liabilities (Refer Note 32 below)	27,762,470	
Audit fees and expenses (Refer Note 31)	1,070,978	1,071,552
	74,929,694	37,779,184

27. FINANCE COST

	As on December 31, 2017	As on December 31, 2016
Interest on inter-company borrowings	-	-
Interest expense on liability towards BOB	720,462	639,164
Bank charges - Local	565	430
Bank charges - Inter-company	48,112	51,528
Loss on foreign exchange fluctuation	6,448	23,874
	775,587	714,996

28 TAXATION

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

Tax on Comprehensive Income -	As on December 31, 2017	As on December 31, 2016
Income Tax Payable -		
Current Tax in respect of current year	2,333,721,393	2,180,810,715
Prior Period Tax	(7,621,876)	
Total Income Tax Payable	2,326,099,517	2,180,810,715
Deferred Tax Payable – Current year	(41,876)	117,944
Total Income Tax Expense Recognized	2,326,057,641	2,180,928,659

Reconciliation of Tax on Operating Income -

Profit Before Income-tax	7,767,286,665	7,263,496,685
Income Tax expenses calculated at 30% (2016 : 30%)	2,330,185,998	2,179,049,005
Adjustments required for:		
- Non deductible expenditure	3,493,519	1,879,654
- Difference between tax and accounting depreciation	(114,426)	(56,211)
- Difference between tax and accounting loss on disposal of assets	156,302	(61,733)
Current Tax Payable	2,333,721,393	2,180,810,715



Reconciliation of Deferred Tax - <i>(All figures in Bhutanese Ngultrums unless otherwise stated)</i>		
Timing Differences in respect of -	As on December 31, 2017	As on December 31, 2016
Opening	(517,311,427)	(525,775,259)
Recognized during the year in relation to property, plant and equipment	41,876	(117,944)
Fair Valuation of Investment	(119,832,756)	8,581,776
Intercorporate Loans measured at fair value	-	-
Financial liability measured at amortised cost	-	-
Closing	(637,102,307)	(517,311,427)
Tax on Other Comprehensive Income -		
Actuarial Gain (loss) on Post Employment Benefit Obligation	As on December 31, 2017	As on December 31, 2016
Gross income (Expense)	(3,196,507)	330,985
Tax at 30%	958,952	(99,296)
FVOCI		
Gross income (Expense)	399,442,520	(28,605,920)
Tax at 30%	(119,832,756)	8,581,776
Net income	277,372,209	(19,792,455)

29. EARNINGS PER SHARE

	As on December 31, 2017	As on December 31, 2016
Profit after income-tax	5,440,971,691	5,082,560,494
Profit used to determine basic earnings per share	5,440,971,691	5,082,560,494
Number of shares at the beginning of the year	450,875,898	450,677,169
Number of Shares allotted to MoF during the year	8,586,131	198,729
Number of shares at the end of the year	459,462,029	450,875,898
Weighted average number of ordinary shares in issue	455,249,587	450,875,898
Basic and Diluted Earnings per Share	11.95	11.27

30. MANAGERIAL REMUNERATION

	As on December 31, 2017	As on December 31, 2016
Remuneration paid to the Chairman of the company -		
Salary and allowances	2,426,827	2,288,065
Other benefits	1,154,046	1,119,995
Provident fund contribution	151,380	146,964
Sitting fees	117,000	121,000
Total	3,849,253	3,676,024
Remuneration paid to the Chief Executive Officer of the company -		
Salary and allowances	1,696,871	1,641,013
Other benefits	837,629	78,226
Provident fund contribution	110,400	107,184
Sitting fees	109,000	105,000
Total	2,753,900	1,931,423
Sitting fees paid to the other Board of Directors of the company -	741,000	527,500

31. AUDITOR'S REMUNERATION

	As on December 31, 2017	As on December 31, 2016
Statutory audit fee for standalone financial statements	167,500	157,500
Statutory audit fee for consolidated financial statements	460,000	420,000
Other audit expenses (relating to previous year)	443,478	494,052
	1,070,978	1,071,552

32 OTHER INFORMATION

(All figures in Bhutanese Ngultrums unless otherwise stated)

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 2017 is Nu. 4,200,81/-.

Corporate Guarantee provided by DHI to Koufuku International Private Limited for loan taken from Bhutan Development Bank Limited and Bank of Bhutan limited were completely paid up by DHI and SNBL in 2017 and therefore there is no corporate guarantee extended to KIPL.

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 2017 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 2017 is equal to the amount of guarantee originally provided for.

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

The current year's financial statements cover the period from 1 January 2017 to 31 December 2017.

NOTE 33: FAIR VALUE MEASUREMENTS FINANCIAL INSTRUMENTS BY CATEGORY

	As at December 31, 2017			As at December 31, 2016			As at January 1, 2016		
	FVPL	FVOCI	Amortised cost	FVPL	FVOCI	Amortised cost	FVPL	FVOCI	Amortised cost
Financial assets									
Investment in equity shares of entities other than subsidiary, associate and JV	-	2,385,481,440	-	-	1,986,038,920	-	-	2,014,644,840	-
Investment in EPF assets	-	-	22,972,915	-	-	23,723,778	-	-	25,149,523
Security deposits paid to third parties	-	-	90,000	-	-	61,749	-	-	70,000
Long term deposit	-	-	-	-	-	-	-	-	1,500,000
Accrued income on long term deposit	-	-	-	-	-	-	-	-	215,342
Trade Receivables	-	-	7,345,874	-	-	6,304,798	-	-	293,021
Loan to subsidiary company	-	-	1,161,266,657	-	-	899,384,283	-	-	183,328,873
Cash and Cash Equivalents	-	-	1,313,528,144	-	-	1,002,314,639	-	-	368,005,677
Total financial assets	-	2,385,481,440	2,505,203,590	-	1,986,038,920	1,931,789,247	-	2,014,644,840	578,562,436

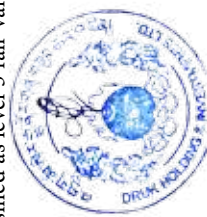


(All figures in Bhutanese Ngultrums unless otherwise stated)

Financial Assets	As at December 31, 2017			As at December 31, 2016			As at January 1, 2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial Investments at FVOCI									
Investment in equity shares of:									
Bhutan National Bank Ltd.	1,081,728,940	-	-	1,102,138,920	-	-	1,183,778,840	-	-
Royal Insurance Corporation of Bhutan Ltd.	1,303,752,500	-	-	883,900,000	-	-	830,866,000	-	-
Total financial assets	2,385,481,440	-	-	1,986,038,920	-	-	2,014,644,840	-	-
(iii) Fair value of financial assets and liabilities measured at amortised cost									
Financial Assets	As at December 31, 2017			As at December 31, 2016			As at January 1, 2016		
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Fair value
Investment in EPF assets	22,972,915	22,972,915	23,723,778	23,723,778	25,149,523	25,149,523	25,149,523	25,149,523	25,149,523
Loan to subsidiary company	-	-	-	-	14,568,372	14,568,372	14,568,372	14,568,372	14,568,372
Security deposits	90,000	90,000	61,749	61,749	70,000	70,000	70,000	70,000	70,000
Long term deposit and accrued income	-	-	-	-	1,715,342	1,715,342	1,715,342	1,715,342	1,715,342
Total financial assets	23,062,915	23,062,915	23,785,527	23,785,527	41,503,237	41,503,237	41,503,237	41,503,237	41,503,237
Financial Liabilities									
Entrepreneurship Promotion Fund	10,517,295	10,517,295	9,363,291	9,363,291	8,054,164	8,054,164	8,054,164	8,054,164	8,054,164
Total financial liabilities	10,517,295	10,517,295	9,363,291	9,363,291	8,054,164	8,054,164	8,054,164	8,054,164	8,054,164

The carrying amounts of trade receivables, security deposits, short term loan, cash and cash equivalents, short term borrowing, outstanding liabilities, employee payables, accrued interest, deposit received, trade payables and other liabilities are considered to be the same as their fair values, due to their short-term nature. The current portion of inter corporate loan has not been considered in the above table considering the carrying amount to be the same as their fair values, due to their short-term nature.

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



NOTE 34: CAPITAL MANAGEMENT

(All figures in Bhutanese Ngultrums unless otherwise stated)

(a) Risk management

The Company's objectives when managing capital are to-

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.

The primary mandate for which DHI has been constituted is to hold and manage the existing and future investments of the Royal Government of Bhutan (RGoB) for the long term benefit of its shareholders, the people of Bhutan. 100% of the Company's share capital is owned by the Ministry of Finance (MoF) of the RGoB. Company manages the share capital issued and subscribed along with shareholder's fund appearing in the financial statement as capital of the company.

The Company has the requirement to meet dividend expectations as contained in Annual Compacts with RGoB.

(b) Dividends

	December 31, 2017	December 31, 2016	Friday, January 01, 2016
Final dividend for the year	4,038,232,337	3,782,100,322	3,689,738,830





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Druk Holding & Investments

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