



ANNUAL REPORT 2020



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INTRODUCTION

Who We are

We are the generational investor of the State created through a Royal Charter issued by His Majesty on 11th November 2007. As the commercial and investment arm of the Government operating on behalf of the people, we seek to manage the country's wealth and deliver sustainable returns with tomorrow in our mind.

Our portfolio spreads across sectors such as energy and resources; communication and transportation; financial services; real estate and construction; and trading. Currently we have shareholdings in 21 portfolio companies. We support the government in developing key infrastructure and institutional reforms crucial for engaging economic and social welfare activities to promote a resilient and diversified economy.

In pursuing our mandates, we have always been proactive in our investments and in our responses to challenges and issues. The group expeditiously responded to the pandemic and assisted the State in the fight to contain the virus. The group supported financially while keeping the essential services running even during the two nationwide lockdowns.

Our strategy and business plan aligns with the government's vision towards bringing in dynamic economic reforms to survive the pandemic and rebuild the economy and lives of the people in the country post pandemic.

To fulfil the mandates spelled in the Royal Charter, in service to the people of Bhutan, we continue to thrive and draw our inspiration from His Majesty the King and his selfless services in safeguarding the nation and protecting our people.

Our Mandate

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

Thrust Area Framework

T1

Performance Improvement

- Ensure Strong Corporate Governance
- Improve Performance
- Provide Managerial Support
- Promote Brand Bhutan



T2

Resources Optimization

- Ensure Optimal Capital Efficiency
- Provide Guarantees
- Divestment
- Raise Fund
- Subscribe or Purchase Equity, Debt or other Securities



T3

New Investments

- Undertake Investments
- Undertake Investments outside Bhutan
- Undertake Investments in Reserved Areas
- Undertake Commercial Investments of the Government



T4

Private Sector Development

- Provide Venture Capital & Institutional Support
- Incubation for New Business
- Policy Feedback
- Initiate R&D



T5

Revenue to the Government

- Provide Increasing Dividends to MoF
- Provide Dividends in Advance



Mission, Vision, Destination and Functions of DHI

MISSION

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

VISION

"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."



- Integrity
- Honesty
- Excellence
- Prudence
- Teamwork
- Responsibility

CORE VALUES

DHI Group finances the Government's entire recurrent expenditure for fiscal year 2029/30 and the value of the assets under Bhutan Future Fund is Nu. 30 billion in year 2030.

DESTINATION

FUNCTIONS OF DHI

PERFORMANCE IMPROVEMENT
 RESOURCE OPTIMIZATION
 NEW INVESTMENT
 PRIVATE SECTOR DEVELOPMENT
 REVENUE TO THE GOVERNMENT

PORTFOLIO COMPANIES



100%
Wood Craft
Center Ltd.



80%
Dungsam Cement
Corporation Ltd.



51%
Dungsam
Polymers Ltd.



57.6%
Bhutan Board
Products Ltd.



40.4%
Penden Cement
Authority Ltd.



40%
Druk Metallurgy
Ltd.



100%
Koufuku
International Ltd.



28%
Azista Bhutan
Healthcare Ltd.



28.42%
Bhutan Ferro
Alloys Ltd.



MANUFACTURING



100%
Druk Green Power
Corporation Ltd.



100%
Bhutan Power
Corporation Ltd.



100%
Natural Resources
Development
Corporation Ltd.



100%
State Mining
Corporation Ltd.



ENERGY &
RESOURCES



80%
Bank of Bhutan
Ltd.



18%
Royal Insurance
Corporation of
Bhutan Ltd.



12%
Bhutan National
Bank Ltd.



FINANCIAL
SERVICES



100%
Bhutan
Telecom Ltd.



100%
Drukair
Corporation Ltd.



COMMUNICATION &
TRANSPORTATION



100%
Construction
Development
Corporation Ltd.



100%
Thimphu TechPark
Ltd.



REAL ESTATE &
CONSTRUCTION



56.6%
State Trading
Corporation of
Bhutan Ltd.



TRADING

Dagachhu Hydro Power Corporation Ltd.: 59%
Tangsibji Hydro Energy Ltd.: 100%
Kholongchhu Hydro Energy Ltd.: 50%
Bhutan Hydropower Services Ltd.: 51%

BBPL: 12.3%
BDBL: 2.5%
BCCL: 15.8%
BFAL: 3.4%
PCAL: 0.1%

DFAL: 4.1%
STCBL: 7.1%
CIB: 7%
FITI: 20%
RSEBL: 22.5%

DHI portfolio companies depicting DHI shareholding and net worth/market capitalization of the companies as at 31st December 2020

Sector	Share Holding (in %)	DPC Category	Net worth/Market Capitalization (in million Nu.)
Energy & Resources			
Druk Green Power Corporation Ltd.	100	DOC	46,722.31
Bhutan Power Corporation Ltd.	100	DOC	14,665.71
Natural Resources Development Corporation Ltd.	100	DOC	695.15
State Mining Corporation Ltd.	100	DOC	729.49
Communication & Transport			
Bhutan Telecom Ltd.	100	DOC	5,483.26
Drukair Corporation Ltd.	100	DOC	2,837.97
Finance			
Bank of Bhutan Ltd. *	80	DCC	2,400.00
Bhutan National Bank Ltd. **	12	DLC	1,616.47
Royal Insurance Corporation of Bhutan Ltd.**	18	DLC	1,804.63
Real Estate & Construction			
Thimphu Tech Park Ltd.	100	DOC	309.19
Construction Development Corporation Ltd.	100	DOC	964.74
Trading			
State Trading Corporation of Bhutan Ltd.** ***	56.6	DLC	431.27
Manufacturing			
Dungsam Cement Corporation Ltd.*	80	DCC	5,949.55
Wood Craft Center Ltd.	100	DOC	72.20
Dungsam Polymers Ltd.**	51	DCC	347.45
Penden Cement Authority Ltd.**	40.4	DLC	1,686.42
Bhutan Ferro Alloys Ltd.**	26	DLC	458.23
Bhutan Board Products Ltd.** ***	57.6	DLC	123.64
Koufuku International Private Ltd.	100	DOC	49.29
Druk Metallurgy Ltd.*	40	DLC	180.00
Asista Bhutan Healthcare Ltd.*	28	DLC	22.40

ACCOMPANYING NOTES:

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

**Market Capitalization is reflected for listed DHI Linked Companies

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

GLOSSARY

DPC- DHI Portfolio.

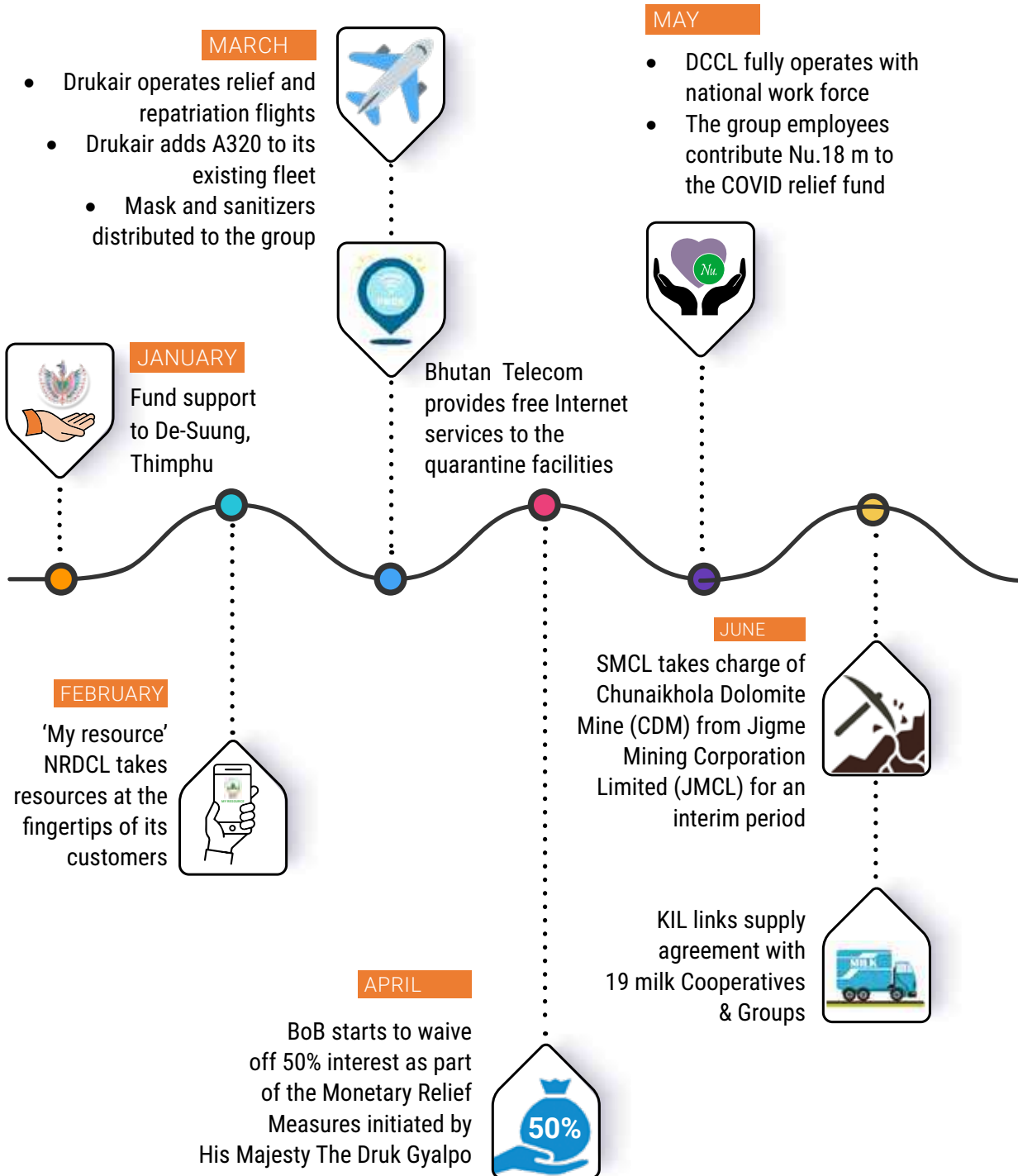
DOC- DHI Owned Companies.

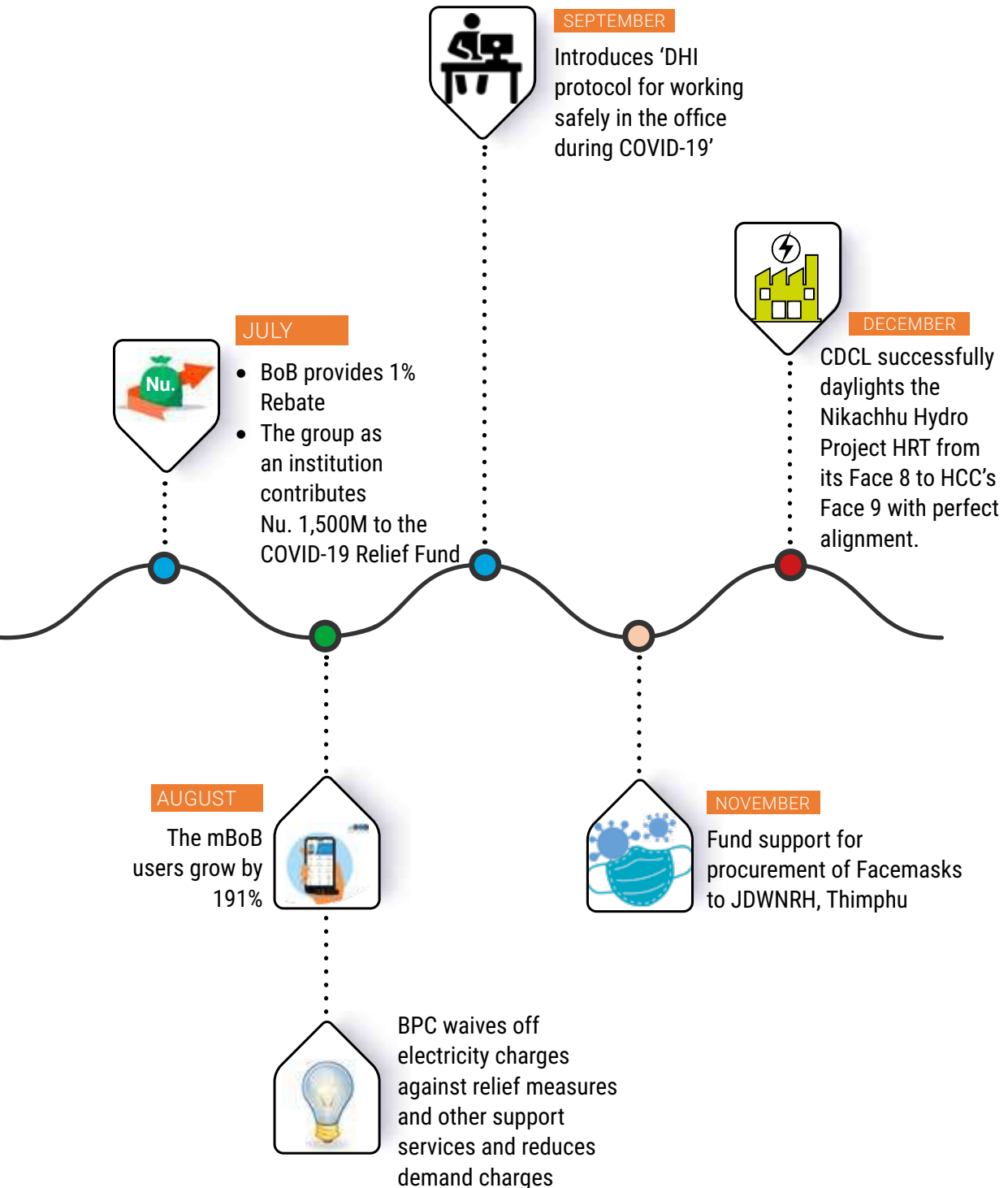
DCC- DHI Controlled Companies

DLC- DHI Linked Companies.

OUR YEAR AT A GLANCE

Resilient, Committed and Together...





OUR GOVERNANCE FRAMEWORK

DHI is the investment arm of the Royal Government of Bhutan guided by the vision bestowed in the Royal Charter. Therefore, our governance framework emphasizes on creating long term values putting the institution at the core of its operation. It provides for accountability and a robust balance between empowerment and compliance.

Our Board and management ensure transparency and complete compliance with the Companies Act of Bhutan 2016, other rules and regulations and at all time abide by the provisions in the charter.

Under the guidance of the Board, we manage our portfolio as a prudent investor and asset owner with commercial discretion and flexibility to maximize values and returns to our shareholders. We invest through generations with an aim to constantly reshape our portfolio, always gazing into the future with exposure and awareness of where the world is moving towards. Our choice of today is made with implications of tomorrow in mind.

As a trusted steward, we promote best corporate governance practices within the group companies.

It includes the appointment of high calibre, well experienced and diverse boards to guide and complement management leadership.

The respective boards and management are entrusted with the day-to-day operational and business decisions of companies in the group. Thus, we hold the boards and management accountable for the activities in the respective companies. We expect companies to abide by sound corporate governance and codes of conduct and ethics, as desired and required.

To facilitate the board in efficient decision making, the Board Committee for Performance Management (BCPM) and the Nomination and Governance Committee (NGC) have been established. BCPM has the responsibility of reviewing the annual compact target setting and performance evaluation of DHI owned and controlled companies. NGC on the other is responsible for recommending the right CEO candidate to be appointed in the companies.

MEET OUR LEADERS

BOARD OF DIRECTORS



DASHO UGEN CHEWANG

Chairman, DHI
Appointed on 27th July 2018

MR. NIM DORJI

Secretary, Ministry of Finance
Appointed on 21st July 2016



DASHO PEMA CHEWANG

Secretary, National Land commission of Bhutan
Reappointed on 17th November 2018

MR. THINLEY NAMGYEL

Secretary, GNHC Secretariat
Appointed on 17th November 2018



MR. KINGA TSHERING

CEO, TVET, Reforms PMO
Appointed on 17th November 2018

MR. DECHEN DORJI

Senior Director for Asia Wild Life Conservation WWF US
Appointed on 17th November 2018



DASHO KARMA YEZER RAYDI

CEO, DHI
Appointed on 27th November 2015

EXECUTIVE MANAGEMENT TEAM



DR. DAMBER SINGH KHARKA
DIRECTOR
CORPORATE PERFORMANCE DEPARTMENT (CPD)

Undertakes planning, monitoring, performance evaluation and governance of the portfolio companies and conducts relevant studies to enhance the existing capacities within the group.

MR. CHENCHO TSHERING NAMGAY
DIRECTOR
DEPARTMENT OF INVESTMENTS (DoI)

Deals with all matters relating to investment decisions within and outside the country and facilitates returns.



MS. TASHI LHAMO
DIRECTOR
DEPARTMENT OF FINANCE (DoF)

Maintains financing policy and systems, scrutinizes financial reports, authorizes loan, disbursements, and other payments.

MR. UJJWAL DEEP DAHAL
DIRECTOR
DEPARTMENT OF INNOVATION AND TECHNOLOGY (InnoTech)

Develops technology with values through applied R&D, implement projects and build capacity within the group to create an ecosystem in the country for innovation in technology.



MR. SONAM LHUNDRUP
ASSOCIATE DIRECTOR
CORPORATE SERVICE DIVISION & GENERAL COUNSEL (CSD)

Provides administrative services and support to help the management and staff achieve workplace effectiveness.



THANK YOU, YOUR MAJESTY, BEYOND THE EARTH AND THE SKY

**“Throughout my reign I will never rule you as a King.
I will protect you as a parent, care for you as a brother and serve you as a son.
I shall give you everything and keep nothing;
I shall live such a life as a good human being that you may find it worthy
to serve as an example for your children; I have no personal goals other than to
fulfill your hopes and aspirations. I shall always serve you, day and night,
in the spirit of kindness, justice and equality.”**

- His Majesty's Coronation Address to the Nation

As we witness today, His Majesty's sacrifice in the face of the pandemic is a true testimony of this historic national address. The different level of pride, perhaps the best of all, is being able to call ourselves Bhutanese, rejoicing the accumulated merit of a leader whose only interest is his subjects.

We would like to join the nation in submitting our deepest gratitude to His Majesty the Druk Gyalpo for his compassionate service to the people and the country and for being our light in the darkness, showering us with love and hope.

The year 2020 presented us with a unique journey-the COVID-19 pandemic and its far-reaching consequences on lives and economy. His Majesty has been at the forefront of the preparedness and response plan to the pandemic. His Majesty with all his compassion and extraordinary leadership has worked tirelessly to keep us safe.

It was His Majesty's farsightedness and meticulous planning that Bhutan has come out exemplary in its fight against the pandemic. His Majesty risked grave personal danger travelling across the country, including the high-risk zones, to implement COVID-19 preventive measures and mitigation plans.

We offer our sincere prayers for His Majesty's well-being and good health. In gratitude forever, to My King, Our King, we pledge our loyalty and devotion as we remain blessed and guided as ever.

DIRECTOR'S REPORT

Dear Shareholders,

It is my pleasure to present the report on the business and operations of the company, together with the audited standalone and consolidated financial statements for the year ended 31st December 2020.

FINANCIAL HIGHLIGHTS

It is well known that the pandemic has hit the economies worldwide and the livelihood of the people to the core, Bhutan being no exception. While efforts have been made to adapt in the face of truly unprecedented crisis, nevertheless, the group suffered financially.

The Group's revenue declined by 12.51% to Nu. 34,676.51 million, expenditures by 3.45% and profit after tax by 45.48%. The key financial highlights of the Group and DHI's standalone accounts for FY2020 is summarized in table below.

GROUP ACCOUNTS

Total Assets and Net worth

In FY2020, the Group's total assets increased by 10.10% (Nu. 20,531.38 M) and the net worth decreased marginally by 0.18% (Nu. 171.15 M).

The increase in assets was mainly on account of increase in 'short term deposits' (by 161.25% or Nu. 18,007.72 M), 'capital works in progress' (by 14.09% or Nu. 1,923.54 M), 'property plant and equipment' (by 1.09% or Nu. 1,042.88 M), and 'advance to Ministry of Finance' (by 35.28% or Nu. 1,182.00 M).

The decrease in net worth was mainly led by Nu. 16.236.81 M decrease in the 'reserves'.

Revenue

The total income earned by the group for the year is Nu. 34,676.51 M, a decline of 12.51% from previous year's Nu. 39,632.93 M. The decline is attributed to decrease in the revenue from customers from all segments (reduced by more than Nu. 6,657.85 M) except energy and resources segment, which increased by Nu. 809.44 M.

Expenditure

The total expenditure of the group declined by 3.46% in 2020. The decrease in expenditure is primarily due to decrease in direct costs of sales (42.17%, or Nu. 3,935.55 M). But the group recorded 27.85% (Nu. 1,217.60 M) increase in R&M cost followed by 938.33% (Nu. 690.42 M) increase in impairment losses.

Profit after tax

As the decline in revenue was exponential by 12.51% compared to the decline in expenditure by 3.46%, the Profit After Tax (PAT) further declined by 45.48%, to Nu. 3,656.11 M from Nu. 6,706.03 M in FY2019.

DHI STANDALONE ACCOUNTS

Total assets and net worth

The total assets of DHI Standalone grew by 2.05% (Nu. 1,331.71 M), and the net worth by 2.10%.

The increase in total assets was on account of 2.34% (Nu. 1,335.71 M) increase in investments, and 35.28% (Nu. 1,182.00 M) increase in advance to Ministry of Finance (MoF). Investments increased due to an increase of Nu. 580 M additional investments in Phuentsholing Township Project, Nu. 114 M in DHI Co-location building in Paro, and Nu. 50 M in Super FabLab at the TechPark building.

A significant increase of Nu. 1,192 M Investment Abroad was made during the year.

The increase in the net worth was mainly due to allotment of Nu. 175 M worth shares to MoF as equity injection in Kholongchhu Hydro Electric Ltd. (KHEL). DHI also made equity injection of Nu. 150 million in CDCL, Nu. 50 million in Drukair, Nu. 90 million in NRDC and Nu. 39 million in KIL.

Revenue

The total revenue realized during the year was Nu. 7,443.52 M, which is an increase of 3.04% from FY2019. The increase was fueled by 5.17% in the dividend income from subsidiaries (increase of Nu. 131 million from BOB, Nu. 633 million from DGPC and Nu. 252 million from SMCL) as compared to FY2019.

Expenditure

The total expenditure for the year increased by 451.03% to Nu. 701.07 M from Nu. 127.23 M in FY2019. It was mainly on account of 33% (Nu. 22.13 M) increase in 'employee related expenses' due to salary revision effected since October 2019, and 149.98% (Nu. 548.28 M) increase in 'R&M and Other Cost', which was mainly on account of Nu. 550 M paid towards COVID relief fund and Nu. 6.00 M salary sponsorship made to the National Football Team players.

Profit After Tax

Considering the significant growth in expenditure, by 451.03%, against a marginal 3.04% increase in revenue, the Profit After Tax (PAT) decreased by 6.28% (Nu. 311.96M) to Nu. 4,652.61 M from Nu. 4,964.55 M in FY2019.

OPERATIONAL HIGHLIGHTS

The most challenging part of the COVID pandemic has been to keep the business and manufacturing plants operational. Nonetheless, with strict COVID-19 protocols implemented, every company assured minimal downtime with plants and business operations.

Energy and Resources Segment

The segment continues to crown the group with generation of maximum profit for FY2020, which amounted to Nu. 6,250 M, an increase of 3.01% from the FY2019.

The closure of border gates and the subsequent nationwide lockdowns did little to dampen SMCL's performance. While the sales volumes for Gypsum reduced by 33%, its net profit increased by more than 6%, as the net return per metric ton increased by more than Nu. 300 M with the increase in the selling price for the export market. The selling price for coal was, however, not revised as it caters to the domestic industries. Hence, SMCL was able to maintain its FY2019's return on equity of 49% and retained the top position among the group companies from this return perspective. The company registered a net profit of Nu. 363 M for FY2020.

Staying true to its cause of giving back to the community where it operates, SMCL also pumped Nu. 521.77 M into the local business communities in the form of hiring of EMEs and vehicles for construction works and by engaging locals at the work sites.

It was a good year for DGPC, as the four plants (Basochhu, Chhukha, Kurichhu and Tala hydropower plants) generated 7,630.04 million units (MU) of electricity during 2020, an increase of 10.16% against the aggregate generation of 6,926.22 MU in 2019 owing to better hydrological discharges in the rivers. Tala achieved the highest ever generation of 5,031 MU as compared to the design energy generation capacity of 4,865 MU since its commissioning. Basochhu (Upper and Lower stages) also recorded the highest generation of 384 MU, as compared to their combined design generation capacity of 290 MU. These achievements were possible, as the company continued to maintain the world's best efficiency indices for Water Utilization Factor

(WUF) at 99.99% and Power Plan Availability (PPA) at 98.30%.

Also, fueled by the pandemic, the domestic supply of power to Bhutan Power Corporation (BPC) reduced for the first time, from 2,397.83 MU in FY2019 to 2,064.12 MU in FY2020, which helped increase the net energy exported to India by 23.73% and the net profit by 3.01%, from Nu. 4,926.733 M in FY2019 to Nu. 5,075.23 M in FY2020.

Similarly, BPC maintained the region's lowest global energy loss at 1.63%, an improvement from 1.99% in FY2019. Hence, besides more than 16% lower domestic electricity supply and accommodating demand charges for HV and MV industries at 'as per actual consumption', penalty waiver and other waivers, which amounted to Nu. 644.54 M, BPC reported a net profit of Nu. 554.53 M.

Notwithstanding the challenges posed by the pandemic to the construction industry, NRDCL was able to achieve an average of 80% of the production targets for timber, sand and stone, and 65% on the sales side. The company took advantage of the situation by implementing digital initiatives, through its 'My Resource' mobile application, and made natural resources available in every mobile phone. The company was also able to report a positive bottom line.

Communication and Transport

As people spent more time indoors to prevent the spread of COVID, and the internet usage surged, Bhutan Telecom (BT) employees worked hard to provide communication link to emergency centers and improve network reliability. In the process, a total of 134 new 4G, 3G and 2G sites, and 44 new sectors were added to the network. To ensure adequate and reliable bandwidth, the international link was also increased to 30.6 Gbps. Finally, to cover the financial losses of other group companies, BT restricted its total expenditure to about 7% while increasing its revenue by more than 18%. Hence, it was able to increase its net

profit by about 40%, to Nu. 1,538.34 M.

When Lonely Planet named Bhutan the number one place to visit in year 2020, Drukair began the year by adding A320 NEO to its fleet, that had just added a newly procured ATR42-600 in FY2019. But as the COVID struck and the situation turned out to be the worst ever for the airline industry, the fleet size became more of a burden. The Nu. 696 M cash at the beginning of the year turned red by the end of the first quarter. DHI bailed out the airline with Nu.500 M internal arrangement and Nu. 1,500 M overdraft facility from the bank. Drukair, in the process of operating a total of 1,487 flights, bulk of which were relief and repatriation flights, and ferrying 67,482 passengers and 308 Metric Tons (MT) of cargo, suffered a net loss more than Nu.814 M for the FY2020.

Financial services

We are highly satisfied and motivated with Bank of Bhutan's digital initiatives that eased banking services for its clients during the pandemic. The bank registered a record growth of mBOB users and the transaction value. The mBoB users grew by 191%, from 72,371 in FY2019, and the transaction value by 82%, from Nu. 67000 M in FY2019 to Nu. 122000 M in FY2020.

As it waived off an interest income of Nu. 496.97 M and an interest rebate of Nu. 7.58 M as part of the Monetary Relief Measures initiated by His Majesty The Druk Gyalpo, the bank absorbed 93% (or Nu. 1,169.56 M) reduction in its net profit from FY2019.

Manufacturing

The pandemic situation for many of our manufacturing units have, in fact, come as a blessing. The employees of Dungsum Cement Corporation Ltd. (DCCL) executed the entire scheduled maintenance of the plant and other maintenance jobs without any OEM experts and skilled labourers from abroad. Despite carrying out such major works for the first time, they successfully replaced 32 meters of kiln bricks,

which otherwise was done by engaging close to 50 skilled labourers from India. Further, for the packing and loading jobs left by the skilled Indian labourers, DCCL replaced them fully with nationals. Therefore, the company was able to keep the plant operational even during the lockdowns and, subsequently, restricted the operational loss to Nu.7.25 M only.

For Dungsum Polymers Ltd. (DPL) as well, the business operation was affected but the plant was never halted for want of skilled Indian labourers. Despite drop in the cement sales, which affected its sales revenue, management's meticulous planning on the cost helped report a net profit of Nu. 5.46 M for FY2020.

Koufoku International Ltd. (KIL) strengthened its milk supply chain and formally linked supply agreement with 19 milk Cooperatives & Groups and provided cold chain service to community dairy infrastructures of three districts.

IT and Construction

After a major transformation in FY2019, into the Center of Excellence for IT Services, Thimphu TechPark Ltd. (TTPL) achieved exponential growth in both its revenue and the bottom-line PAT. The achievements were mainly on account to the software development services, which was the main intention behind the transformation.

Construction Development Corporation Ltd. (CDCL) meanwhile achieved a break-through in its hydro construction unit. CDCL successfully daylighted the Nikachhu Hydro Project HRT from it's Face 8 to HCC's Face 9 with perfect alignment.

The company also completed the excavation of exploratory drift tunnel for the Nyera Amari Hydroelectric Project and the 132KV transmission line from Nikkachhu project to the Mangdechhu HEP pothead year. Consequently, it registered a bottom-line profit Nu 11.281 M for the year.

Other operational highlights

While the overall financial performance declined, the group quickly evolved and diverted its focus on digitalization and areas that would increase the presence of the company in a holistic way. Some of the significant activities initiated during the year include the following:

- To improve service reliability, BoB conducted two Disaster Recovery drills. This exercise was to ensure that the Disaster Recovery site will be able to function seamlessly in case of any disaster at the primary Data Center;
- SMCL leased the coal belt stretching from Jomotshangkha to Nganglam at an annual fee of Nu. 50 M in May 2020. The SMCL also took charge of Chunaikhola Dolomite Mine (CDM) from Jigme Mining Corporation Limited (JMCL) for an interim period in June 2020;
- Considering the likelihood of huge generation and revenue losses, for the first time, DGPC undertook restoration work for Chhukha Plant's Generating Unit I on its own. It completed the critical last mile activities, such as the stator bars assembly, rotor leveling, shaft alignment, dynamic rotor balancing, electrical tests and re-commissioning of the Unit;
- Based on the request of the Government, DGPC also completed the third-party independent review of the long-term stability and safety of the Phunatsangchhu-I Dam. The major findings of the review along with the recommendations on the way forward were submitted to the RGoB during the year; and
- Bhutan Automation completed the implementation of the SCADA (Supervisory, Control, and Data Acquisition) system for all four generating units of the Kurichhu Hydropower Plant.

INVESTMENTS

Investments during the year increased by 13.49% on account of investment abroad and equity injection in CDCL, NRDCL, DACL and KIL.

At the end of FY2020, the Investments Abroad figures increased by Nu. 1,192 M with placements in Private Equity and Venture Capital, Public Equities and in Actively Managed funds. DHI also made equity injection of Nu. 150 million in CDCL, Nu. 50 million in Drukair, Nu. 90 million in NRDCL, Nu. 39 million in KIL and Nu. 1,192 million in Investments Abroad.

Other investments included Nu. 114 M for the Co-location building in Paro and Nu. 50 M for the Super FabLab at TTPL.

PRIVATE SECTOR DEVELOPMENT

DHI has always believed in the idea of giving back to the community where it operates. The belief is ingrained in the companies and their employees, as well, that it inhibits them to be drawn by the business volume and then making direct investments. It also calls companies to award works directly to the communities, where required, and bar outsiders from entering and taking away communities' benefits.

To this end, SMCL engaged 234 EMEs and Tippers for mining works, 383 Tippers for transportation of minerals and employed 765 community people. In the process, it gave back Nu. 521.77 M to the communities it operated in.

Similarly, DCCL also remitted about Nu. 340 M to individual truckers as transportation charges for transportation of cement and minerals from its mines.

Meanwhile at DHI, a total of Nu. 4.50 M was disbursed to nine individuals as part of its business acceleration program (DHI BizAP) for FY2020.

DIVIDEND AND TAXES

During the year, DHI remitted Nu. 3,350 (4,532) M as advance dividend to MoF and Nu. 2,089.84 M as standalone taxes.

However, as a Group, the total tax contribution to the government during the year amounted to Nu. 5,557.60 M, which works out the 'effective tax rate' at 60.32% for the year, up from 49.42% for FY2019. Additionally, the Group also made a payment of Nu. 2,192.33 M on account of royalty energy and Nu. 118.64 M on account of royalty on minerals.

In total, the group remitted Nu. 11,218.56 M as dividend, taxes, and royalty to the Royal Government of Bhutan in FY2020.

CORPORATE GOVERNANCE

DHI continue to evolve and adapt as always, to strengthen governance systems in the portfolio, and ecosystem. A promising FY2019 with many activities in pipeline for FY2020 on governance and system improvement was cut short by the arrival of the COVID-19 pandemic in the first quarter of 2020.

As a response to the challenges posed by the pandemic, DHI continued the annual programs of appointing Board of Directors and Chief Executive Officers in the companies and their onboarding programs, either through virtual, or emails but where necessary, physical meetings with safety protocols were conducted.

A testament to being a CG champion, DHI for the sixth year in a row maintained clean accounts and no adverse audit observation was issued in its audited accounts for FY2020. Besides, it also complied fully with the Companies Act of Bhutan 2016 and other statutory requirements.

For the FY2020, the DHI Board consisted of seven directors including the Chairman and the CEO. Five Board Meetings were held in 2020 and the gap between two meetings did not exceed three months in accordance with the Companies Act 2016.

IN SOLIDARITY...

Year 2020 definitely has been a difficult year. We may yet see more, or bigger subsequent waves of the pandemic around the world in the months ahead. The first COVID case in the country was detected in early March 2020, which took the nation by surprise. Led by His Majesty, the Government immediately responded, directives were issued to follow safety protocols.

DHI instantaneously joined the fight and ensured the safety measures were put in place across the group and to this end SOPs were developed to facilitate. The group improvised service delivery channels, to keep catering essential services to the customers. It adopted various working modalities such as 'work from home' and 'containment mode' amongst others to guarantee uninterrupted services and generation of revenue while keeping the safety of its employees.

The group provided relief to the Government in the form of finance and services. BPC waived off the electricity charges against relief measures and other support services, reduced demand charges and eased people in the form of penalty waiver. Bhutan Telecom provided free internet services at the quarantine facilities.

Although at the forefront and high-risk zones, DHI companies such as DCCL (Nganglam) and SMCL (Samtse), so far has no record of COVID cases. This is verification to our combined efforts in adhering to the standard COVID-19 Safety Protocols.

As an Institution, the group contributed Nu. 1,500 M to the COVID-19 Relief Fund to help the government battle the fight and an additional Nu. 18 M was made through voluntary contribution from DHI and the Group employees.

In the light of difficulty, the entire nation is facing, as a responsible stakeholder, the Group did not take bonus payments for FY2020. By standing in solidarity, we actively honor the strength and resilience of the Government, all the frontline workers who have endured the threat and risks first hand to keep Bhutan safe from the pandemic.

As we continue to fight the invisible battle, everyone at DHI and Group understands the ideas and solutions to accelerate safety that demands all of us to take these simple yet powerful steps-to follow the safety protocols, because standing in solidarity is just not enough!

We pledge our commitment to His Majesty the King, to the Government and every citizen that the Group shall always do right by the vision His Majesty has for his people.

STATUTORY AUDIT REPORT

Based on the appointment by the Royal Audit Authority (RAA), Jigme Audit and Financials Pvt. Ltd. and Tshechu & Associates conducted the audit of DHI Standalone and Consolidated Financial Statements (CFS) for FY2020. The audit was carried out in accordance with the auditing standards prescribed by the Accounting and Auditing Standards Board of Bhutan (AASBB) and the relevant provisions of the Companies Act of Bhutan 2016.

The Auditors' Report for both the standalone accounts and CFS do not have any qualification. 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.

CHALLENGES AND WAY FORWARD

'No one is safe, until everyone is safe'

The world economy is hit hard, and recoveries are being made. However, the outlook for economic recovery remains uncertain. The uneven pandemic responses are exacerbating the risk of further outbreaks, adding to the toll on lives, and the soaring costs to businesses and the economies.

While the challenges posed by the pandemic continues, the following are some few specific issues the Group continue to deal with:

- Human Capital- The Group has targeted to achieve exponential growth and contribute entire recurrent expenditures of the Government by FY2030 through Performance Excellence and Economic transformation themes. Achievement of both the themes will only be possible with a dependable Human Capital. However, attracting and retaining skilled employees remain a major challenge to the Group.
- Hydropower being the country's most strategic sector, being able to engage our engineers in the construction of key components from the beginning itself has become crucial; and
- Investing in markets beyond Bhutan requires expertise, and support from regulatory agencies as well as enabling policies. While challenge related to expertise is addressed through planned capacity building of our staff, regulatory issues within as well as regulatory issues of the country where we decide to invest remains an elusive challenge.

ACKNOWLEDGEMENT

In the face of crisis, danger and uncertainties, we never lost the hope because of the light and path that was shown by His Majesty. If not in equal magnitude, the citizens played their part in emulating the strength shown by the leaders.

On behalf of the people of Bhutan, our foremost gratitude to His Majesty the Druk Gyalpo for his compassion and selfless leadership, and ensuring the safety and wellbeing of every Bhutanese.

To Hon'ble Prime Minister, Health Minister, Government and all the frontline workers who stood in the face of pandemic, keeping the citizens informed and educated, apart from providing essential services, we remain grateful. Also, thank you to the citizens of the country for showing strength in this difficult time.

I am heartened by the generous spirit of our group staff, who stepped forward to assist in so many ways in making the facilities and services to the customers. The group was able to provide services with immeasurable support of the Chairmen and Board Directors of the respective companies. We thank the DHI Board Directors, Board Directors of the Companies, the CEOs and the employees for all their contributions.

The DHI, and the Group's Board and Management take this opportunity to rededicate our services to the Tsa-Wa-Sum and submit our prayers for the good health and glorious reign of His Majesty the Druk Gyalpo.

Finally, I would like to acknowledge the commendable performance of the Group, amidst the crisis and for keeping the essential services running. I am encouraged that together, the Group will continue to adapt in the coming uncertainties.

Thank you.



REPORT ON CORPORATE GOVERNANCE

REPORT ON CORPORATE GOVERNANCE

DHI is committed to implement the highest standards of corporate governance and have made concerted efforts since its establishment. DHI is guided by the corporate governance code (Code) developed based on the OECD Corporate Governance principles. Code covers the corporate governance framework and its associated model charters viz., Board Charter; Board Audit Committee Charter and Code of Conduct.

Besides fulfilling the requirements set in the Code, fully complied with the companies act of Bhutan 2016 and other statutory requirements.

BOARD OF DIRECTORS

The Board of Directors is entrusted with the ultimate responsibility to provide the strategic

guidance and monitoring of management. The Board has the full authority for making decisions regarding investments and divestments.

The board has delegated responsibility for the operation and administration of the Company to the Executive Chairman, CEO and the management executives. During FY2020, all responsibilities were carried out as per the formal authority delegations.

Composition of the Board and attendance in FY2020

5 Board Meetings were held in 2020 and the gap between two meetings did not exceed three months in accordance with the Companies Act 2016.

Name of Director	Category	Profile	No. of Directorship on other DHI owned/controlled companies	
			Chairman	Member
Dasho Ugen Chewang	Non-independent Executive	Chairman, DHI	1. Bhutan Power Corporation Ltd. (BPC) 2. Druk Metallurgy Ltd. (DML)	
Mr. Nim Dorji	Non-independent Non-executive	Secretary, MoF		1. Druk Green Power Corporation Ltd (DGPC)
Dasho Pema Chewang	Independent Non-executive	Secretary, NLC	1. Druk Air Corporation Ltd. (DAC)	
Mr. Thinley Namgyel	Independent Non-executive	Secretary, GNHC		1. State Mining Corporation Ltd. (SMCL)
Mr. Dechen Dorji	Independent Non-executive	Sr. Director for Asia Wildlife Conservation, WWF		
Mr. Kinga Tshering	Independent Non-executive	CEO, TVET Reforms, PMO		1. Druk Green Power Corporation Ltd. (DGPC)
Dasho Karma Yezer Raydi	Non-independent Executive	CEO, DHI	1. State Mining Corporation Ltd. (SMCL) 2. Dungsam Cement Corporation Ltd. (DCCL)	3. Druk Metallurgy Ltd. (DML)

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 26 BCPM meetings were held in 2020 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

The Nomination and Governance Committee is a special committee established for the selection and appointment of CEOs in DHI owned and controlled companies, consisting of member representatives from the concerned company Board and DHI Board. A total of 19 NGCs were held for the selection and appointment of CEOs in Koufuko International Limited (KIL), Dungsam Cement Corporation Limited (DCCL), Dungsam Polymers Limited (DPL), Natural Resource Development Corporation Limited (NRDCL), and Bhutan Telecom Limited (BTL).

Board and CEO Evaluation

DHI annually conducts an online survey where feedback is collected from the Chairman and CEO on the performance of the individual board directors in the DHI Owned Companies. The key parameters covered include i) Dedication and preparedness; ii) Professional and ethical attributes; iii) Team work and iv) Contribution. The report is mainly used for two purposes, 1) To identify the skill-development needs of Directors and 2) To determine the appointment/reappointment of the current board directors.

DHI also assesses the performance of the CEOs of DHI Owned Companies through an online survey annually. The Board of directors evaluate the CEO on his/her leadership competencies and attributes. The assessment constitutes 20% weight of the overall CEO's performance evaluation and the remaining 80% is based on the achievement of annual compact targets.

The combined score is used to pay out the CEO's performance linked financial incentives and is also considered during the renewal of contracts of the CEO in DHI owned companies.

RISK MANAGEMENT

Risk Management Framework based on the enterprise risk management principles was issued by DHI in 2013 to provide overall guidance to ensure that risks related to the activities undertaken by the portfolio companies are managed effectively through a process of assessment, resource allocation, review and reporting. An enterprise risk management framework is used to manage risks more consistently, comprehensively and economically. The aim of risk management is not to eliminate risks, but to manage the risks involved in the activities to maximize opportunities and minimize adversity.

Risk management in the DHI and Group is institutionalized through compact targets on risk management which requires DOCs to specify minimum process/activity requirements and mitigations measures. The risk registers approved by DOC Board is consolidated and reviewed by the DHI Board.

2020 CHARITABLE CONTRIBUTION HIGHLIGHTS

In its continued effort as a corporate citizen to give back to the community, take part in philanthropic causes, and provide positive social value of far-reaching impact, DHI contributed a total of Nu. 1.99 M towards activities initiated by CSOs, NGOs, and institutions and Nu. 1.14M in donations.

Some of the major activities are as below:

Religion:

- ◆ Financial support to Phendey Tshogpa for renovation of Lhakhang.
- ◆ Financial support to Dudjom Dharma House.
- ◆ Financial support for religious ceremony at Buddha Point, Thimphu.
- ◆ Financial support to Dho Ngag Monastery.



Cultural:

- ◆ Financial support to Dharma Arts and Crafts in preserving age old tradition of craftsmanship.



Educational:

- ◆ Financial support to VAST, Thimphu.
- ◆ Financial support to Dewathang Primary School, SamdrupJongkhar.
- ◆ Financial support to Linzhi Primary School.
- ◆ Financial support to Dagapela Middle Secondary School.



Social:

- ◆ Financial support to the Ability Bhutan Society, Thimphu.
- ◆ Financial support to the Bhutan Cancer Society, Thimphu.
- ◆ Financial support to Bhutan Center Media & Democracy, Thimphu.
- ◆ Financial support to Disabled Person Association Bhutan.



Youth/Sports:

- ◆ Financial support to the Youth Development Fund for campaign in Delhi.
- ◆ Financial Support to Bhutan TechForce.



National Significance:

- ◆ Fund support for procurement of Facemasks to JDWNRH, Thimphu.
- ◆ Fund support for procurement of Facemasks to SamdrupJongkhar Hospital.
- ◆ Fund support to De-Suung, Thimphu.

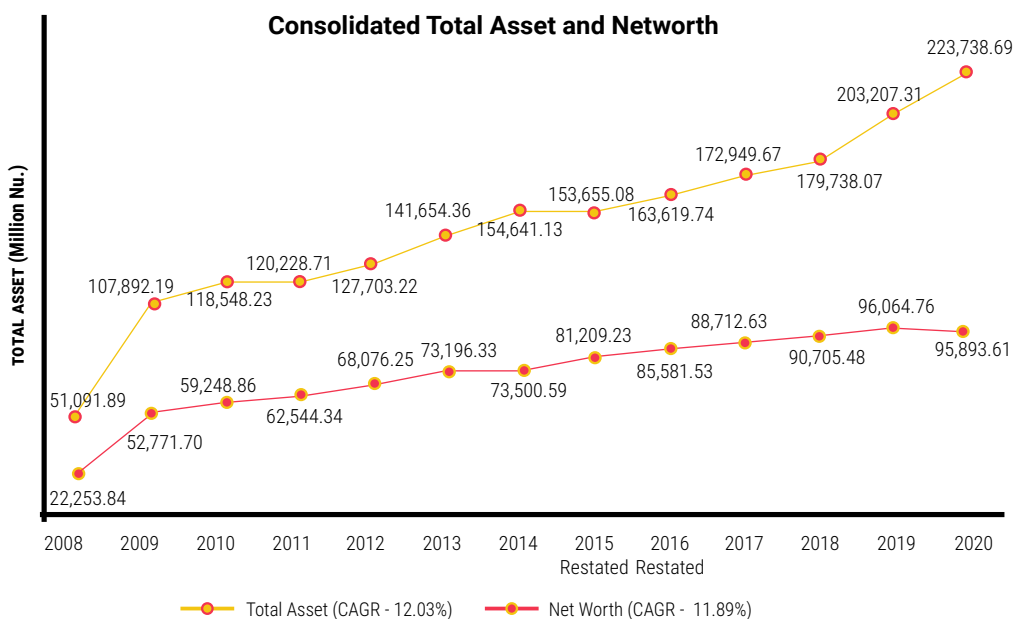




FINANCIAL REVIEW

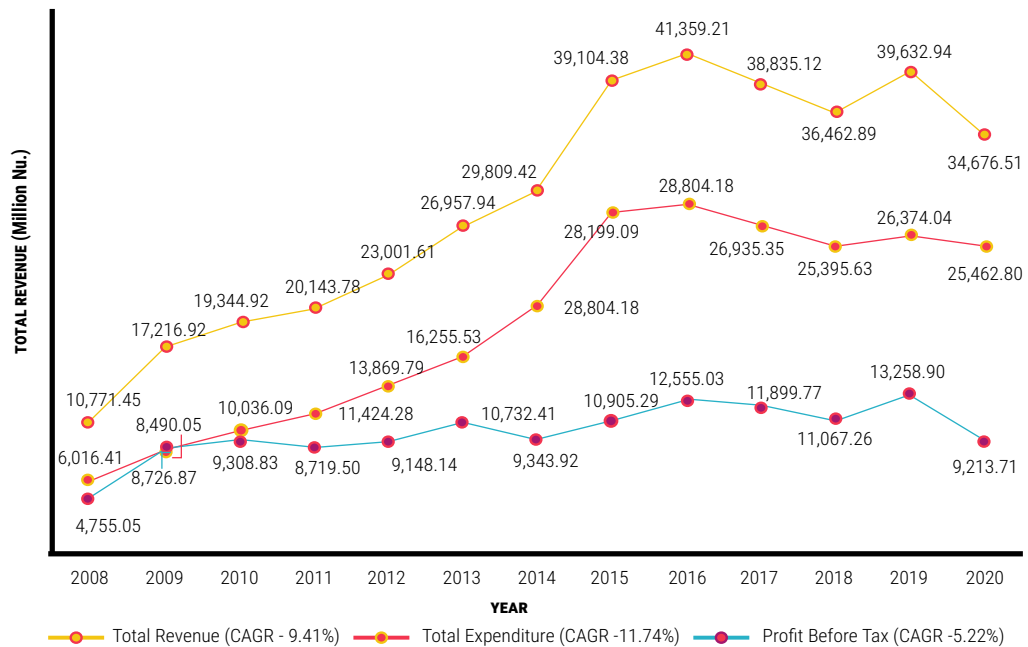
FINANCIAL REVIEW

GROUP ASSETS AND NETWORK



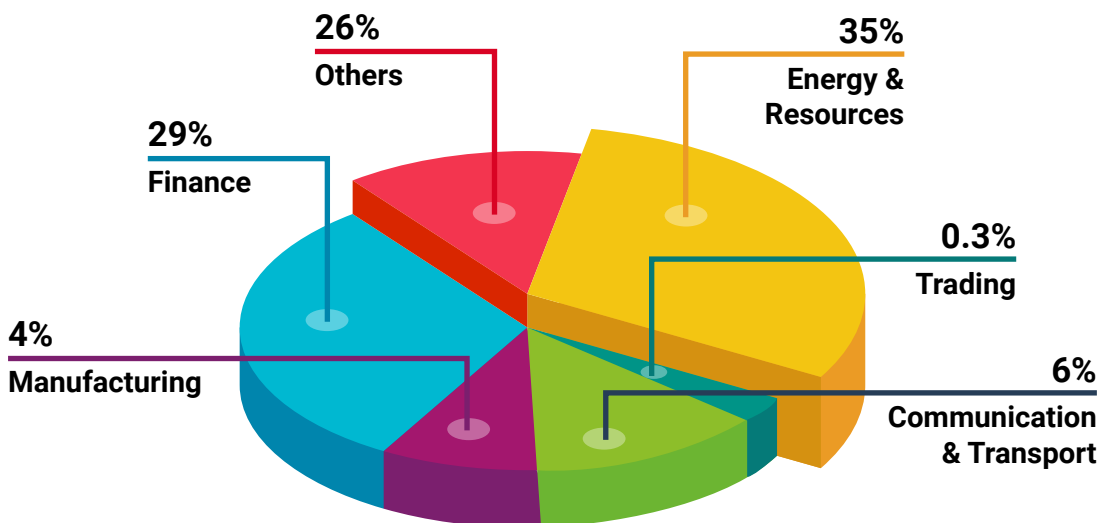
**With implementation of BAS from 2014 onwards, the stated figures from 2013 to 2016 are from the Consolidated Accounts.*

GROUP REVENUE AND PROFIT BEFORE TAX (PBT)

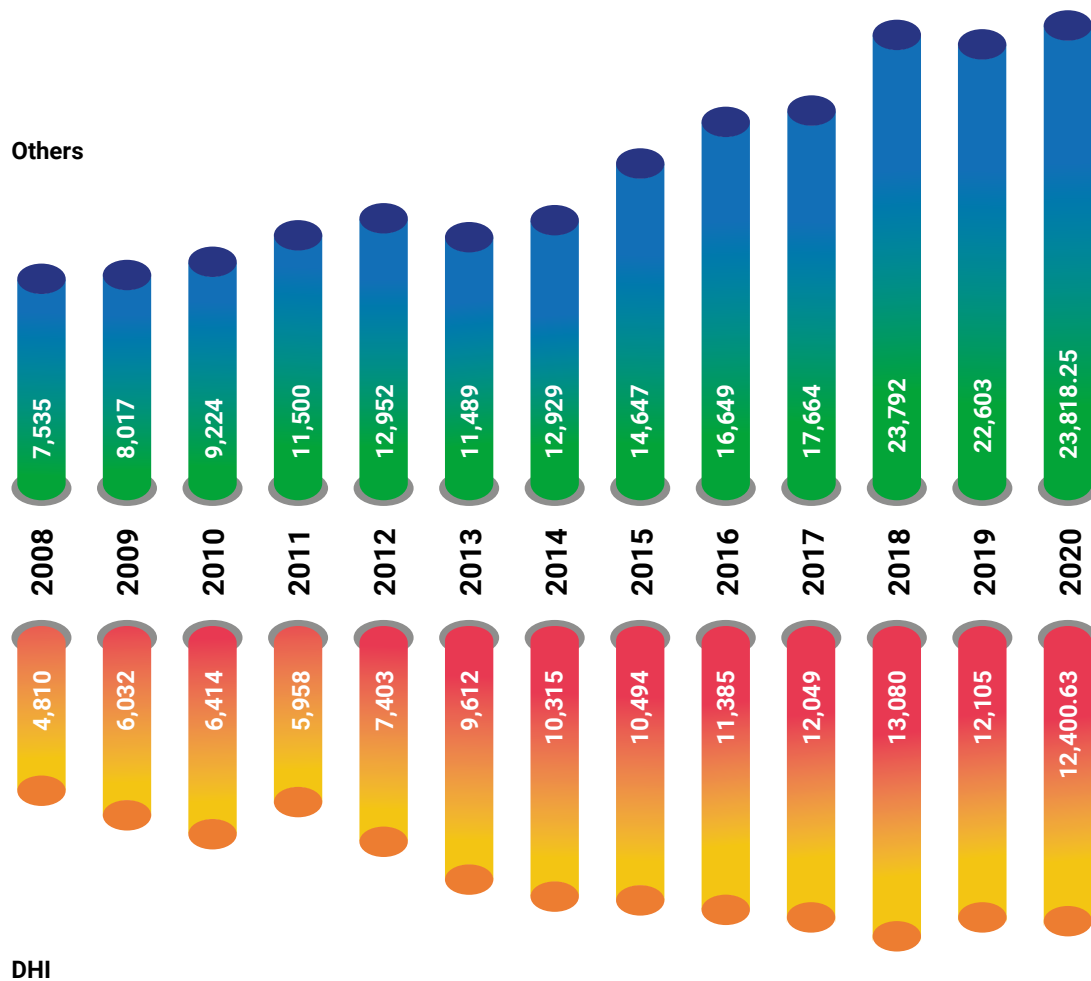


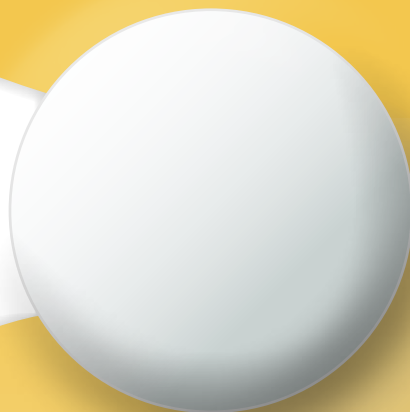
*With implementation of BAS from 2014 onwards, the stated figures from 2013 to 2016 are from the Consolidated Accounts.

Asset by Sector, 2020



Group Vs Others' contribution to National Revenue (39%)





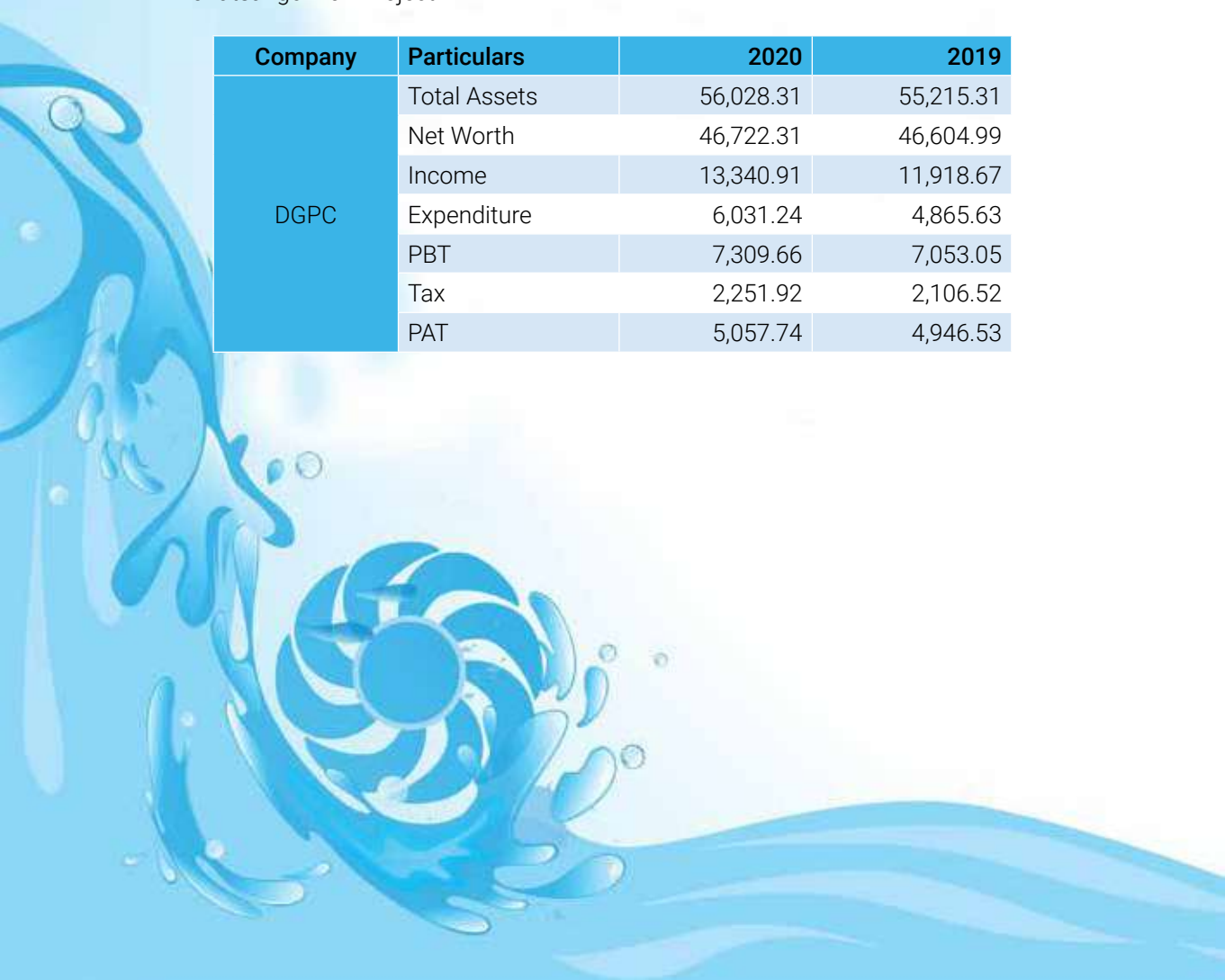
KEY FINANCIAL AND OPERATIONAL HIGHLIGHTS OF DHI SUBSIDIARIES



DRUK GREEN POWER CORPORATION LIMITED

- Achieved power plant availability (PPA) of 98% and water utilization factor (WUF) of 99%;
- Generated 7,630.04 million units of electricity, an increase of 10.16%;
- Completed the restoration of Chhukha's generating Unit-I;
- Completed implementation of SCADA (Supervisory, Control, and Data Acquisition) system for all four generating units of the Kurichhu Hydropower Plant;
- Conducted the third-party independent review of the stability of Punatsangchhu-I dam, and submitted the recommendations on the way forward to the Royal Government of Bhutan;
- Initiated work on preparation of Detailed Project Report for Barrage/Weir Option for Punatsangchhu-I Project.

Company	Particulars	2020	2019
DGPC	Total Assets	56,028.31	55,215.31
	Net Worth	46,722.31	46,604.99
	Income	13,340.91	11,918.67
	Expenditure	6,031.24	4,865.63
	PBT	7,309.66	7,053.05
	Tax	2,251.92	2,106.52
	PAT	5,057.74	4,946.53





BHUTAN POWER CORPORATION LIMITED

- Domestic electricity consumption decreased by 14% to 1,961.32 MU from 2,280.63 MU in 2019;
- Achieved global energy loss of 1.4%, a decrease of 0.45% from 2019;
- Wheeled 9,156.72 MU of energy for export to India;
- Took over the 400-kV transmission line for Punatsangchhu II, 132-kV transmission line from Merung to Corlung and the 132 kV substation at Corlung for Kholongchu Hydroelectric Limited;
- Completed construction of the 400 kV transmission lines from Punatsangchhu I to Lhamoizingkha;
- Completed construction, tested and commissioned the 132-kV substation at Phuntshothang;
- Completed installation of Automatic Meter Reading (AMR) system for all its HV & MV customers.

Company	Particulars	2020	2019(Restated)
BPCL	Total Assets	35,035.10	35,248.82
	Net Worth	14,665.70	14,514.16
	Income	9,040.27	9,467.19
	Expenditure	8,040.67	7,815.77
	PBT	999.60	1,651.42
	Tax	445.07	467.40
	PAT	554.53	1,184.02





BHUTAN TELECOM LIMITED

- Deployed 78 new 4G (LTE) sites and 22 sector addition, 44 new 3G nodes and 20 sector addition and 12 new 2G sites;
- Increased international bandwidth to 30.6 Gbps from 21.2 Gbps, to ensure adequate and reliable international bandwidth at all times;
- Implemented virtual private servers in the cloud, and also implemented B-Krita (a game portal) and revamped its B-Trowa services as part of company's digital initiatives;
- Increased active mobile subscriber base to 423,020 from 403,559 in 2019;
- Increased leased line internet subscriptions to 1,921 from 1,153 in 2019.

Company	Particulars	2020	2019
BTL	Total Assets	7,207.34	7,067.17
	Net Worth	5,483.26	4,640.09
	Income	4,785.75	4,039.01
	Expenditure	2,514.01	2,338.28
	PBT	2,271.74	1,700.72
	Tax	733.50	598.21
	PAT	1,538.25	1,102.51





NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED

- Increased timber extraction to 2.69 million cft from 2.51 million cft in 2019 and disposed 1.69 million cft, a decrease from 2.13 million cft in 2019;
- Launched 'My Resources', an app for availing services related to all products of NRDCL;
- Revised authorized share capital to Nu. 300 million from Nu. 50 million and increased paid-up share capital to Nu. 150 million from Nu. 45 million through equity injection by DHI;
- Procured three stone crushing plants, one sand dredging machine, six excavators and three backhoe loaders to ensure timely supply of raw materials to Gyalsung Infrastructure Project;
- Constructed a total 11.83 km road to facilitate harvesting and access to NRDCL's operation areas.

Company	Particulars	2020	2019 (Restated)
NRDCL	Total Assets	999.32	824.14
	Net Worth	695.15	590.91
	Income	630.32	787.39
	Expenditure	84.57	85.47
	PBT	19.41	78.40
	Tax	7.28	26.83
	PAT	12.13	51.57



DRUKAIR CORPORATION LIMITED

- Added Airbus A320 to the existing fleet of 3 A319s and 1 ATR;
- Operated a total of 1,487 flights, bulk of which were relief, repatriation, charter and cargo flights;
- Achieved 78% market share on the four competitive routes of Bangkok, Delhi, Kathmandu and Kolkata with an increase of 11% compared to FY2019;
- Maintained on time performance of 100% compared with 99.6% of FY 2019.

Company	Particulars	2020	2019
Drukair	Total Assets	9,629.99	8,551.91
	Net Worth	2,837.97	3,625.81
	Income	965.67	4,161.88
	Expenditure	2,250.03	3,659.90
	PBT	-1,150.90	508.05
	Tax	-336.40	165.01
	PAT	-814.49	343.04





CONSTRUCTION DEVELOPMENT CORPORATION LIMITED

- Completed excavation of the 2,899 m Head Race Tunnel of Nikachhu Hydropower Project; excavation of 1,774.15m exploratory drift tunnel of Nyera Amari Hydroelectric Project (Pangzam-80m, Gomdar-670.97m and Martsala-1,023.18 m); construction of 132 kV transmission line from Nikachhu project to Mangdechhu Hydroelectric Project;
- Completed 62% of Phuntsholing Township Development Project (PTDP);
- Secured significant projects such as Aipoli Bridge in Gelephu, water supply projects at Motanga and Jigmeling Industrial Estates, and the Manungi Bridge in Pema Gatshel.

Company	Particulars	2020	2019 (Restated)
CDCL	Total Assets	2,461.69	2,174.47
	Net Worth	964.74	830.64
	Income	942.01	813.88
	Expenditure	938.72	903.18
	PBT	3.29	-89.30
	Tax	7.99	5.18
	PAT	11.28	-94.48





WOODCRAFT CENTRE LIMITED

- Trained 50 trainees for a duration of four weeks in basic furniture making and upholstery with funding support from the UNDP and the Ministry of Economic Affairs;
- Increased usage of local timber to 36.4% from 30.1% in 2019;
- Maintained rubber wood waste under 11.39% and used 14.04% of rubber wood waste;
- Ventured into manufacturing of door and window frame as private construction industry was facing challenges due to shortage of skilled expatriate workers during the pandemic.

Company	Particulars	2020	2019
WCCL	Total Assets	123.75	120.66
	Net Worth	72.20	71.51
	Income	99.14	103.20
	Expenditure	92.39	90.69
	PBT	6.75	12.51
	Tax	3.12	5.66
	PAT	3.63	6.85





THIMPHU TECHPARK LIMITED

- Secured development of Bhutan Integrated Taxation System (BITS) from the Department of Revenue and Customs, MoF and Electronic Patient Information System (ePIS) from the Ministry of Health;
- Developed DrukTrace (Contact Tracing app) and Quarantine management app for National COVID Response;
- Developed Customer Service Automation and Mobile app (My Resources) for NRDCL, ERPNext implementation for Gyalsung Infra, BPC Billing Customization on SAP, DHI Group Performance Dashboard, DHI Investment Abroad Dashboard and DHI Compact Automation System;
- Initiated ERPNext Implementation at BoB, SAP Implementation for Drukair, DGPC Warehouse Project and DGPC Management Information System Report.

Company	Particulars	2020	2019 (Restated)
TTPL	Total Assets	653.80	406.65
	Net Worth	309.19	284.75
	Income	158.86	37.70
	Expenditure	107.11	34.70
	PBT	51.74	3.01
	Tax	0.28	0.46
	PAT	51.46	2.55



STATE MINING CORPORATION LIMITED

- Mined 392,872.02 MT of gypsum from Khothakpa Gypsum Mines and sold 328,336.62 MT;
- Mined 92,781.80 MT of coal from Habrang, Tshophangma and Khichangpo coal mines and sold 71,920 MT;
- Produced 52,500 MT of aggregates and sold 25,377.40 MT to the local market;
- Took over Chunaikhola Dolomite Mine from Jigme Mining Corporation Limited (JMCL) for an interim period along with 129 employees. SMCL paid Nu 60 M for key equipment, machineries and infrastructure to ensure seamless operation of the mine;
- Commenced operation from November 7 and mined 307,315.15 MT of dolomite of which 279,917.23 MT was crushed;
- Benefited the private sector with a direct business of Nu 521.77 million.
- Hired 50 earthmoving equipment, 184 tippers and 383 freelance tippers;
- Engaged 50 operators, 567 drivers, 110 coal raisers including students, 31 daily wage earners and 7 construction workers.

Company	Particulars	2020	2019
SMCL	Total Assets	1,357.97	1,032.93
	Net Worth	729.50	681.77
	Income	1,165.90	1,432.76
	Expenditure	634.20	952.26
	PBT	531.69	480.50
	Tax	168.63	144.15
	PAT	363.06	336.35





BANK OF BHUTAN LIMITED

- Achieved significant increase in mBoB users from 72,371 in 2019 to 210,534 in 2020 with a corresponding increase in transaction value of Nu. 122 billion from Nu. 67 billion in 2019;
- Recorded significant increase in merchants using the National Quick Response (NQR) from 2,907 in 2019 to 10,300 in 2020, facilitating payment of Nu. 4.48 billion;
- Automated opening of Fixed and Recurring Deposit accounts through mBoB;
- Launched the “National Credit Guarantee Scheme (NCGS)” in collaboration with MoF and the RMA;
- Increased loan portfolio by 10% from Nu 44.70 billion in 2019 to Nu 49.15 billion in 2020;
- Customer deposits increased by 30% from Nu. 59.24 billion in 2019 to Nu 77.59 billion in 2020;
- Waived off an interest income of Nu. 496. 97 million and an interest rebate of Nu. 7.58 million as part of the Monetary Relief Measures initiated by His Majesty the Druk Gyalpo.

Company	Particulars	2020	2019
SMCL	Total Assets	87,186.35	69,548.96
	Net Worth	7,158.43	7,910.39
	Income	1,711.07	2,621.45
	Expenditure	1,586.92	826.34
	PBT	124.15	1,795.11
	Tax	36.63	538.02
	PAT	87.52	1,257.08





DUNGSAM CEMENT CORPORATION LIMITED

- Achieved plant availability of 93.3% (7,017.44 hours) in the clinkerization unit, an increase from 83.27% in 2019;
- Achieved plant availability of 72.09% (9,537.23 hours) in the cement grinding units, an increase from 83.39% in 2019;
- Nationalized the entire work force for the packing and loading operations;
- Successfully completed changing the kiln bricks with in-house manpower.

Company	Particulars	2020	2019
DCCL	Total Assets	9,668.69	9,886.71
	Net Worth	2,549.85	3,153.69
	Income	2,693.95	3,388.69
	Expenditure	3,007.73	3,440.14
	PBT	-313.78	-51.45
	Tax	290.03	279.70
	PAT	-603.81	-331.15





KOUFUKU INTERNATIONAL LIMITED

- Achieved Nu 19.72 in revenue from sale of processed cheese, more than double of its 2019 processed cheese earnings of Nu 8.9 million. Correspondingly, a total revenue of 25.38 million was achieved, an increase of 15.47% from Nu 22 million in 2019;
- Achieved plant capacity utilization of 31.5%, a slight decrease from 32.5% in 2019;
- Purchased 375,361 liters of milk (worth Nu 12.88 million) from farmers, a decrease from 393,360 liters in 2019;
- Developed and standardized the new formulation of “Druk Zambala” processed cheese.

Company	Particulars	2020	2019
KIL	Total Assets	81.62	88.82
	Net Worth	49.29	35.40
	Income	25.40	21.99
	Expenditure	49.74	39.31
	PBT	-24.33	-17.32
	Tax	1.12	0.98
	PAT	-25.45	-18.29





DUNGSAM POLYMERS LIMITED

- Recorded its second year in profit with a PAT of Nu 5.46 M, an increase by 29% (1.24 M) from FY2019;
- Achieved plant availability of 99.17% compared to 98.73% in 2019;
- Achieved plant capacity utilization of 38.81%, a slight decrease from 46% in 2019;
- Produced 12.423 M bags and 167.27 MT of fabric.

Company	Particulars	2020	2019
DCCL	Total Assets	161.87	170.07
	Net Worth	50.43	45.04
	Income	154.97	177.63
	Expenditure	147.13	171.71
	PBT	7.84	5.92
	Tax	2.38	1.70
	PAT	5.46	4.22





STATE TRADING CORPORATION LIMITED

- Registered a growth of Nu 253.25 million or 91% over 2019 sales in non-automobile business including petroleum;
- Grossed a total of Nu 1,144.41 million, a decline of 40% from Nu 1,897.65 million in 2019 in automobile business;
- Inaugurated STCBL's first new generation fuel retail outlet at Ramtokto which became operational by 11 March 2020;
- Introduced Tata Service Van equipped with welding, pneumatic system, lube carrying unit and tools for quick and onsite service.

Company	Particulars	2020	2019
DCCL	Total Assets	1,323.73	1,396.90
	Net Worth	444.53	481.16
	Income	1,688.59	2,192.43
	Expenditure	1,697.22	2,127.31
	PBT	-8.63	65.12
	Tax	0.30	20.56
	PAT	-8.93	44.56

WITH GLOBAL SERIES TRUCKS





AUDITOR'S REPORT AND FINANCIAL STATEMENTS

Independent Auditor's Report on the Consolidated Financial Statements for year ended 31 December 2020

To
The Members of Druk Holding and Investments Limited

Opinion

We have audited the Consolidated Financial Statements of Druk Holding and Investments Limited and its subsidiaries ("the Group"), which comprise the Consolidated Statement of Financial Position as at 31 December 2020, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Cash Flow and the Consolidated Statement of Changes in Equity for the year then ended, and Notes to the Consolidated Financial Statements, including significant accounting policies and other explanatory information (hereinafter referred to as "the Consolidated Financial Statements").

In our opinion, the accompanying Consolidated Financial Statements give a true and fair view of the Consolidated Financial Position of the Group as at 31 December 2020 and its Consolidated Financial Performance and its Consolidated Cash Flows for the year then ended in accordance with Bhutanese Accounting Standards (BAS).

Basis for Opinion

We conducted our audit in accordance with the 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 this report. We are independent of the Druk Holding and Investments Limited and its subsidiaries ("the Group") in accordance with the ethical requirements that are relevant to our audit of the financial statements in Bhutan and we have fulfilled our ethical requirements in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

Material Uncertainty Related to Going Concern

We draw your attention to the going concern issue of Bhutan Board Product Limited (BBPL), Subsidiary, not audited by us, the other auditor who audited BBPL has drawn attention, without qualifying his opinion, to the following matters;

- a) *We draw attention to Note 20 in the financial statements, which indicates that the company incurred a net loss of Nu. 63,197,277.00 during the year-ended 31.12.2020 and the company is dependent on Overdraft to augment its cash flow requirements. The revenue from sales does not cover up even the cost to sales. As stated in Note 20, these events or conditions along with other matters as set forth in Note 20, indicates that a material uncertainty exists that may cast significant doubts on the company's ability to continue as a going concern.*

Our opinion is not modified in respect of the above matter.

Emphasis of Matters

We draw your attention to the following matters:

1. In case of Bhutan Board Product Limited (BBPL), Subsidiary, not audited by us, the other auditor who audited BBPL has drawn attention, without qualifying his opinion, to the following matters;

- a) We draw attention to Note 21 of the consolidated financial statements, which describes the effects of restatement of consolidated financial statements. In accordance with Para 23 and 42 of BAS 8 "Accounting Policies, changes in Accounting Estimates and Errors, financial statements have been restated and material errors being incorporated to the extent practical for the prior period.
- b) As presented in Note -7, Prepayment, to the consolidated financial statements, the company is having un-reconciled amount of Nu 9,383,830.10 for the year ended 31.12.2020 and Nu 7,085,541.05 for the year ended 31.12.2019 due from BBEL (its subsidiary)
2. In case of Construction Development Corporation Ltd (CDCL), Subsidiary, not audited by us, the other auditor who audited CDCL has drawn attention, without qualifying her opinion, to the following matters;
- a) The Company has maintained Property, Plant & Equipment (PPE) Schedule showing full particulars including quantitative details and situation of PPE. However, on the review of the Property, Plant & Equipment reflected in the ledger, we have observed that the amount doesn't match with the Assets Register maintained by the company by Nu. 28,018,934.37.

Table below depicts the difference amount between the Assets Register and Ledger or the amount shown in the Financial Statement

SL No.	Particulars	Amt. (Nu.)
1	Amount Reflected in the Asset Register (A)	795,772,860.53
2	Amount Reflected in the Ledger & Financial Statement (B)	767,753,926.16
	Difference Amount (A - B)	28,018,934.37

In the financial statement/GL, the Property Plant & Equipment is shown at Nu. 767,753,926.16 but the Assets Register reflected an amount of Nu. 795,772,860.53 resulting into difference of Nu. 28,018,934.37

3. In case of DUNGSAM Cement Corporation Limited (DCCL), Subsidiary, not audited by us, the other auditor who audited DCCL has drawn attention, without qualifying his opinion, to the following matters;
- a) Bond Series-I: As per Bond Prospectus Clause 4.15 of Bond Redemption Reserve, The company will create Redemption Reserve Account to be maintained with a commercial bank and deposit 20% of the bond amount from the sixth year of the bond issue. The company has completed the sixth year 30th April 2020.

Bond Series-II: As per Bond Prospectus Clause 4.14 of Bond Redemption Reserve, The Company will create Redemption Reserve Account to be maintained with a commercial bank and deposit 20% of the bond amount from the sixth year of the Bond issue. The company has completed the sixth year 5th November 2020.

Bond Series-III: As per Bond Prospectus Clause 4.16 of Bond Redemption Reserve, The Company will create Redemption Reserve Account to be maintained with a commercial bank and deposit 25% of the bond amount from the fourth year of the bond issue. The company has completed the fifth year 23rd June 2020.

However, the company fails to create the Bond Redemption Reserve as per the Prospectus Clause, the details are as follows:

Bond Series	Redemption Reserve to be Created	Redemption Reserve Created	Defaulted Amount
Bond Series-I	44,028,000	4,440,000	39,588,000
Bond Series-II	140,000,000	-	140,000,000
Bond Series-III	750,000,000	420,120,000	329,880,000
Total	934,028,000	424,560,000	509,468,000

- b) The company is under losses continuously in the past years and a substantial portion of net worth is eroded, however the management have put measures in place to turnaround company in profit. We have no doubt on the company ability to continue as a going concern.
- c) Attention is invited to Note no. 42 to the Financial Statements regarding certain debit/credit balances are subject to confirmation/reconciliation and consequent adjustment if any, required.
4. In case of Wood Craft Centre Limited (WCCL), Subsidiary, audited by one of us, the other auditor who audited WCCL has drawn attention, without qualifying his opinion, to the following matters;
- a) During the month of February 2021, the management of WCCL was informed about merging the WCCL with the NRDCL. The decision to merge the WCCL with NRDCL was taken during the 97th DHI Board.
5. In case of Thimphu TechPark Limited (TTPL), Subsidiary, not audited by us, the other auditor who audited TTPL has drawn attention, without qualifying his opinion, to the following matters;
- a) As more specifically explained in the financial statement, the company has made a detailed assessment of its liquidity position for the next year and the recoverability and carrying value of its assets comprising property, plant and equipment, investment and trade receivables. Based on current indications of future economic conditions, the company expects to recover the carrying amount of these assets. The company continues to evaluate them as highly probable. The situation is changing rapidly giving rise to inherent uncertainty around the extent and timing of the potential future impact of the COVID-19 which may be different from that estimated as at the date of approval of the financial results. The Company continues to closely monitor any material changes arising of future economic conditions and impact on its business.
6. In case of Penden Cement Authority Limited (PCAL), Subsidiary, not audited by us, the other auditor who audited PCAL has drawn attention, without qualifying his opinion, to the following matters;
- a) Due to COVID-19 pandemic and related travel restrictions, we could not physically verify the fixed assets acquired and developed during the year, inventories and cash balance. We have relied on the physical verification report of the management, which has stated as Nu. 34,503,713, Nu. 575,555,745 and Nu. 18,560,747 respectively as at 31 December 2020.
- b) We draw attention to Note No.45 of the financial statements of PCAL, which describes the economic impact of the Company is facing due to outbreak of Corona Virus Disease.

Our opinion is not modified in respect of these above matters.

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 BAS and for such internal controls as management determines is necessary to enable preparation of 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 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 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 audit 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 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 audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- i. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, to design and perform audit procedures responsive to those risks, and to 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 omission, misrepresentations, or override of internal control;
- ii. 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 Group's internal control;
- iii. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- iv. 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the consolidated 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 audit report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- v. 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 achieve fair presentation; and
- vi. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 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 audit report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that 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 Jigmi Audit & Financials Pvt. Ltd.



Jigmi Rinzin FCCA
(Membership No. 0283308)

Managing Partner

Place: Thimphu
Date: 14/05/2021



For Tshechu & Associates



Tshechu CPA
(Membership No. 9798359)

Managing Partner

Place: Thimphu
Date: 14/05/2021





Independent Auditor's Report on the Standalone Financial Statements for year ended 31 December 2020

To
The Members of Druk Holding and Investments Limited (DHI)
Thimphu

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 31 December 2020, 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 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with BAS.

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 this report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Bhutan and we have fulfilled our ethical requirements in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

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 BAS, 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 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 audit 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 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:

- i. 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 basis for our opinion. The risk of not detecting material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions misrepresentations, or override of internal control;
- ii. 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 purpose of expressing an opinion on the effectiveness of the Company's internal control;
- iii. Evaluate the appropriateness of accounting policies used and the reasonableness of Accounting estimates and related disclosures made by management;
- iv. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as going concern. If we conclude that material uncertainty exists, we are required to draw attention in our audit 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 audit report. However, future events or conditions may cause the Company to cease to continue as a Going concern; and
- v. 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 audit 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 the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by Section 266 of the Companies Act of Bhutan 2016, we enclose the Minimum Audit Examination and Reporting Requirements as Appendix I with statements on the matters specified therein to the extent applicable.

Further, as required under Section 265 of the Companies Act of Bhutan 2016, 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 insofar as it appears from our examination of those 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 BAS; and
- d) The Company has complied with other legal and regulatory requirements to the extent applicable to the company.

For Jigmi Audit & Financials Pvt. Ltd.



Jigmi Rinzin FCCA
(Membership No. 0283308)

Managing Partner

Place: Thimphu

Date: 14/05/2021



For Tshechu & Associates



Tshechu CPA
(Membership No. 9798359)

Managing Partner

Place: Thimphu

Date: 14/05/2021



REPORT ON MINIMUM AUDIT EXAMINATION REQUIREMENTS

Appendix - I

MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENTS

As required by Section 266 of the Companies Act of Bhutan, 2016, and on the basis of such checks and test verification of accounts and records as we considered appropriate, and according to the information and explanations given to us, we report, to the extent applicable, that:

1. The Company has maintained proper records to show full particulars including quantitative details and situation 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. None of the fixed assets were revalued during the year under audit, since management has opted to apply cost model of accounting policy to entire class of property, plant and equipment;
3. The Company has borrowed from the Asian Development Bank and the rate of interest and the other terms and conditions of the borrowing is prima facie not prejudicial to the interest of the company;
4. The Company had granted loans to Subsidiary Companies during the year.
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 except a few cases wherein the company has extended the repayment schedule;
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. 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. 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 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. 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;
10. 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;
11. The Company is regular in depositing rates and taxes, duties, and statutory dues with the appropriate authorities. We believe that the provision for corporate tax is adequate;
12. The undisputed outstanding amount payable in respect of contractor taxes / health tax / salary tax etc. at the year end is as follows:

Particulars	Amount in Nu.
Contractor tax deducted at source – deduction of December 2019 remitted subsequently in 2020.	56,386
Corporate Income Tax Payable – provision for the year ended December 2019 remitted subsequently in 2020.	2,089,355,741
Total	2,089,412,127

13. 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;
14. 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;
15. The management of liquid resources, particularly cash/bank is adequate and we further report more than Nu.434 million amounts are in non-interest-bearing accounts as on 31 December 2020;
16. The activities carried out by the Company during the year are in our opinion lawful and intra vires the Articles of Incorporation of the Company;
17. Activities/investment decisions are made after the prior approval of the Board and are made in new projects only after ascertaining the technical and economic feasibility of such new ventures;
18. The Company has established an effective budgetary control system;
19. 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;

20. On the basis of our examination of minutes of the meetings of the Board of Directors, made available to us, directives of the Board appears to have been complied with;
21. Adequate documents and records are maintained for loans and advances granted, agreements have been drawn up and timely entries have been made therein;
22. During the course of our audit, we have not come across any investments (shares) that would require provision for permanent diminution;
23. The Company is not covered under Financial Services Act of Bhutan, 2011 and has complied with other applicable laws, rules and regulations and guidelines issued by the appropriate Authorities; and
24. The company has allotted 1,750,440 number of shares of Nu.100 each to Ministry of Finance (MoF) for receiving Nu.175,044,000.00 through DGPC from government of India for onward injection as equity to the Kholongchhu Hydro Energy Limited which was allotted to DHI.

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. Operational controls are found adequate to ensure correctness and validity of input data and output information.
5. Measures taken by the Company to prevent unauthorized access over the computer installation and files are generally adequate.

GENERAL

1. Going Concern Problems:

Based on the Company's financial statements for the year ended 31 December 2020 audited by us, the Company has earned sufficient profit during the year under audit and we have no reason to believe that the Company is not a going concern. Accordingly, the financial statements have been prepared under the going concern basis.

2. Ratio Analysis.

Financial and Operational Ratio Analysis in respect of the Company are given in Appendix - II.

3. Adherence to Laws, Rules and Regulations:

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.

For Jigmi Audit & Financials Pvt. Ltd.



Jigmi Rinzin FCCA
(Membership No. 0283308)

Managing Partner

Place: Thimphu

Date: 14/05/2021



For Tshechu & Associates



Tshechu CPA
(Membership No. 9798359)

Managing Partner

Place: Thimphu

Date: 14/05/2021



FINANCIAL STATEMENTS

1. Statement of Comprehensive Income for the year ended 31 December 2020

(All figures in millions unless otherwise stated)

	Note	GROUP		PARENT	
		31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
INCOME					
Revenue from customers	4.a	32,689.63	37,451.48	-	-
Dividend Income	4.b	4.56	54.65	7,168.57	6,911.92
Other Income	5	1,982.32	2,126.80	274.95	312.25
Total Income		34,676.51	39,632.93	7,443.52	7,224.17
EXPENDITURE					
Direct Costs of Sales	7	5,396.71	9,331.26	-	-
Employee related Costs	8	4,964.39	4,653.94	88.54	66.42
R & M and other Costs	9	5,590.17	4,372.57	602.70	54.43
Finance Cost		2,080.93	1,778.55	6.72	3.12
Depreciation and amortisation	10 & 14	6,622.94	6,076.26	3.11	3.26
Impairment losses	6	764.00	73.58	-	-
Share of Losses of Associates & Joint venture		43.65	87.87	-	-
Total Expenditure		25,462.79	26,374.03	701.07	127.23
Profit on Operations before Tax		9,213.72	13,258.90	6,742.45	7,096.94
Income Tax Expenses	11	5,557.60	6,552.93	2,089.84	2,132.38
Profit on Operations after Tax		3,656.12	6,705.97	4,652.61	4,964.56
OTHER COMPREHENSIVE INCOME					
Actuarial gain/(loss) on post-employment benefits		(53.45)	(212.18)	(1.63)	(4.19)
Fair value gain/(loss) on Equity Investment measured through FVOCI		(221.77)	1,284.73	(239.43)	716.90
Tax on Other Comprehensive Income		(8.12)	(200.38)	72.32	(213.81)
OCI for the period, net of tax		(283.34)	872.17	(168.74)	498.90
TOTAL COMPREHENSIVE INCOME		3,372.78	7,578.14	4,483.87	5,463.46
Attributable to shareholders of DHI		3,216.09	8,029.15	-	-
Attributable to Non-controlling interest		156.69	(451.00)	-	-
Basic and Diluted Earnings per Share	12	7.49	14.48	9.53	10.72

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



Jigmi Rinzin FCCA (Membership No. 0283308)
Managing Partner
JIGMI Audit & Financials Pvt. Ltd




Tshechu CPA (Membership No. 9798359)
Managing Partner
Tshechu & Associates




Dasho Ugen Chewang
Chairman



Nim Dorji
Board Director



Dasho Karma Y. Raydi
Chief Executive Officer



Tashi Lhamo
Director, Finance



For Statutory Auditors

For Druk Holding & Investment Limited

2. Statement of Financial Position for the period ended 31 December 2020

(All figures in millions unless otherwise stated)

	Note	GROUP			PARENT	
		31-Dec-20	31-Dec-19 (restated)	31-Dec-18 (restated)	31-Dec-20	31-Dec-19
Non-current Assets						
Property Plant and Equipment	10	96,829.17	95,786.27	88,445.88	314.85	313.36
Capital work in progress	10	15,574.86	13,651.32	11,608.68	762.67	358.36
Investment Property	13	370.64	378.88	330.05	-	-
Intangible Assets	14	1,206.57	1,252.90	1,438.12	0.19	0.10
Goodwill	15	11.95	11.95	11.95	-	-
Investments	16	7,430.70	6,547.77	5,069.93	58,412.04	57,076.33
Long Term Financial assets	17	3,295.12	5,457.04	2,073.28	-	-
Banking Loans and Advances		46,106.13	46,538.85	35,802.94	-	-
Long Term Employee Benefits		536.90	268.26	75.39	-	-
Other Non-Current Assets	18	708.94	151.13	405.91	51.59	50.12
Total Non-current Assets		172,070.98	170,044.37	145,262.13	59,541.34	57,798.27
Current Assets						
Inventory	19	3,921.90	3,809.86	3,500.49	-	-
Trade Receivables	20	3,824.16	3,111.09	2,096.41	0.04	0.08
Other Receivables and Advances	21	7,293.13	8,891.53	15,430.46	566.44	894.18
Advance to Ministry of Finance	22	4,532.00	3,350.00	7,054.83	4,532.00	3,350.00
Short Term Deposits	23	29,175.39	11,167.67	6,999.58	1,076.06	2,725.46
Cash and bank	24	2,921.14	2,832.80	2,813.82	434.94	51.12
Total Current Assets		51,667.72	33,162.95	37,895.59	6,609.48	7,020.84
TOTAL ASSETS		223,738.70	203,207.32	183,157.72	66,150.82	64,819.11
EQUITY						
Paid up Share capital	25	48,870.64	48,695.60	46,201.53	48,870.64	48,695.60
Retained Earnings		26,211.40	26,226.24	15,147.14	5,387.65	5,386.44
Reserves		16,236.81	16,236.81	27,372.81	9,423.06	8,290.86
Non-controlling Interests		4,574.76	4,906.11	4,776.85	-	-
Total Equity		95,893.61	96,064.76	93,498.33	63,681.35	62,372.90
Non-current Liabilities						
Long Term Borrowings	26	36,485.24	33,539.68	26,636.50	40.78	37.86
Customer Deposits in Banking Sector		71,065.52	53,143.64	43,474.15	-	-
Deferred Government Grants	27	3,470.35	3,742.17	2,069.19	456.82	412.18
Long Term Employee Benefits	31	2,092.01	1,843.28	1,325.10	9.24	5.90
Deferred Tax Liability	11	1,353.47	1,310.50	1,290.29	922.95	994.78
Other Non Current Liabilities	28	944.80	1,239.06	517.35	13.77	15.78
Total Non-current Liabilities		115,411.39	94,818.33	75,312.58	1,443.56	1,466.50

Statement of Financial Position for the period ended 31 December 2020 (continued)

(All figures in millions unless otherwise stated)

	Note	GROUP			PARENT	
		31-Dec-20	31-Dec-19 (restated)	31-Dec-18 (restated)	31-Dec-20	31-Dec-19
Current Liabilities						
Current Portion of Borrowings	26	2,940.32	2,359.52	1,595.19	-	207.23
Working Capital Loans from Banks		-	79.72	83.59	-	-
Deferred Government Grants	27	54.32	55.04	63.25	-	-
Income Tax Payable		3,603.30	3,307.40	3,582.17	982.14	750.29
Trade and Other Payables	29	2,183.60	2,763.42	3,477.93	43.77	19.64
Other Current Liabilities	30	3,652.16	3,759.13	5,544.68	-	2.55
Total Current Liabilities		12,433.70	12,324.23	14,346.81	1,025.91	979.71
TOTAL EQUITY AND LIABILITIES		223,738.70	203,207.32	183,157.72	66,150.82	64,819.11

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

For Statutory Auditors

For Druk Holding & Investment Limited



Jigmi Rinzin FCCA (Membership No. 0283308)

Managing Partner**JIGMI Audit & Financials Pvt. Ltd**


Tshechu CPA (Membership No. 9798359)

Managing Partner**Tshechu & Associates**


Dasho Ugen Chewang

Chairman

Nim Dorji
Board Director


Dasho Karma Y. Raydi

Chief Executive Officer

Tashi Lhamo
Director, Finance

3. Statement of Cash flow for the year ended 31 December 2020

(All figures in millions unless otherwise stated)

	GROUP		PARENT	
	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
CASHFLOWS FROM OPERATING ACTIVITIES				
Profit before income tax	9,213.71	13,258.90	6,742.44	7,096.95
Adjustments for:				
Depreciation and amortization	6,622.94	6,076.26	3.11	3.26
Net loss / (gain) on sale of property, plant and equipment	-	-	16.05	-
Dividend Received	(4.56)	(54.66)	(7,168.57)	(6,911.92)
Interest expenses	2,080.93	1,778.55	(80.16)	(91.60)
Interest income	327.69	287.30	-	0.60
Operating profit before working capital changes	18,240.71	21,346.35	(487.13)	97.29
Decrease / (Increase) in Inventories	(112.02)	(309.61)	-	-
Decrease / (Increase) in Trade and other receivables	885.32	4,537.83	327.79	636.92
Increase / (Decrease) in non current assets	(557.82)	(22.62)	(3.10)	(110.96)
Increase / (Decrease) in loans & advances	(18,007.72)	(11,167.67)	1,649.38	(2,725.46)
Increase / (Decrease) in Trade and other payables	(579.83)	(493.17)	24.12	1.74
Increase / (Decrease) in current and non current liabilities	(401.24)	(798.71)	(2.55)	(2.51)
Increase / (Decrease) in provision	275.97	58.70	3.34	6.49
Net cash generated from operating activities before income tax	(256.63)	13,151.10	1,511.85	(2,096.49)
Tax Paid	(5,798.12)	(6,687.84)	(1,139.52)	(2,078.67)
Movements in Banking Loans and Deposits				
- Decrease/(Increase) in Customer Loans	432.72	(11,359.83)	-	-
-Increase/(Decrease) in Customer Deposits	17,921.88	9,756.43	-	-
Net cash generated from operating activities	12,299.85	4,859.86	372.33	(4,175.16)
CASHFLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment and Intangible assets	(9,543.03)	(15,159.90)	(425.04)	(283.42)
Dividend Received	4.56	54.66	6,450.60	6,219.53
Loan to subsidiary companies				(443.13)
Loan repaid by subsidiary companies				330.81
Investments in other investments	1,057.21	(3,414.66)	(1,575.14)	(3,068.51)
Interest received	(327.69)	(287.30)	80.16	91.60
EPF			(2.46)	0.92
Net cash generated from investing activities	(8,808.95)	(18,807.20)	4,528.12	2,847.80

Statement of Cash flow for the year ended 31 December 2020 (Continued)

(All figures in millions unless otherwise stated)

	GROUP		PARENT	
	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
CASHFLOWS FROM FINANCING ACTIVITIES				
Receipt/(repayments) of borrowings	3,446.67	7,663.61	(204.31)	208.35
Receipt/(repayments) of government grants	(272.54)	1,664.77	44.64	265.45
Issue of share Capital	175.04	2,305.04	175.04	2,305.04
Advance to MoF	(4,532.00)	(3,350.00)	(4,532.00)	(3,350.00)
Interest paid	(2,080.93)	(1,778.55)	-	(0.60)
Payment of dividend on ordinary shares	(138.80)	(232.08)	-	-
Net cash used in financing activities	(3,402.56)	6,272.79	(4,516.63)	(571.76)
Net increase in cash and cash equivalents	88.34	(7,674.55)	383.82	(1,899.12)
Opening Cash and Bank Balances	2,832.80	10,507.35	51.12	1,950.24
Closing Cash and Bank Balances	2,921.14	2,832.80	434.94	51.12

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

For Statutory Auditors

For Druk Holding & Investment Limited



Jigmi Rinzin FCCA (Membership No. 0283308)
Managing Partner
JIGMI Audit & Financials Pvt. Ltd




Tshechu CPA (Membership No. 9798359)
Managing Partner
Tshechu & Associates




Dasho Ugen Chewang
Chairman



Nim Dorji
Board Director



Dasho Karma Y. Raydi
Chief Executive Officer



Tashi Lhamo
Director, Finance



4. Consolidated Statement of Changes in Equity for the year ended 31 December 2020

(All figures in millions unless otherwise stated)

	Share Capital	Retained earnings	Statutory and Restricted Reserves	Group Investment Reserve	Other Reserves	Total Shareholder Equity	Non Controlling Interests	Total Equity
Opening Balance 1 January 2019	46,201.53	22,909.20	5,648.99	572.16	10,587.82	85,919.70	4,785.79	90,705.49
Operating Income for the year	-	6,472.57	-	-	-	6,472.57	233.41	6,705.98
OCI for the year	-	654.58	-	-	-	654.58	217.59	872.17
Dividends Paid	-	(4,021.00)	-	-	-	(4,021.00)	(232.08)	(4,253.08)
Transfer to Reserve	-	572.16	-	(572.16)	-	-	-	-
Share of losses and other adjustment	-	(361.27)	-	-	-	(361.27)	(98.6)	(459.87)
Shareholder's contributions	2,494.07	-	-	-	-	2,494.07	-	2,494.07
Closing Balance 31 December 2019	48,695.60	26,226.24	5,648.99	-	10,587.82	91,158.65	4,906.11	96,064.76
Opening Balance 1 January 2020	48,695.60	26,226.24	5,648.99	-	10,587.82	91,158.65	4,906.11	96,064.76
Operating Income for the year	-	3,810.98	-	-	-	3,810.98	(154.87)	3,656.11
OCI for the year	-	(265.47)	-	-	-	(265.47)	(17.87)	(283.34)
Dividends Paid	-	(3,350.00)	-	-	-	(3,350.00)	(138.8)	(3,488.8)
Transfer to Reserve	-	-	-	-	-	-	-	-
Share of losses and other adjustment	-	(210.35)	-	-	-	(210.35)	(19.81)	(230.16)
Shareholder's contributions	175.04	-	-	-	-	175.04	-	175.04
Closing Balance 31 December 2020	48,870.64	26,211.40	5,648.99	-	10,587.82	91,318.85	4,574.76	95,893.61

This is the Statement of Change in Equity referred to in our report of even date

For Statutory Auditors

For Druk Holding & Investment Limited


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Managing Partner
JIGMI Audit & Financials Pvt. Ltd




Dasho Ugen Chewang
Chairman


Dasho Karma Y. Raydi
Chief Executive Officer




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Board Director

Tashi Lhamo
Director, Finance




Tshechu CPA (Membership No. 9798359)
Managing Partner
Tshechu & Associates

5. Standalone Statement of Changes in Equity for the period ended 31 December 2020


(All figures in millions unless otherwise stated)


	No. of Shares (issued and fully paid up)	Ordinary Shares Par value per Share	Total Value of Shares	Retained Earnings	General Reserve	OCI	Total
Balance as at 1 January 2019	462.01	100.00	46,201.53	5,381.74	5,038.02	1,815.46	58,436.74
Profit after income-tax	-	-	-	4,964.56	-	-	4,964.56
OCI (expense) for the year	-	-	-	-	-	498.90	498.90
Dividends paid	-	-	-	(4,021.00)	-	-	(4,021.00)
Shares allotted to MoF	24.94	100.00	2,494.07	-	-	-	2,494.07
Transferred to General Reserve	-	-	-	(938.49)	938.49	-	-
Transferred to Entrepreneurship Promotion Fund	-	-	-	(0.37)	-	-	(0.37)
Balance as at 31 December 2019	486.95	100.00	48,695.60	5,386.44	5,976.51	2,314.36	62,372.90
Opening Balance as at 1 January 2020	486.95	100.00	48,695.60	5,386.44	5,976.51	2,314.36	62,372.90
Profit after income-tax	-	-	-	4,652.60	-	-	4,652.60
OCI (expense) for the year	-	-	-	-	-	(168.74)	(168.74)
Dividends paid	-	-	-	(3,350.00)	-	-	(3,350.00)
Shares allotted to MoF	1.75	100.00	175.04	-	-	-	175.04
Transferred to General Reserve	-	-	-	(1,300.94)	1,300.94	-	-
Transferred to Entrepreneurship Promotion Fund	-	-	-	(0.45)	-	-	(0.45)
Balance as at 31 December 2020	488.70	100.00	48,870.64	5,387.65	7,277.45	2,145.62	63,681.35

This is the Statement of Change in Equity referred to in our report of even date

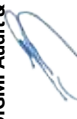
For Statutory Auditors

For Druk Holding & Investment Limited


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Tshechu & Associates


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Director, Finance



5. Standalone Statement of Changes in Equity for the period ended 31 December 2020 (Contd...)

Authorized Capital:

Authorized Share capital	As at 31 December	As at 31 December
	2020	2019
5,000,000,000 equity shares of Nu. 100/- each	500,000,000,000	500,000,000,000

Nature of Reserves

1. All shares are of same class and have the same rights attached.
2. 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.
3. 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.
4. OCI represents the gain or loss that have not been realised on the fair valuation of Investments other than investment in subsidiaries, associates and joint ventures and on Actuarial Valuation of gratuity and leave.

For Statutory Auditors

For Druk Holding & Investment Limited



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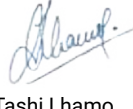

Dasho Ugen Chewang
Chairman



Nim Dorji
Board Director



Dasho Karma Y. Raydi
Chief Executive Officer



Tashi Lhamo
Director, Finance



ACCOUNTING POLICIES & NOTES TO ACCOUNTS

Notes to Financial Statements

Note 1: General Corporate Information

Druk Holding and Investments Limited (DHI) was constituted through a Royal Charter on 11 November 2007. It was subsequently incorporated on 16th November 2007 (Certificate of Incorporation Registration No.U20071116TH10198) under the Companies Act of the Kingdom of Bhutan, 2000. DHI is a limited liability company incorporated and domiciled in Bhutan. The address of its principal place of business is BOB Corporate Office, Norzin Lam, Thimphu, Bhutan.

The primary mandate of 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 (RGoB) is DHI's sole shareholder.

The key purpose of 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 maximise returns to its shareholders.

Initially, shares held by the Ministry of Finance, RGoB, in 14 companies amounting to Nu.15,998,982,400 was transferred to DHI as it's issued and subscribed capital divided into 159,989,824 equity shares of Nu.100 each. In subsequent years, RGoB has handed over various projects to DHI and the relevant share capital has been issued to the Ministry of Finance.

Currently, there are 26 companies that come under DHI's investment as Subsidiaries, Associates and Joint Ventures. These companies cover segments like hydropower, telecommunication, aviation, natural resources, banking, insurance, manufacturing, infrastructure, and trading. The principal activity of DHI, the Parent company, is the holding company for investments. All significant operations of these companies take place within Bhutan.

These financial statements cover DHI, the Parent company, and the financial statements of all companies in the DHI Group for the year ended 31 December 2020.

Note 2: Significant Accounting Policies

a) Basis of preparation

Financial statements of DHI and the consolidated financial statements of all companies in the DHI Group have been prepared in accordance with Bhutanese Accounting Standards (BAS) issued by Accounting & Auditing Standard of Bhutan (AASBB) under the accrual, historical cost and going concern conventions.

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 judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are as under:

- **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;
- **Investments** are generally stated at cost except for investments other than in subsidiaries, associates and joint ventures companies, where the investments are measured at market value and the net gain or loss reflected in Other Comprehensive Income as per BFRS-9;
- **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; and
- **Tax:** The Group is subject to taxes in Bhutan and other jurisdictions in which it operates. Application of tax law to specific circumstances and transactions require an exercise of judgment by the management.

The functional currency and presentation currency is the Bhutanese Ngultrum.

b) Application of Bhutanese Accounting Standards

The Financial Statements have been prepared in accordance with BAS and in compliance with relevant provisions of The Companies Act of Bhutan, 2016.

c) 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.

d) Consolidation

Financial statements of the Group companies are consolidated on a line-by-line basis. Significant intra-group balances and transactions, and any unrealized incomes and expenses arising from intra-group transactions, are eliminated. These financial statements are prepared by applying uniform accounting policies in use at the Group level. 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. 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.

e) 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.

f) 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 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	05-30 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.

g) 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.

h) 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. The valuations are conducted by independent valuation experts.

Business combinations have been accounted for, using the acquisition method. The cost of acquisition is measured at the fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed at the date of acquisition. The cost of acquisition also includes the fair value of any contingent consideration. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value on the date of acquisition.

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

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

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value

of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

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

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 interest 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.

i) 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.

j) Investment Property

An Investment Property is a property held to earn rental or for capital appreciation or both, rather than use in the production or supply of goods and services, or for administrative purpose, or sale in the ordinary course of business. An investment property shall be initially measured at its cost and the transaction costs shall be included in the initial measurement. The investment properties are accounted for using the cost model (Depreciated Replacement Method). Gain or loss arising from the change in fair value of the investment property shall be recognised in profit or loss for the period in which it arises.

k) 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.

l) 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 equal 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.

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

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

Other investments include entities where the Group is not in the position of being able to control or have significant influence over the decisions of the entity. This is indicated by a shareholding of less than 20%. The investments are held for the dividends only and the investments are measured at fair value through other comprehensive income (FVTOCI).

m) 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.

n) 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.

o) 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 represents 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). Currently, the Company does not have any asset classified under this category.

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 FVTOCI 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 expected 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 expected lifetime 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.

p) 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 (FVTPL)

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL. 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 FVTPL 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/losses 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 FVTPL.

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 agree 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 expired. 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.

q) 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.

r) 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.

s) 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.

t) Cash and cash equivalents

In the Statement of Cash Flows, cash and cash equivalents include 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.

u) 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.

v) 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 tax laws of the country enacted at the balance sheet date. 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.

w) 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.

x) 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. 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

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.

y) Lease Payments

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

DHI Group currently has no financial leases.

z) 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.

aa) 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 (i.e., 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 as 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;
- 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; or
- 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.

bb) 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.

cc) Dividend income

Dividend income is recognised when the right to receive payment is established. The company's operating revenue comprises dividend income, interest income, guarantee fees which are guided by the principles of recognition, measurement and disclosure requirements as per BFRS 9. Accordingly, the principles enunciated under BFRS 15 - Revenue from Contracts with Customers is not applicable to the company.

dd) 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 non-current liabilities as Deferred Government Grants. Depreciation on the assets is charged against the grant and not to the Operating Statement.

ee) 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.

ff) 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.

gg) Comparative information

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

Note 3.1: Segmental report as of 31 December 2020

(All figures in millions unless otherwise stated)

	Energy & Resources	Communication & Transport	Manufacturing	Finance	Trading	Others	Total	Elimination	Grand Total
Revenue	9,701.13	5,616.07	3,676.24	1,317.39	1,680.20	7,868.70	29,859.73	(7,236.64)	22,623.09
Revenue (PTC India)	10,066.54	-	-	-	-	-	10,066.54	-	10,066.54
Revenue from group	5,032.67	62.61	221.39	140.84	73.02	239.82	5,770.35	(5,770.34)	-
Interest Received	163.40	43.51	20.02	212.70	-	98.29	537.92	(210.23)	327.69
Other Income	813.61	502.66	54.28	40.14	31.49	222.22	1,664.40	(5.21)	1,659.19
Total Income	25,777.35	6,224.85	3,971.93	1,711.07	1,784.71	8,429.03	47,898.94	(13,222.42)	34,676.51
Direct Cost of Sales	5,327.66	651.30	2,292.60	110.62	1,596.00	443.35	10,421.53	(5,024.83)	5,396.71
Personnel and Other Costs	5,574.12	2,348.93	1,519.35	708.06	151.28	1,152.64	11,454.38	(856.17)	10,598.22
Finance Cost	1,470.29	374.09	342.01	6.68	30.90	13.88	2,237.85	(156.93)	2,080.93
Depreciation and Amortisation	4,312.04	1,720.65	409.52	82.45	15.17	83.11	6,622.94	-	6,622.94
Impairment losses	32.80	5.74	0.61	679.12	-	45.68	763.95	0.06	764.00
Income Tax	2,810.00	397.09	305.12	36.63	0.30	2,008.46	5,557.60	-	5,557.60
Total Expenses	19,526.91	5,497.80	4,869.21	1,623.56	1,793.65	3,747.12	37,058.25	(6,037.87)	31,020.40
Net Profit after tax	6,250.44	727.05	(897.28)	87.51	(8.94)	4,681.91	10,840.69	(7,184.55)	3,656.11
OCI	24.17	11.60	(4.37)	(56.98)	(0.70)	(257.05)	(283.33)	-	(283.34)
Current Assets	14,331.49	3,134.38	2,552.42	32,538.76	973.43	7,718.61	61,249.09	(9,581.38)	51,667.70
Non Current Assets	100,268.58	13,707.72	9,901.82	5,319.22	311.27	61,541.51	191,050.12	(65,085.16)	125,964.86
Assets – Bank	-	-	-	49,328.37	-	-	49,328.37	(3,222.24)	46,106.13
Total assets	114,600.07	16,842.10	12,454.24	87,186.35	1,284.70	69,260.12	301,627.58	(74,666.55)	177,632.69
Current Liabilities	8,280.17	2,427.84	1,855.03	503.45	675.40	2,424.27	16,166.16	(3,732.47)	12,433.69
Non Current Liabilities	35,463.37	6,093.03	6,291.95	85.28	166.93	1,870.23	49,970.79	(5,624.93)	44,345.87
Liabilities – Bank	-	-	-	79,439.18	-	-	79,439.18	(8,373.67)	71,065.52
Total Liabilities	43,743.54	8,520.87	8,146.98	80,027.91	842.33	4,294.50	145,576.13	(17,731.07)	127,845.08

Note 3.2: Segmental report as of 31 December 2019

(All figures in millions unless otherwise stated)

	Energy & Resources	Communication & Transport	Manufacturing	Finance	Trading	Others	Total	Elimination	Grand Total
Revenue	10,361.44	8,020.26	5,268.59	2,438.78	2,029.95	8,384.85	36,503.87	(6,985.14)	29,518.73
Revenue (PTC India)	7,932.75	-	-	-	-	-	7,932.75	-	7,932.75
Revenue from group transactions	5,354.59	121.50	350.39	124.08	144.61	221.32	6,316.49	(6,316.48)	-
Interest Received	129.70	41.86	29.08	110.51	-	106.93	418.08	(130.79)	287.30
Other Income	1,189.43	208.47	160.45	33.54	17.87	231.49	1,841.25	52.91	1,894.15
Total Income	24,967.91	8,392.09	5,808.51	2,706.91	2,192.43	8,944.59	53,012.44	13,379.50	39,632.93
Direct Cost of Sales	5,700.97	1,803.95	3,050.50	83.66	1,905.61	1,505.03	14,049.72	(4,718.46)	9,331.27
Personnel and Other Costs	3,913.83	2,741.69	1,814.51	708.75	166.95	477.76	9,823.49	(709.12)	9,114.38
Finance Cost	1,102.59	250.66	502.96	7.97	35.09	11.51	1,910.78	(132.22)	1,778.55
Depreciation and Amortisation	4,093.32	1,371.32	404.62	77.67	19.16	66.72	6,032.81	43.45	6,076.26
Impairment losses	4.75	13.70	(4.49)	33.74	0.50	17.05	65.25	8.33	73.58
Income Tax	2,773.75	763.22	321.06	538.02	20.56	2,136.31	6,408.77	-	6,552.93
Total Expenses	17,445.06	6,944.54	6,089.16	1,449.81	2,147.87	4,214.38	38,290.82	(5,363.87)	32,926.97
Net Profit after tax	7,522.85	1,447.55	(280.65)	1,257.10	44.56	4,730.21	14,721.62	8,015.63	6,705.96
OCI	(173.19)	(18.22)	523.45	52.08	(3.76)	492.30	872.66	-	872.17
Current Assets	11,395.82	5,096.83	2,732.72	14,035.87	1,083.40	6,954.02	41,298.66	(8,135.71)	33,162.95
Non Current Assets	99,134.68	10,522.25	9,954.64	7,278.04	313.50	60,489.40	187,692.51	(64,186.99)	123,505.52
Assets - Bank	-	-	-	48,235.05	-	-	48,235.05	(1,696.20)	46,538.85
Total assets	110,530.50	15,619.08	12,687.36	69,548.96	1,396.90	67,443.42	277,226.22	(74,018.90)	203,207.32
Current Liabilities	7,387.37	3,228.70	2,419.29	853.58	411.89	2,175.86	16,476.69	(4,152.50)	12,324.19
Non Current Liabilities	34,405.60	4,124.49	5,077.25	64.96	503.85	1,750.00	45,926.15	(4,251.46)	41,674.69
Liabilities - Bank	-	-	-	60,720.03	-	-	60,720.03	(7,576.39)	53,143.64
Total Liabilities	41,792.97	7,353.19	7,496.54	61,638.57	915.74	3,925.86	123,122.87	(15,980.35)	107,142.52

3.3: Percentage Shareholdings within the Group

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 3.1 and 3.2 Segmental 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.

Company	Segment	2020	2019
Druk Holding and Investments Ltd	Holding Company	100%	100%
Bank of Bhutan Ltd	Finance	80%	80%
Dungsum Cement Corporation Ltd	Manufacturing	80%	80%
Dungsum Polymers Ltd	Manufacturing	51%	51%
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 Ltd.	Real Estate	100%	100%
Thimphu TechPark Ltd	Real Estate	100%	100%
State Mining Corporation Ltd	Non-trading	100%	100%
Bhutan Telecom Ltd	Communications and Transport	100%	100%
Druk Air Corporation Ltd	Communications and Transport	100%	100%
Druk Green Power Corporation Ltd	Energy and Resources	100%	100%
Bhutan Power Corporation Ltd	Energy and Resources	100%	100%
Natural Resources Development Corporation Ltd.	Energy and Resources	100%	100%
Dagachu Hydropower Corporation Ltd	Energy and Resources	59%	59%
Tangsibji Hydro Energy Ltd	Energy and Resources	100%	100%
Wood Craft Centre Limited	Manufacturing	100%	100%
Penden Cement Authority Ltd	Manufacturing	40.40%	40.40%
Koufuku International Limited	Manufacturing	100%	80%

The following companies are Associates and Joint Ventures where the shareholding range from 15% to 51%. The consolidated financial statements for associates and joint ventures are accounted using equity method.

(All figures in millions unless otherwise stated)

Associates Company	Segment	2020	2019
Bhutan Ferro Alloys Limited	Manufacturing	28.42%	28.42%
Royal Securities Exchange of Bhutan Limited	Securities	16.35%	16.35%
Joint Venture Company	Segment	2020	2019
Bhutan Hydro Services Limited	Energy and Resources	51.00%	51.00%
Kholongchu Hydro Energy Limited	Energy and Resources	50.00%	50.00%
Bhutan Automation & Engineering Limited	Manufacturing	51.00%	51.00%
Azista Bhutan HealthCare Limited	Manufacturing	28.00%	28.00%
Druk Metallurgy Limited	Manufacturing	40.00%	40.00%

Note 4.a: Revenue from customers

	Consolidated		Standalone	
	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
Sales of:				
Goods	3,735.63	5,270.91	-	-
Services	6,160.57	9,441.34	-	-
Energy	18,429.82	16,499.70	-	-
Trading	2,968.77	3,730.59	-	-
Interest	1,394.84	2,508.94	-	-
	32,689.63	37,451.48	-	-

Note 4.b: Dividend Income

	Consolidated		Standalone	
	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
Dividend income from Subsidiaries -				
Bank of Bhutan Ltd.	-	-	509.90	378.83
Bhutan Power Corporation Ltd.	-	-	412.14	882.56
Bhutan Telecom Ltd.	-	-	771.76	862.62
Druk Air Corporation Ltd.	-	-	3.00	-
Druk Green Power Corporation Ltd.	-	-	5,132.99	4,500.00
Natural Resource Development Corporation Limited	-	-	-	6.75
Penden Cement Authority Ltd.	-	-	-	82.26
State Mining Corporation Limited	-	-	316.44	64.68
State Trading Corporation of Bhutan Ltd.	-	-	13.76	19.27
Thimphu Tech Park Limited	-	-	2.20	8.91
Wood Craft Centre Limited	-	-	3.00	7.33
	-	-	7,165.19	6,813.21

(All figures in millions unless otherwise stated)

Dividend Income from Associates and Portfolios -				
Bhutan Ferro Alloys Ltd.			-	57.89
Bhutan National Bank Ltd.	3.38	40.82	3.38	40.82
Bhutan Carbides and Chemicals Ltd	-	7.92	-	-
Druk Ferro Alloy Ltd	1.18	5.91	-	-
Royal Insurance Corporation of Bhutan Ltd.	-	-	-	-
	4.56	54.65	7,168.57	6,911.92

Note 5: Other Income

	Consolidated		Standalone	
	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
Grants and Subsidies	433.78	243.43	-	-
Brand Management Fee	-	-	179.92	177.05
Interest Received	327.69	287.30	81.85	96.06
Other Income	1,220.85	1,596.07	13.18	39.14
	1,982.32	2,126.80	274.95	312.25

Note 6: Share of profit/(loss) of Associates and Joint Ventures

	Consolidated		Standalone	
	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
Profit of ABHL	0.06	-	-	-
Profit of BAEL	21.95	3.45	-	-
Profits of BFAL	(21.03)	(32.29)	-	-
Profit of BHSL	(2.51)	(38.95)	-	-
Profit of DML	(42.47)	(20.93)	-	-
Profits of RSEBL	0.35	0.85	-	-
	(43.65)	(87.87)	-	-

Note 7: Direct Cost of Sales

	Consolidated		Standalone	
	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
Energy and wheeling charges	398.74	179.81	-	-
Aircraft fuel, oil and operating Costs	535.84	1,663.25	-	-
Cost of Goods Sold	3,753.38	5,409.92	-	-
Material used in infrastructure development	708.75	2,078.28	-	-
	5,396.71	9,331.26	-	-

Note 8: Employee Related Cost

(All figures in millions unless otherwise stated)

	Consolidated		Standalone	
	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
Payroll and Related Costs	4,119.67	4,006.14	77.94	58.27
Employee Related Costs	844.72	647.80	10.60	8.15
	4,964.39	4,653.94	88.54	66.42

Note 9: R & M and Other Cost

	Consolidated		Standalone	
	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
Other Costs	4,131.23	2,524.04	598.72	50.76
Maintenance	1,458.94	1,848.53	3.98	3.67
	4,964.39	4,653.94	88.54	66.42

Note 10: PPE, Depreciation/Amortization, and Capital Work-In-Progress

(All figures in millions unless otherwise stated)

a) Consolidated Property, Plant and Equipment for year ended 31 December 2020

2020	Cost					Depreciation					Net Book Value
	Opening	Additions	Adjustments	Disposal	Closing	Opening	Additions	Disposal	Adjustments	Closing	
Land and Buildings	65,537.05	1,042.09	(5.69)	(117.24)	66,456.21	(21,400.31)	(2,207.19)	97.08	13.37	(23,497.05)	42,959.16
Plant and Equipment	43,088.58	1,370.13	(19.20)	(498.47)	43,941.04	(21,837.53)	(2,031.72)	329.46	61.56	(23,478.23)	20,462.81
Furniture & Office Equipment	2,609.85	296.64	0.70	(116.35)	2,790.84	(1,751.30)	(213.18)	73.97	34.62	(1,855.89)	934.95
Vehicles	1,200.59	89.85	-	(12.18)	1,278.26	(765.21)	(102.66)	13.34	-	(854.53)	423.73
Aircraft and other aviation assets	8,785.64	3,780.27	-	(10.04)	12,555.87	(3,516.20)	(743.69)	8.39	-	(4,251.50)	8,304.37
Transmission & Distribution Lines	30,928.31	950.21	-	(10.25)	31,868.27	(7,093.20)	(1,035.70)	3.02	1.76	(8,124.12)	23,744.15
Totals	152,150.02	7,529.19	(24.19)	(764.53)	158,890.49	(56,363.75)	(6,334.14)	525.26	111.31	(62,061.32)	96,829.17

2019	Cost			Depreciation				Net Book Value			
	Opening	Additions	Adjustments	Disposal	Closing	Opening	Additions		Disposal	Adjustments	Closing
Land and Buildings	64,829.24	1,001.14	53.06	(346.39)	65,537.05	(19,295.21)	(2,161.27)	63.41	(7.24)	(21,400.31)	44,136.74
Plant and Equipment	41,597.28	1,707.25	41.39	(257.35)	43,088.57	(20,085.89)	(2,030.38)	195.61	83.13	(21,837.53)	21,251.04
Furniture & Office Equipment	2,570.61	176.95	(15.44)	(122.24)	2,609.88	(1,665.65)	(209.21)	95.74	27.81	(1,751.31)	858.57
Vehicles	1,106.60	138.82	-	(44.83)	1,200.59	(718.43)	(93.66)	43.19	3.68	(765.22)	435.37
Aircraft and other aviation assets	5,566.10	2,275.68	1,523.59	(579.72)	8,785.65	(3,142.52)	(408.52)	346.11	(311.27)	(3,516.20)	5,269.45
Transmission & Distribution Lines	22,761.24	8,237.72	-	(70.65)	30,928.31	(6,291.27)	(842.29)	38.58	1.77	(7,093.21)	23,835.10
Totals	138,431.07	13,537.56	1,602.60	(1,421.18)	152,150.05	(51,198.97)	(5,745.33)	782.64	(202.12)	(56,363.78)	95,786.27

b) Standalone Property, Plant and Equipment for year ended 31 December 2020

(All figures in millions unless otherwise stated)

2020	Cost			Depreciation			Net Book Value
	Opening	Addition	Disposal	Closing	Opening	Addition	Closing
Freehold Land		0.03	(0.00)	298.00	-	-	-
Furniture and Fittings	3.81	1.60	(0.89)	4.51	(2.80)	(0.26)	(2.35)
Electrical Equipment	0.54	0.01	(0.20)	0.35	(0.42)	(0.03)	(0.29)
Data Processing Equipment	25.43	2.81	(3.56)	24.67	(22.98)	(1.36)	(20.82)
Office Equipment	2.76	0.37	(0.14)	2.99	(2.17)	(0.24)	(2.28)
Vehicles	19.09	0.00	-	19.09	(7.88)	(1.15)	(9.03)
Totals	349.62	4.81	(4.80)	349.62	(36.24)	(3.04)	(34.78)

2019	Cost			Depreciation			Net Book Value
	Opening	Addition	Disposal	Closing	Opening	Addition	Closing
Freehold Land	87.34	210.64	0.00	297.98	0.00	0.00	0.00
Furniture and Fittings	4.22	0.03	(0.44)	3.81	(2.80)	(0.27)	(2.80)
Electrical Equipment	0.58	0.00	(0.04)	0.54	(0.40)	(0.04)	(0.42)
Data Processing Equipment	24.48	1.08	(0.12)	25.44	(21.78)	(1.32)	(22.98)
Office Equipment	2.84	0.04	(0.12)	2.76	(1.99)	(0.23)	(2.17)
Vehicles	19.09	0.00	0.00	19.09	(6.73)	(1.15)	(7.88)
Totals	138.55	211.79	(0.72)	349.62	(33.70)	(3.01)	(36.25)

Capital Work-In-Progress for the year ended 31 December 2020

(All figures in millions unless otherwise stated)

	Consolidated		Standalone	
	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
Electricity Generation	11,183.05	8,821.40	0.00	0.00
Power Generation	2,719.07	3,481.13	0.00	0.00
Others	1,672.74	1,348.79	762.67	358.36
Total	15,574.86	13,651.32	762.67	358.36

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 was recorded in the books at nominal value of Nu.100. 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 - DHI building has been written off in the year 2020 as per the approval of the Board.

Physical verification of all assets was carried out in 2021 and where practical, assets were given a physical identification number and the final assets in working condition matched with the book records as on 31 December 2020.

Note 11: Income Tax Expenses

(All figures in millions unless otherwise stated)

	Consolidated		Standalone	
	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
Income Tax Payable -				
Current Tax	5,227.30	6,043.56	2,090.13	2,130.19
Prior Period Tax	0.17	16.80	-	1.48
Total Income Tax Expenses Recognized	5,227.47	6,060.36	2,090.13	2,131.67
Deferred Tax Payable	330.13	492.57	(0.29)	0.71
Total Tax on Operating Income	5,557.60	6,552.93	2,089.84	2,132.38
Reconciliation of Tax on Operating Income -				
Profit Before Income-tax from Operations	9,169.56	13,258.90	6,742.44	7,096.95
Tax at 30%	2,750.87	3,977.67	2,022.73	2,129.08
Adjustments required for:				
- Non deductible & Non Assessed Income/exp	183.34	71.86	67.69	1.82
- Tax losses	110.35	59.31	-	-
- Other Adjustments (Timing)	(136.02)	487.07	(0.58)	1.48
- Tax on Dividends from subsidiaries	2,649.06	1,957.02	-	-
Current Tax Expenses	5,557.60	6,552.93	2,089.84	2,132.38
Effective Tax Rate -	60.61%	49.42%	31.00%	30.00%
Reconciliation of Deferred Tax -				
Opening	(1,310.50)	(1,245.04)	(994.78)	(779.71)
Recognized during Year	330.13	492.56	71.83	(215.07)
Restatement of prior years	(373.10)	(558.02)	-	-
Closing	(1,353.47)	(1,310.50)	(922.95)	(994.78)
Deferred Tax Assets	1,576.61	1,154.27	(21.26)	14.85
Deferred Tax Liabilities	(2,930.08)	(2,464.77)	(901.69)	(1,009.63)
Total	(1,353.47)	(1,310.50)	(922.95)	(994.78)
Tax on Comprehensive Income				
Actuarial Gain/(Loss) on Post employment benefit	(53.45)	(180.92)	(1.63)	(4.19)
Fair value gain/(loss) on Equity Investment measured through FVOCI	(221.77)	1,284.73	(239.43)	716.90
Less: Tax	(8.12)	(231.64)	(72.32)	(213.81)
	(283.34)	872.17	(168.74)	498.90

Note 12: Basic & diluted Earnings Per Share

(All figures in millions unless otherwise stated)

	Consolidated		Standalone	
	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
Profit after income-tax	3,655.77	6,705.98	4,652.60	4,964.56
Profit used to determine basic earnings per share	3,655.77	6,705.98	4,652.60	4,964.56
Number of shares at the beginning of the year	486.96	462.02	486.96	462.02
Number of Shares allotted to MoF during the year	1.75	24.94	1.75	24.94
Number of shares at the end of the year	488.71	486.96	488.71	486.96
Weighted average number of ordinary shares in issue	488.28	463.27	488.28	463.27
Basic and Diluted Earnings per Share	7.49	14.48	9.53	10.72

Note 13: Investment Property

	Consolidated			Standalone	
	31-Dec-20	31-Dec-19	31-Dec-18	31-Dec-20	31-Dec-19
Investment Property	378.88	335.06	325.04	-	-
Increase in valuation for the period	(8.24)	43.82	5.01	-	-
	370.64	378.88	330.05	-	-

Note 14: Intangible Assets

(All figures in millions unless otherwise stated)

a) Consolidated Intangible Assets for year ended 31 December 2020

2020	Cost			Depreciation			Net Book Value
	Opening	Addition	Disposal	Closing	Opening	Addition	Disposal
Software	3,396.48	379.49	(62.94)	3,713.03	(2,165.61)	(516.84)	161.84
Pre Operative	3.05	-	-	3.05	(2.97)	(0.08)	-
Exploration & Evaluation	35.97	-	-	35.97	(14.02)	(7.72)	-
Totals	3,435.49	379.49	(62.94)	3,752.04	(2,167.62)	(524.64)	146.78
							(2,545.48)
							1,192.34
							0.00
							14.23
							1,206.57

2019	Cost			Depreciation			Net Book Value
	Opening	Addition	Disposal	Closing	Opening	Addition	Disposal
Software	3,325.14	212.17	(140.83)	3,396.48	(1,915.73)	(415.07)	165.20
Pre Operative	3.05	-	-	3.05	(1.69)	(1.28)	-
Exploration & Evaluation	35.97	-	-	35.97	(8.61)	(5.41)	-
Totals	3,364.15	212.17	(140.83)	3,435.49	(1,926.03)	(421.76)	180.17
							(2,167.62)
							1,230.87
							0.08
							21.95
							1,252.90

b) Standalone Intangible Assets for year ended 31 December 2020

2020	Cost			Depreciation			Net Book Value
	Opening	Addition	Disposal	Closing	Opening	Addition	Disposal
Software	15.08	0.16	-	15.24	(14.98)	(0.07)	-
Totals	15.08	0.16	-	15.24	(14.98)	(0.07)	-
							(15.05)
							0.19
							0.19

2019	Cost			Depreciation			Net Book Value
	Opening	Addition	Disposal	Closing	Opening	Addition	Disposal
Software	16.31	0.02	(1.25)	15.08	(15.97)	(0.26)	1.25
Totals	16.31	0.02	(1.25)	15.08	(15.97)	(0.26)	1.25
							(14.98)
							0.10
							0.10

Note 15: Goodwill

(All figures in millions unless otherwise stated)

	Consolidated			Standalone	
	31-Dec-20	31-Dec-19	31-Dec-18	31-Dec-20	31-Dec-19
Goodwill	11.95	11.95	11.95	-	-
	11.95	11.95	11.95	-	-

Note 16.1: Investments (Consolidated)

	Percentage	31-Dec-20	31-Dec-19
A) Associates Companies			
Bhutan Ferro Alloys Limited	28.50%	389.26	437.95
Royal Securities Exchange of Bhutan Limited	18.00%	35.80	29.64
B) Joint Ventures			
Azista Bhutan HealthCare Limited	28.00%	22.46	22.40
Bhutan Automation & Engineering Limited	51.00%	42.02	31.76
Bhutan Hydro Services Limited	51.00%	77.34	79.99
Druk Metallurgy Limited	40.00%	116.09	158.55
Kholongchu Hydro Energy Limited	50.00%	1,737.82	1,562.77
C) Other Investments			
Bhutan Carbides and Chemicals Ltd		76.09	102.60
Bhutan Development Bank Ltd		52.91	54.95
Bhutan National Bank Ltd		1,550.34	1,738.93
Credit Information Bureau		4.30	3.56
Druk Ferro Alloy Ltd		69.78	86.35
Entrepreneur Promotion Fund		25.61	28.07
Financial Institution Training Institute		18.07	18.86
Investments Abroad		1,490.91	298.26
Royal Insurance Company of Bhutan Ltd		1,721.90	1,893.13
Total Associates and Other Investments		7,430.70	6,547.77
Summarised Information of Associate Companies			
Long Term Assets		1,099.24	1,493.64
Current Assets		1,085.35	744.38
Long Term Liabilities		273.17	165.95
Current Liabilities		737.91	578.59
Equity		1,173.52	1,493.48
DHI Group Share of Equity		424.82	467.59
Net Profit after Tax		(74.00)	(107.69)
Other Comprehensive Income		-	(0.74)
DHI Group share of Profits after Tax		(21.03)	(31.44)

Summarised Information of Joint Venture		
Long Term Assets	4,066.12	3,355.03
Current Assets	93.34	112.77
Long Term Liabilities	687.24	659.46
Current Liabilities	189.90	144.87
Equity	3,282.32	2,663.47
DHI Group Share of Equity	1,995.72	1,855.48
Net Profit after Tax	(5.34)	(76.23)
Other Comprehensive Income	0.41	(0.15)
DHI Group share of Profits after Tax	(2.51)	(38.95)

Note 16.2 Investments (Standalone)

(All figures in millions unless otherwise stated)

	31-Dec-20				31-Dec-19			
	% of Holding	Face Value per Share	No. of Shares	Dec 31, 2020	% of Holding	Face Value per Share	No. of Shares	Dec 31, 2019
A) Investments in Subsidiaries - Quoted - Equity Shares fully paid up -								
Bhutan Board Products Ltd. (Refer Note b below)	58%	10	6,683,340	66.83	58%	10	6,683,340	66.83
State Trading Corporation of Bhutan Ltd. (Refer Note b below)	55%	10	9,176,050	10.20	55%	10	9,176,050	10.20
Dungsam Polymers Ltd.	51%	10	7,851,904	78.52	51%	10	7,851,904	78.52
Penden Cement Authority Ltd. (Refer Note c below)	40%	10	13,710,740	91.40	40%	10	13,710,740	91.40
Unquoted - Equity Shares fully paid up -								
Bank of Bhutan Ltd.	80%	100	24,000,000	240.00	80%	100	24,000,000	240.00
Bhutan Power Corporation Ltd. (Refer Note f below)	100%	1,000	10,235,301	9,360.78	100%	1,000	10,235,301	9,360.78
Bhutan Telecom Ltd.	100%	1,000	4,000,000	854.08	100%	1,000	854,082	854.08
Dungsam Cement Corporation Ltd. (Refer Note b below)	80%	100	59,495,479	5,949.55	80%	100	59,495,479	5,949.55
Druk Green Power Corporation Ltd. (Refer Note h Below)	100%	1,000	32,246,108	32,246.11	100%	1,000	32,071,064	32,071.06
Druk Air Corporation Ltd. (Refer Note j below)	100%	100	36,085,251	2,608.53	100%	100	22,252,111	2,558.35
Natural Resources Development Corporation Ltd.	100%	100	1,500,000	135.00	100%	100	450,000	45.00
Thimphu TechPark Ltd. (Refer Note b and d below)	100%	100	2,230,909	210.21	100%	100	2,229,045	210.21
State Mining Corporation Ltd.	100%	100	2,939,900	293.99	100%	100	2,939,900	293.99
Wood Craft Center Ltd.	100%	100	659,583	65.96	100%	100	659,600	65.96
Construction Development Corporation Ltd. (Refer note i below)	100%	1,000	1,116,862	1,116.86	100%	1,000	966,862	966.86
Koufuku International Ltd. (Refer note e below)	100%	100	400,000	54.16	80%	100	400,000	15.00
Total Investments in Subsidiaries				53,382.18				52,877.79

	% of Holding	Face Value per Share	No. of Shares	Dec 31, 2020	% of Holding	Face Value per Share	No. of Shares	Dec 31, 2019
B) Investments in Associates & Joint Venture - Quoted - Equity Shares fully paid up - Bhutan Ferro Alloys Ltd. (Associate)	26%	10	3,859,460	38.59	26%	10	3,859,460	38.59
Unquoted - Equity Shares fully paid up - Azista Bhutan Healthcare Limited (JV) (Refer Note I below)	28%	10	2,240,000	22.40	28%	10	2,240,000	22.40
Druk Metallurgy Limited (JV) (Refer Note I below)	40%	100	1,800,000	180.00	40%	100	1,800,000	180.00
Total Investments in Associates & Joint Ventures				240.99	240.99			

C) Other Investments -

	% of Holding	Face Value per Share	No. of Shares	Dec 31, 2020	% of Holding	Face Value per Share	No. of Shares	Dec 31, 2019
Quoted - Equity Shares fully paid up - Bhutan National Bank Ltd. (Refer Note k below)	12%	10	48,983,952	1,550.34	12%	10	48,983,952	1,738.93
Royal Insurance Corporation of Bhutan Ltd. (Refer Note k below)	18%	10	25,780,417	1,721.90	18%	10	25,780,417	1,893.13
Investment Abroad				1,490.91				298.26
Total (i)				4,763.15				3,930.32
Investments in EPF Assets (Refer Note 15) - Bank balance Term deposits Accrued interest Contribution to Loden-DHI Fund (Refer Note g below)				0.00 14.20 0.00 11.69				0.26 9.50 0.45 17.00
Total (ii)				25.71				27.21
Total Other Investments (i+ii)				4,788.87				3,957.53
Total Investments (A+B+C)				58,412.04				57,076.33

Note 16: Investments (Continued)

- 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 7.06%. 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 numbers of other shareholders 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 shareholder turn-out of this size does not occur. Hence, the test of “control” as per BFRS 10 is therefore met.
- d) During the year 2019, DHI has transferred fixed assets to Thimphu TechPark Ltd. (TTPL) amounting to Nu.186,400.
- e) 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. During the year 2020, DHI received 1st tranche of Nu. 7,000,000/- as repayment from Loden foundation and out of which 50% amounting to Nu. 3,500,000/- was repaid to BOBL .
- f) During the year DGPC allotted total shares of Nu. 175,044,000/- to DHI on account of grant received from Government of India (for onward injection as equity in KHEL) and DHI allotted shares of equivalent amount to MoF.
- g) During the year 2019 DHI got the ownership of plot of land transferred from its subsidiaries for a total amount of Nu. 210,641,947 through book adjustments as per Boards approval for which reduction of investment in CDCL by Nu. 14,157,000 was done and in WCCL by Nu. 7,359,400. The relevant adjustment entries have been duly communicated to the Registrar of Companies (RoC) and MoF in 2019.
- h) During the year 2019 DHI capitalised the inter-corporate loan along with interest amounting to Nu. 333,140,800 of Drukair Corporation Ltd.
- i) 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 31 December every year.
- j) During the year 2019 DHI made an additional invest of Nu.16,800,000 to Azista Bhutan Healthcare Ltd. and Nu.150,000,000 to Druk Metallurgy Ltd.

- k) During the year 2020 DHI made an additional investment of Nu. 150,000,000 in CDCL and Nu. 90,000,000 in NRDCL, Nu. 50,170,000 in Drukair and Nu. 39,160,000 in Koufuku International Ltd.
- l) During the year 2020 Bhutan Telecom Limited and Drukair Corporation Limited issued bonus shares of 3,145,918 and 13,833,140 shares respectively.

Note 17: Long Term Financial Assets

(All figures in millions unless otherwise stated)

	Consolidated			Standalone	
	31-Dec-20	31-Dec-19	31-Dec-18	31-Dec-20	31-Dec-19
Debt Securities					
-Unlisted	2,445.37	4,147.99	706.77	-	-
- Term Deposits with Bank & Financial Institutions	849.75	1,309.05	1,366.51		
	3,295.12	5,457.04	2,073.28	-	-

Note 18: Other Non Current Assets

	Consolidated			Standalone	
	31-Dec-20	31-Dec-19	31-Dec-18	31-Dec-20	31-Dec-19
Trade Receivables & Others	617.16	48.19	326.75	-	-
Advance Payments to Suppliers	53.69	62.95	58.28	-	-
Prepaid Expenses - Non current	38.09	39.99	20.88	-	-
DHI Bizap	-	-	-	51.59	50.12
	708.94	151.13	405.91	51.59	50.12

Note 19: Inventory

	Consolidated			Standalone	
	31-Dec-20	31-Dec-19	31-Dec-18	31-Dec-20	31-Dec-19
Raw material	351.70	409.97	313.60	-	-
Work in progress	432.62	425.24	431.88	-	-
Finished goods	1,167.60	961.12	854.92	-	-
Other inventory	1,095.34	1,054.64	925.13	-	-
Stores, spares and loose tools	874.64	958.89	974.96	-	-
	3,921.90	3,809.86	3,500.49	-	-

Note 20: Trade Receivables

	Consolidated			Standalone	
	31-Dec-20	31-Dec-19	31-Dec-18	31-Dec-20	31-Dec-19
Receivable in Ngultrum	2,996.27	2,899.22	1,785.46	0.04	0.08
Receivable in foreign currency	943.24	297.06	372.14	-	-
Less Provision for Impairment	(115.35)	(85.19)	(61.19)	-	-
	3,824.16	3,111.09	2,096.41	0.04	0.08

Note 21: Other Receivables and Advances

(All figures in millions unless otherwise stated)

	Consolidated			Standalone	
	31-Dec-20	31-Dec-19	31-Dec-18	31-Dec-20	31-Dec-19
Non Trade Receivables and Advances	2,052.83	2,367.46	1,805.44	-	-
Loan to subsidiary company (including interest accrued)	-	-	-	8.19	467.29
Term deposits with financial institutions	1,655.34	1,310.76	1,554.54	-	-
Other Financial Assets	2,611.60	2,247.46	8,007.59	320.24	4.42
Advance to vendors	691.05	2,603.67	3,657.77	237.52	422.17
Advance to employees	49.88	53.85	36.37	0.53	0.30
Prepaid expenses - current	119.89	243.51	258.02	-	-
Tax Paid in Advance	112.54	64.82	110.73	0.12	-
	7,293.13	8,891.53	15,430.46	566.44	894.18

Note 22: Advance to Ministry of Finance

	Consolidated			Standalone	
	31-Dec-20	31-Dec-19	31-Dec-18	31-Dec-20	31-Dec-19
Advance to Ministry of Finance	4,532.00	3,350.00	7,054.83	4,532.00	3,350.00
	4,532.00	3,350.00	7,054.83	4,532.00	3,350.00

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.

Note 23: Short term Deposits

	Consolidated			Standalone	
	31-Dec-20	31-Dec-19	31-Dec-18	31-Dec-20	31-Dec-19
Short-term deposits	763.42	597.38	109.71	1,076.06	2,725.46
Cash Reserve and Balances with RMA	28,411.97	10,570.29	6,889.88	-	-
	29,175.39	11,167.67	6,999.58	1,076.06	2,725.46

Note 24: Cash and Cash Equivalent

	Consolidated			Standalone	
	31-Dec-20	31-Dec-19	31-Dec-18	31-Dec-20	31-Dec-19
Cash in hand	1,022.14	1,022.14	909.67	-	-
Cash at bank	1,810.66	1,810.66	1,904.15	434.94	51.12
	2,921.14	2,832.80	2,813.82	434.94	51.12

Note 25: Share Capital

(All figures in millions unless otherwise stated)

	Consolidated			Standalone	
	31-Dec-20	31-Dec-19	31-Dec-18	31-Dec-20	31-Dec-19
Authorised Capital					
5,000,000,000 equity shares of Nu.100	500,000	500,000	500,000	500,000	500,000
Issued and Paid up capital					
Opening 450,875,898 equity shares	48,695.60	46,201.53	45,946.20	48,695.60	46,201.53
Issues during the year	175.04	2,494.07	255.33	175.04	2,494.07
Closing	48,870.64	48,695.60	46,201.53	48,870.64	48,695.60

Note 26: Long Term Borrowings

	Consolidated			Standalone	
	31-Dec-20	31-Dec-19	31-Dec-18	31-Dec-20	31-Dec-19
Borrowings from:	6,649.59	4,745.30	2,723.57	2.55	207.22
Banks and Financial Institutions in Bhutan					
Banks and Financial Institutions in other countries	30,387.29	28,403.55	21,456.25	-	-
Foreign Governments	471.37	616.70	762.02	38.23	37.86
Bonds listed by the RSEB	1,917.31	2,133.65	3,289.85	-	-
Working Capital Loans from Banks	-	79.68	83.59	-	-
	39,425.56	35,978.88	28,315.28	40.78	245.08
Less Portion repayable within 1 year	2,940.32	2,439.20	1,678.78	207.22	
Net Long Term Borrowings	36,485.24	33,539.68	26,636.50	40.78	37.86

Note 27: Deferred Government Grants

	Consolidated			Standalone	
	31-Dec-20	31-Dec-19	31-Dec-18	31-Dec-20	31-Dec-19
Opening Balance	3,797.21	2,069.19	1,700.19	412.18	146.73
Add: Receipts during the year	-	1,672.98	653.37	44.64	265.45
Issues during the year	175.04	2,494.07	255.33	175.04	2,494.07
Less: Amortisation against expenditure	(326.86)	-	(284.37)	-	-
	3,470.35	3,742.17	2,069.19	-	-
Less Current portion	(54.32)	(55.04)	(63.25)	-	-
Closing Balance	3,524.67	3,797.21	2,005.94	456.82	412.18

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 assets.

Note 28: Other Non Current Liabilities

(All figures in millions unless otherwise stated)

	Consolidated			Standalone	
	31-Dec-20	31-Dec-19	31-Dec-18	31-Dec-20	31-Dec-19
Trade and other payables - noncurrent	325.79	490.44	199.45	13.77	15.78
Advances - noncurrent	9.55	7.40	6.96	-	-
Retention money payable - noncurrent	148.39	293.90	(95.11)	-	-
Deposits received - noncurrent	461.07	447.32	406.05	-	-
	944.80	1,239.06	517.35	13.77	15.78

Note 29: Trade and Other Payables

	Consolidated			Standalone	
	31-Dec-20	31-Dec-19	31-Dec-18	31-Dec-20	31-Dec-19
Trade Payables	1,464.05	1,726.88	2,593.66	25.98	3.20
TDS Payable	58.07	115.17	104.92	0.14	0.01
Employee and other payables	539.86	829.26	674.75	17.65	16.43
Accrued expenses	117.39	87.86	98.63	-	-
Unclaimed Dividend	4.23	4.25	5.97	-	-
	2,183.60	2,763.42	3,477.93	43.77	19.64

Note 30: Other Current Liabilities

	Consolidated			Standalone	
	31-Dec-20	31-Dec-19	31-Dec-18	31-Dec-20	31-Dec-19
Advances and Deposits Received	656.03	591.68	455.26	-	2.55
Construction Contracts	474.87	468.92	737.47	-	-
Listed Bond repayable	216.34	216.34	216.35	-	-
Retention money payable	355.48	165.85	2,215.64	-	-
Other Liabilities	1,687.55	2,105.49	1,759.17	-	-
Provision	261.89	210.85	160.79	-	-
	3,652.16	3,759.13	5,544.68	-	2.55

Note 31: Employee Benefits - Standalone

Gratuity

A Defined Contribution Plan- Provident fund

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 2020 was Nu. 4,262,393/- (2019 Nu. 2,408,480/-).

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 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 actuarial valuation of the obligation of the defined benefit plan has been carried out by Druk Infinity Consulting, Thimphu.

i) Statement of Profit or Loss	2020	2019
Current service cost	2.32	1.63
Past service cost - plan amendments	-	0.17
Net interest on net defined benefit liability / (asset)	(0.10)	(0.03)
Cost recognised in Statement of Profit or Loss	2.22	1.77

ii) Other Comprehensive Income (OCI)	2020	2019
Actuarial (gain)/loss due to liability experience	1.21	1.00
Return on plan assets (greater)/less than discount rate	0.49	0.26
Actuarial (gains)/ losses recognized in OCI	1.69	1.26
Cumulative Actuarial (Gain) Loss Recognized via OCI	1.69	1.26

iii) Defined Benefit Cost	2020	2019
Service Cost	2.22	1.76
Net interest on net defined benefit liability/(asset)	-	-
Actuarial (gain)/losses recognised in OCI	1.69	1.26
Defined benefit Cost	3.91	3.02

iv) Statement of Financial Position	2020	2019
Defined benefit obligation (DBO)	(15.31)	(10.94)
Fair value of plan assets (FVA)	12.67	8.89
Funded status [surplus/(deficit)]	(2.64)	(2.05)
Net defined benefit asset (DBA)	(2.64)	(2.05)

v) Reconciliation of Net Financial Position	2020	2019
Net defined asset/ (liability) at the end of prior period	(2.05)	(0.60)
Service Cost	(2.22)	(1.76)
Amount recognised in OCI	(1.69)	(1.26)
Employer contributions	3.33	1.57
Net defined benefit asset/(liability) at the end of current period	(2.64)	(2.05)

vi) Movements in the Present Value of Defined Benefit Obligation	2020	2019
Opening Defined Benefit Obligation	10.94	8.57
Current service cost	2.32	1.63
Past service cost	-	0.17
Interest cost	0.87	0.64
Actuarial loss on experience adjusted	(0.04)	(1.07)
Benefits paid from plan assets	1.21	1.00
Closing Defined Benefit Obligation	15.31	10.94

vii) Movements in the Fair Value of Plan Assets	2020	2019
Opening Fair Value of Plan Assets	8.89	7.97
Income on assets at the discount rate	0.97	0.68
Actual interest less than discount rate	(0.49)	(0.26)
Contribution by DHI	3.33	1.57
Benefits paid from plan assets	(0.04)	(1.07)
Closing Fair Value of Plan Assets	12.67	8.89

viii) Expected Benefit Payments as at 31 December 2020

31 December 2021	7.32
31 December 2022	4.92
31 December 2023	6.03
31 December 2024	1.02
31 December 2025	2.97
31 December 2025 to 31 December 2030	5.05
31 December 2030 to 31 December 2040	10.50

ix) Expected Benefit Payments as at 31 December 2019

31 December 2020	5.26
31 December 2021	3.76
31 December 2022	3.35
31 December 2023	2.06
31 December 2024	0.94
31 December 2025 to 31 December 2029	6.00

xi)

	2020	2019
Weighted Average Duration of Defined Benefit Obligation	6.95 years	7.43 Years

xii) Plan Asset Information (Asset Allocation in%)

	2020	2019
Insurance Policy with RICBL	66%	93.79%
Gratuity Fund with BIL	34%	6.06%
Balance in Current Account	0.10%	0.15%
Total	100.00%	100.00%

xiv) Sensitivity Analysis

Assumption/Parameter	Scenario	Defined Benefit Obligation (DBO)	Net effect of DBO	Percent change
Discount rate	0.50%	15.13	(0.18)	-1.16%
	Base rate	15.31	-	0.00%
	-0.50%	15.49	0.19	1.22%
-				
Salary Growth Rate	0.50%	15.55	0.24	1.56%
	Base rate	15.31	-	0.00%
	-0.50%	15.08	(0.23)	-1.51%
-				
Mortality Rate	0.50%	15.30	(0.01)	-0.05
	Base rate	15.31	-	0.00%
	-0.50%	15.31	0.01	0.05
-				
Employer turnover rate	0.50%	15.21	(0.09)	-0.61%
	Base rate	15.31	-	0.00%
	-0.50%	15.40	0.10	63%

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.

Leave Liability

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.

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 actuarial valuation of the obligation of the leave encashment liability has been carried out by Druk Infinity Consulting, Thimphu.

i) Statement of Profit or Loss

	2020	2019
Current service cost	1.58	2.08
Net interest on net defined benefit liability / (asset)	0.01	(0.12)
Remeasurement (gains) / losses	(0.28)	(0.03)
Cost recognised in Statement of Profit or Loss	1.31	1.93

Other Comprehensive Income (OCI)

	2020	2019
Actuarial (gain)/loss due to liability experience	(0.29)	(0.05)
Actuarial (gain)/loss arising during period	(0.28)	(0.03)
Return on plan assets (greater)/less than discount rate	0.01	0.02
Cumulative Actuarial (Gain) Loss Recognized via OCI	-	-

ii) Statement of Financial Position

	2020	2019
Defined benefit obligation (DBO)	5.32	3.74
Fair value of plan assets (FVA)	3.88	3.61
Funded status [surplus/(deficit)]	(1.44)	(0.13)
Net defined benefit asset (DBA)	(1.44)	(0.13)

Reconciliation of Net Balance Sheet Position

	2020	2019
Net defined benefit asset/(liability) at the end of prior Period	(0.13)	1.20
Service cost	(1.58)	(2.08)
Net increase on net defined benefit liability/(asset)	(0.01)	0.12
Actuarial (losses)/(gains)	0.28	0.03
Employer contribution	-	0.60
Net defined benefit asset (DBA)	(1.44)	(0.13)

iii) Movements in the Present Value of Defined Benefit Obligation

	2020	2019
Opening Defined Benefit Obligation	3.74	1.66
Current service cost	1.58	2.08
Interest cost	0.30	0.13
Actuarial (Gains)/loss due to plan experience	(0.29)	(0.05)
Actuarial (gain)/loss due to change in demographic assumptions	(0.01)	(0.07)
Actuarial (gain)/loss due to change in financial assumptions	-	-
Closing Defined Benefit Obligation	5.32	3.74

iv) Movements in the Fair Value of Plan Assets

	2020	2019
Opening Fair Value of Plan Assets	3.61	2.86
Income on assets at the discount rate	0.29	0.25
Actual interest less than discount rate	(0.01)	(0.02)
Contribution by DHI	-	0.60
Benefits paid from plan assets	(0.01)	(0.07)
Closing Fair Value of Plan Assets	3.88	3.61

v) Expected Benefit Payments as at 31 December 2020

31 December 2021	2.29
31 December 2022	1.02
31 December 2023	1.14
31 December 2024	0.18
31 December 2025	0.49
31 December 2026 to 31 December 2030	0.59
31 December 2031 to 31 December 2040	0.84

vi) Expected Benefit Payments as at 31 December 2019

31 December 2020	1.33
31 December 2021	1.09
31 December 2022	0.47
31 December 2023	0.27
31 December 2024	0.14
31 December 2025 to 31 December 2029	0.75

vi) Expected Employer Contribution for the period ending 31 December 2020	2.29
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vii)	2020	2019
Weighted Average Duration of DBO	4.89 Years	6 Years

ix) Plan Asset Information (Asset Allocation in Percentage)	2020	2019
Investment with RICBL	100%	100%
Total	100%	100%

x) Expected Employer Contribution for the period ending 31 December 2020	7.32
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ix) Sensitivity Analysis

Assumption/Parameter	Scenario	Defined Benefit Obligation(DBO)	Net effect of DBO	Percent change
Discount rate	0.50%	3.80	0.06	1.5%
	Base rate	3.74	-(0.05)	0.0%
	-0.50%	3.69		-1.4%
-			-	
Salary Growth Rate	0.50%	3.68	(0.06)	-1.7%
	Base rate	3.74	-	0.0%
	-0.50%	3.81	0.07	1.8%
-			-	

Mortality Rate	x90%	3.74	0.00	0.0%
	Base rate	3.74	-	0.0%
	x110%	3.74	0.01	0.0%
-		-		
Employer turnover rate	-1.00%	3.75	0.01	0.4%
	Base rate	3.74	-	0.0%
	1.00%	3.73	(0.01)	-0.4%

Carriage Charges

a) Discount rate risk

The present value of the defined benefit obligation is heavily dependent on the discount rate. As such, the quantity is highly sensitive to the discount rate and a slight decrease in this assumption parameter will result in an ultimate cost that is significantly higher and vice versa.

b) Salary growth risk

As the carriage charge benefit is a final-pay scheme, the actual cost of the plan will depend on the growth rate of salary over the years. As such, a higher than expected growth in salary will result in a cost which is higher than the estimate. Similarly, a slower salary growth will result in actual liability being lower than projected.

c) Employee turnover risk

Employee turnover experience of DHI will have a significant impact on the design of the benefit and consequently the overall cost of the plan. Furthermore, deviation in actual experience from assumption would also lead to change in the liability of the plan.

d) Demographic risk

In the absence of credible scheme-specific data, the IALM 2006-08 mortality rate has been used in projecting the benefits. Thus, deviation of the actual experience from the rates used will result in change in the cost of the plan.

e) Regulatory risk

The present value of the defined benefit obligation has been arrived at using the current set of regulatory frameworks. As such, any change in the relevant rules and regulations concerning carriage charge benefit such as increase in carriage charge ceiling, introduction of carriage charge floor and change in vesting period or benefit accrual rate would eventually alter the liability.

f) Liquidity risk

Finally, there is a risk that DHI may not be able to honour the carriage charge payments in the short-run due to liquidity constraints.

i) Statement of Profit & Loss

	2020	2019
Current service cost	0.15	0.08
Interest on DBO	0.03	-
Expenses recognised in profit or loss	0.17	0.08

ii) Statement of Other comprehensive income	2020	2019
Actuarial (gain) or loss due to experience adjustments	(0.04)	0.34
Expense recognised as other comprehensive income	(0.04)	0.34

iii) Defined Benefit cost	2020	2019
Expense recognised in profit or loss	0.17	0.08
Expense recognised in other comprehensive income	(0.04)	0.27
Defined benefit cost	0.13	0.35

iv) Statement of Financial position	2020	2019
Present value of define benefit obligation	0.46	0.35
Funded status - surplus/(deficit)	(0.46) (0.46)	(0.35)
Net defined benefit asset/(liability)		(0.35)

v) Movement in the present value of DBO	2020	2019
DBO at the beginning of period	0.35	-
Add: Current service cost	0.15	0.08
Add: Interest cost	0.03	-
Less: Benefits paid by the employer	(0.02)	(0.07)
Actuarial (gain) or losses due to experience adjustment	(0.04)	0.34
DBO at the end of period	0.46	0.35

vi) Expected Benefit payments in the future

December 31, 2021	0.28
December 31, 2022	0.27
December 31, 2023	0.23
December 31, 2024	0.05
December 31, 2025	0.06
December 2026 to December 2030	0.25
December 2031 to December 2040	0.27

vii	Expected term of liability (in years)	4.67 years
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Separation allowance

i) Statement of Profit & Loss	2020	2019
Current service cost	0.57	0.35
Interest on DBO	0.13	-
Expenses recognised in profit or loss	0.71	0.35
ii) Statement of Other Comprehensive Income	2020	2019
Actuarial (gain) or loss due to experience adjustments	(0.01)	1.33
Expense recognised as other comprehensive income	(0.01)	1.33
iii) Statement of Defined Benefit Obligation	2020	2019
Expense recognised in profit or loss	0.71	0.35
Expense recognised in other comprehensive income	(0.01)	1.33
Defined benefit cost	1.68	1.68
v) Statement of Financial Position	2020	2019
Present value of define benefit obligation	2.37	1.68
Funded status - surplus/(deficit)	(2.37)	(1.68)
Net defined benefit asset/(liability)	(2.37)	(1.68)
v) Movement in the present value of DBO Plan	2020	2019
DBO at the beginning of period	1.68	-
Add: Current service cost	0.57	0.35
Add: Interest cost	0.13	-
Less: Benefits paid by the employer	(0.01)	-
Actuarial (gain) or losses due to experience adjustment	(0.01)	1.33
DBO at the end of period	2.37	1.68
vi) Expected benefit payments in future years		
December 31, 2021		1.38
December 31, 2022		1.19
December 31, 2023		1.00
December 31, 2024		0.16
December 31, 2025		0.33
December 2026 to December 2030		0.65
December 2031 to December 2040		0.86
vii	Estimated term of liability (in years)	5.27 years

Transfer Grant

i) Statement of Profit & Loss	2020	2019
Current service cost	0.57	0.35
Interest on DBO	0.13	-
Expenses recognised in profit or loss	0.78	0.35

ii) Statement of Other Comprehensive Income	2020	2019
Actuarial (gain) or loss due to experience adjustments	(0.01)	1.33
Expense recognised as other comprehensive income	(0.01)	1.33

iii) Statement of Defined Benefit Obligation Plan	2020	2019
Expense recognised in profit or loss	0.71	0.35
Expense recognised in other comprehensive income	(0.01)	1.33
Defined benefit cost	0.70	1.68

iv) Statement of Financial Position	2020	2019
Present value of define benefit obligation	2.37	1.68
Funded status - surplus/(deficit)	(2.37)	(1.68)
Net defined benefit asset/(liability)	(2.37)	(1.68)

v) Movement in the present value of DBO	2020	2019
DBO at the beginning of period	1.68	-
Add: Current service cost	0.57	0.35
Add: Interest cost	0.13	-
Less: Benefits paid by the employer	(0.01)	(0.01)
Actuarial (gain) or losses due to experience adjustment	2.37	1.33
DBO at the end of period	1.68	1.68

vi) Expected benefit payments in future years	
December 31, 2021	1.38
December 31, 2022	1.19
December 31, 2023	1.00
December 31, 2024	0.16
December 31, 2025	0.33
December 2026 to December 2030	0.65
December 2031 to December 2040	0.86

vii	Estimated term of liability (in years)	5.27 years
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Note 32: Fair value measurements (Standalone) Financial instruments by category

	As at December 31, 2020			As at December 31, 2019		
	FVPL	FVOCI	Amortized cost	FVPL	FVOCI	Amortized cost
Financial assets						
Investment in equity shares of entities other than subsidiary, associate and JV	4,763.15			3,930.32		
Investment in EPF assets		25.71			27.21	
Security deposits paid to third parties		0.09			0.09	
Trade Receivables and other receivables		321.35			4.35	
Loan to subsidiary company including Interest		-			467.29	
Cash and Cash Equivalents		1,511.02			2,776.58	
Total financial assets	4,763.15	1,858.17		3,930.32	3,275.52	
Financial liabilities						
Borrowing		38.23			37.86	
Liability towards EPF		11.07			13.07	
Trade payables		0.92			0.00	
Employee payables		17.45			16.44	
Deposits received		0.16			0.17	
Other liabilities		24.76			3.03	
Advance from Subsidiaries		2.55			2.55	
Total financial liabilities		95.14			73.13	

(i) Fair value hierarchy

This section explains the judgments and estimates made in determining the fair values of the financial instruments that are (a) recognized and measured at fair value and (b) measured at amortized cost and for which fair values are disclosed in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the group has classified its financial instruments into the three levels prescribed under the accounting standard. An explanation of each level follows as under.

Level 1: Level 1 hierarchy includes financial instruments measured using quoted prices. This includes listed equity instruments that have quoted price. The fair value of all equity instruments, which are traded in the stock exchanges, is valued using the closing price as at the reporting period.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, traded bonds, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

During the year, there has been no movement between fair value levels from previous year.

(ii) Valuation technique used to determine fair value

Specific valuation techniques used to value financial instruments include:

(i) the use of quoted market prices for listed equity shares

(ii) the fair value of the remaining financial instruments is determined using discounted cash flow analysis.

Financial assets and liabilities measured at fair value - recurring fair value measurements

Notes	As at December 31, 2020			As at December 31, 2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial Investments at FVOCI						
<i>Investment in equity shares of:</i>						
Bhutan National Bank Ltd.	1,550.34			1,738.93	-	
Royal Insurance Corporation of Bhutan Ltd	1,721.90			1,893.13	-	
Investment Abroad	70.06	1,420.85		57.48	240.78	
Total financial assets	3,342.30	1,420.85		3,689.54	240.78	

(iii) Fair value of financial assets and financial liabilities measured at amortized cost

	As at December 31, 2020		As at December 31, 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial Assets				
Investment in EPF assets		25.71		27.21
Security deposits paid to third parties		0.04		0.08
Trade Receivables and other receivables		321.35		4.35
Loan to subsidiary company including Interest		-		467.29
Cash and Cash Equivalents		1,511.02		2,776.58
Total financial assets		1,858.11		3,275.51
Financial Liabilities				
Borrowing		38.23		37.86
Liability towards EPF		11.07		13.07
Trade payables		0.92		0.00
Employee payables		17.45		16.44
Deposits received		0.16		0.17
Other liabilities		24.76		3.03
Advance from Subsidiaries		2.55		2.55
Total financial liabilities		95.14		73.13

The carrying amounts of above-mentioned financials assets and financial 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 33: Capital Management

33.1 Group 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.

33.2 Standalone Capital 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 to shareholders and benefits to 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 the reserves appearing in the financial statement of the company.

Note 34: Standalone Financial Risk Management

The company's activities expose it to market risk, liquidity risk and credit risk.

This note explains the sources of risk which the entity is exposed to and how the entity manages the risk and the impact of it in the financial statements.

Risk	Exposure arising from	Measurement	Management
Credit risk	Cash and cash equivalents, financial assets measured at amortised cost.	Constant monitoring	Diversification of bank deposits, management support to the subsidiaries
Liquidity risk	Trade payables and other financial liabilities	Cash flow forecasts	Access to short term borrowings

Market risk – foreign exchange	Recognised financial assets and liabilities not denominated in Ngultrum(Nu.)	Constant monitoring	Company currently has foreign currency exposure only in the form of Investment made abroad which is long term in nature and hence current foreign currency fluctuation is insignificant
Market risk –interest rate	Long-term borrowings at variable rates	NA	Company does not have any borrowing on variable rate outstanding on the reporting date
Market risk –security prices	Investments in equity securities	Sensitivity analysis	Portfolio diversification

(A) Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Credit risk arises from cash and cash equivalents, investments carried at amortised cost and deposits with banks and financial institutions and trade and other receivables.

(i) Credit risk management

In case of inter-corporate loans and other receivables, the company on an ongoing basis throughout each reporting period, assesses whether there has been a significant increase in credit risk. In case there is a significant increase in the credit risk of the other party due to factors such as poor financial performance, position, etc., the company considers the probability of default and provides for loss allowance based on the incurred loss model.

Investment in banks and financial institutions are only in high rated banks and institutions. The Company is exposed to credit risk in relation to financial guarantees given for loan taken by subsidiaries and associates. The Company's maximum exposure in this respect is the maximum amount the Company could have to pay if the guarantee is called on. The Company regularly monitors the financial performance, position, etc., of the Companies on whose behalf the guarantees have been given to evaluate its exposure for payments on default by those Company.

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. 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 management has evaluated the recoverability of the investment made in The Loden Foundation and considered it for impairment. Out of the contribution to Loden-DHI Fund as on 31 December 2015, 31 December 2016 and 31 December 2017 amounting to Nu. 7,000,000, Nu. 7,000,000 and Nu. 6,000,000 respectively. The total provision for impairment loss of Nu. 217,000, Nu. 217,000 and Nu. 186,000 respectively has been recognised.

(B) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. The company is not exposed to significant liquidity risk as no significant borrowings or financial liabilities are outstanding on the reporting date. Further, as a step to maintain sufficient liquidity to pay dividend and other payables, company usually receives dividend from its subsidiary in advance. Management monitors rolling forecasts of the Company's liquidity position and cash and cash equivalents on the basis of expected cash flows.

Company has also given guarantee for the corporate bond issued by one of its subsidiary Dungsum Cement Corporation Limited (DCCL). The subsidiary company started commercial operation in 2014. The bond is due for maturity in 2022 onwards. As per the management estimate, although the subsidiary company has incurred losses in all the years since inception, however, the quantum of loan has decreased year by year and also the earnings are improving. Further, management believes that subsidiary will start generating profit in coming years and by the time bond will be due to redeemed, subsidiary will have sufficient liquidity to meet its obligation towards bond redemption. Accordingly, as per the management estimate, no liability has been recognised for the financial guarantee contracts issued by the company.

(i) Financing arrangements

The company does not have any undrawn borrowing facilities at the end of the reporting period.

(ii) Maturities of financial liabilities

The tables below analyse the company's financial liabilities into relevant maturity groupings based on their contractual maturities.

The amounts disclosed in the table are the contractual undiscounted cash flows.

Balances due within 12 months equal their carrying balances as the impact of.

Contractual maturities of financial liabilities:

Non-Derivative	less than 1 year	more than 1 year	Total
Borrowings from Ministry of Finance		38.23	38.23
Liability towards EPF		11.07	11.07
Trade payables	0.92		0.92
Employee payables	17.45		17.45
Deposits received	0.16		0.16
Advance from Subsidiaries	2.55		2.55
Other liabilities	24.76		24.76
Total non-derivative liabilities	45.84	49.30	95.14

December 31, 2019			
Borrowings from Asian Development Bank		37.86	37.86
Liability towards EPF		13.07	13.07
Trade payables	0.03		0.03
Employee payables	16.44		16.44
Deposits received	0.17		0.17
- Advance from Subsidiaries	2.55		2.55
Other liabilities	3.03		3.03
Total non-derivative liabilities	22.19	50.93	73.

(C) Market risk

(i) Foreign currency risk

Foreign Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The company at its own does not have international operations, but have investment abroad and bank balance to which foreign exchange risk may arise.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company does not have any borrowing on variable rate outstanding. Further the loan given and investment made by the Company is at fixed rate interest. Accordingly, company is not exposed to interest rate risk.

(iii) Price risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or financial instrument or its issuer or by factors affecting all similar financial instruments traded in the market).

The company's exposure to equity securities price risk arises from investments held by the company in equity securities and classified in the balance sheet as at fair value through other comprehensive income. All the investment in equity investment measured at fair value through other comprehensive income are publicly traded and listed on Stock Exchange of respective country. The table below summarises the impact of increases/decreases of the prices of respective securities on company's equity and total other comprehensive income for the period. The analysis is based on the assumption that the market price of the respective securities had increased by 5% or decreased by 5% with all other variables held constant:

Impact on total Other Comprehensive	2020	2019
Increase by 5%	184.48	146.58
Decrease by 5%	(184.48)	(146.58)

Note 35: Contingent Liabilities

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/-). 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/-. For Bond series II & III, outstanding balances as on 31 December 2019 is equal to the amount of guarantee originally provided for whereas for Bond Series I, the same was refinanced and the outstanding balance as on 31 December 2019 is Nu. 220,140,000/- In the year 2019, Corporate Guarantees were provided to Bhutan Power Corporation Limited amounting to Nu. 500,000,000, Nu. 50,000,000 to Natural Resources Development Corporation Limited, Nu. 2,160,000,000 to Dungsam Cement Corporation Limited and Nu. 61,600,000 to Azista Bhutan Healthcare Limited and Nu. 100,000,000 to Construction Development Corporation Limited.

During the year 2020, Corporate Guarantees were provided to Drukair Corporation Limited amounting to Nu. 1,500,000,000/-, Nu. 12,000,000/- to Koufuku International Limited, Nu. 1,010,000,000/- to Dungsam Cement Corporation Limited and Nu. 60,000,000 to Natural Resources Development Corporation Limited.

A summary of the corporate guarantee provided to companies as on 31 December 2020 and the outstanding balances thereof are as follows:

Entity	BG	Loan O/s
DCCL	5,590.14	5,539.94
NRDCL	160.00	124.60
BPC	2,500.00	1,653.61
TTPL	30.80	32.85
SMCL	80.00	59.95
STCBL	40.00	20.95
CDCL	100.00	86.72
KIL	22.00	18.88
DACL	1,500.00	710.75
ABHL	61.60	51.83
Total	10,084.54	8,299.68

Note 36 Commitments

Commitments for capital expenditure by various members of the Group total Nu. 640.72 million (2019: Nu. 16,302.92 million).

Note 37: Managerial Remuneration

A. Remuneration paid to the Chairman of the company -	31-Dec-20	31-Dec-19
Salary and allowances	3.22	2.52
Other benefits	1.43	0.66
Provident fund contribution by employer	0.29	0.19
Sitting fees	0.16	0.20
	5.06	3.57

B. Remuneration paid to the Chief Executive Officer of the company	31-Dec-20	31-Dec-19
Salary and allowances	3.04	2.41
Other benefits	1.32	1.03
Provident fund contribution	0.27	0.12
Sitting fees	0.23	0.19
	4.87	3.75
C. Sitting fees paid to the other Board of Directors of the company	31-Dec-20	31-Dec-19
Nim Dorji	0.18	0.23
Dasho Pema Chewang	0.08	0.20
Dechen Dorji	0.05	0.17
Kinga Tshering	0.24	0.22
Thinley Namgyel	0.22	0.24
	0.77	1.06

Note 38: Auditor's Remuneration

A. Remuneration paid to the Chairman of the company -	31-Dec-20	31-Dec-19
Statutory audit fee for standalone financial	0.17	0.17
Statutory audit fee for consolidated financial statements	0.46	0.46
Other audit expenses (relating to previous year)*	0.12	0.28
	0.75	0.91

Note 39 Related Party Disclosures

Parent (State) -

	2020	2019
	% of Holding	% of Holding
Ministry of Finance (MoF), Royal Government of Bhutan	100%	100%

Subsidiaries -

	2020	2019
Bank of Bhutan Ltd. (BOBL)	80%	80%
Bhutan Board Products Ltd. (BBPL)	58%	58%
Bhutan Power Corporation Ltd. (BPCL)	100%	100%
Bhutan Telecom Ltd. (BTL)	100%	100%
Construction Development Corporation Ltd. (CDCL)	100%	100%
Druk Green Power Corporation Ltd. (DGPCL)	100%	100%
Drukair Corporation Ltd. (DCL)	100%	100%
Dungsam Cement Corporation Ltd. (DCCL)	80%	80%
Dungsam Polymers Ltd. (DPL)	51%	51%
Koufuku International Ltd. (KIL)	100%	80%
Natural Resources Development Corporation Ltd. (NRDCL)	100%	100%
Penden Cement Authority Ltd. (PCAL)	40%	40%
State Mining Corporation Ltd. (SMCL)	100%	100%
State Trading Corporation of Bhutan Ltd. (STCBL)	55%	55%
Thimphu TechPark Ltd. (TTPL)	100%	100%
Wood Craft Center Ltd. (WCCL)	100%	100%

Associates -

	2020	2019
Bhutan Ferro Alloys Ltd. (BFAL)	26%	26%

Joint Venture

	2020	2019
Azista Bhutan Healthcare Limited (w.e.f 30.04.2018)	28%	28%
Druk Metallurgy Limited (w.e.f. 30.08.2018)	40%	40%

Other Portfolios -

	2020	2019
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. (BBSCCL)
 Food Corporation of Bhutan (FCB)
 Bhutan Chamber and Commerce Industry (BCCI)

Key Management Personnel -

Dasho Ugyen Chewang, Chairman (w.e.f 01.08.2018)
 Dasho Karma Y. Raydi, Chief Executive Officer and Director
 Mr. Nim Dorji (Director)
 Dasho Pema Chewang (Director)
 Mr. Dechen Dorji (Director)
 Mr. Kinga Tshering (Director)
 Mr. Thinley Namgyel (Director)

b) i) Transactions with Parent -

	2020	2019
Dividend paid	3,350.00	4,021.00
Allotment of shares (fully paid of Nu. 100/- each)	175.04	2,494.07
Expenses adjusted by the company on behalf of MoF	1.12	1.20

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

	2020	2019
Advance to MoF	4,532.00	3,350.00

c) i) Transactions with Subsidiaries -

	2020	2019
Equity contribution in cash	329.33	333.14
Construction development Corporation Ltd.	150.00	-
Drukair Corporation Ltd.	50.17	333.14
Koufuku International Ltd. (KIL)	39.16	-
Natural Resources Development Corporation Ltd.	90.00	-
Augmentation in shares of DGPC (Grantss from Gol)	175.04	294.86
Dividend income	7,165.19	6,813.21

Brand management fee	179.91	317.75
Druk Green Power Corporation Ltd.	94.79	92.68
Bhutan Power Corporation Ltd.	31.65	24.33
Bhutan Telecom Ltd.	26.44	23.68
Others	27.03	177.06
Corporate guarantee fee	11.90	36.32
Bhutan Power Corporation Ltd.	6.14	17.45
Dungsam Cement Corporation Ltd.	4.98	16.84
Others	0.76	2.03
Interest income on bank deposits- Bank of Bhutan Ltd.	72.10	81.11
Interest Income on inter company loans provided	4.39	1.74
Bhutan Telecom Ltd.	3.72	-
Drukair Corporation Ltd.	0.34	-
Dungsam Polymers Ltd. (DPL)	0.14	-
Koufuku International Ltd. (KIL) Others	0.19	-
Interest expenses- Bank of Bhutan Ltd.		1.74
Electricity expenses- Bhutan Power Corporation Ltd.	5.27	1.47
Telephone and internet expenses - Bhutan Telecom Ltd.	0.40	0.25
Purchase of air tickets and others - Drukair Corporation Ltd.	1.33	1.32
Repairs and maintenance charges- State Trading Corporation Ltd.	0.25	3.05
Transfer of ownership of lands	0.51	0.44
Purchase of assets - State Trading Corporation Ltd		210.64
Hall hiring charges- Natural Resources Development Corporation Ltd.	2.73	0.85
Bank charges- Bank of Bhutan Ltd	0.02	0.02
Inter-company loan	0.03	0.04
Bhutan Telecom Ltd.	0.03	440.41
Others		400.00
Advances received for CSR		40.41
Advance provided for project- Construction Development Corporation Ltd.		2.35
	237.44	335.45

c) ii) Balance as at the end of the year with Subsidiaries -	2020	2019
Current account balances- Bank of Bhutan Ltd.	-	53.90
Fixed deposits- Bank of Bhutan Ltd.	1,063.50	2,654.50

c) iii) Outstanding Balances with Subsidiaries -	2020	2019
Accrued interest on bank deposits- Bank of Bhutan Ltd.	26.59	80.90
Electricity expenses - Bhutan Power Corporation Ltd.	110.88	-
Telephone and internet expenses - Bhutan Telecom Ltd.	0.15	0.10
Inter-company loan receivable (principal and interest)		443.13
Bhutan Telecom Ltd.		401.21
Others		41.92
Advances for CSR	2.35	2.35

c) iv) Outstanding Balances with Subsidiaries -	2020	2019
Corporate guarantee fee receivable	8.01	24.31
Bhutan Power Corporation Ltd.	5.83	17.45
Dungsam Cement Corporation Ltd.	1.47	5.39
Others	0.71	1.47

d) i) Transactions with Associates -	2020	2019
Dividend income- Bhutan Ferro Alloys Ltd.	-	57.89

d) ii) Outstanding Balances with Associates -	2020	2019
Advances given on behalf (net)	0.20	0.20

e) Transactions with Joint Ventures	2020	2019
Equity contribution in cash	-	166.80
Azista Bhutan Healthcare Limited	-	16.80
Druk Metallurgy Limited	-	150.00

f) Transactions with Other Portfolios -	2020	2019
Bonus shares received (8,163,992 shares of Nu. 35.50 each)		289.82
Dividend income	3.37	40.82
Insurance of vehicles	0.09	0.16
Medical insurance	0.45	0.42

g) Compensation to Key Management Personnel -	2020	2019
Short-term benefits	9.39	9.03
Post-employment benefits	0.56	0.31

h) Remuneration, separation benefits etc. paid to the former h) Chairman -	2020	2019
Remuneration and other benefits	-	0.25

i) Transactions with SoEs -	2020	2019
Media and publication expenses - Kuensel	0.54	0.61
Media and publication expenses - BBS	0.16	0.14
Postage charges - Bhutan Post	0.08	0.11

Note 40: Events After Balance Sheet Date

On 13th May, 2021, the board of directors approved the dividend of Nu. 4,532 million for the financial year ended December 31, 2020 representing 9.27% on paid up capital.

During the month of February 2021, it was decided that WCCL would be merged with NRDCCL based on the decision of the 97th DHI Board Meeting.

OUR PEOPLE

CPD



CSD



HRAD



DoI



DoF



Inno-Tech





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