

BHUTAN TELECOM LIMITED



Always there for you

ANNUAL REPORT – 2012

12th Issue



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VISION

To always be the leading infocomm services provider delivering great customer care through highly motivated employees working in a learning organization that is creating sustained value.

MISSION STATEMENT

1. To provide reliable, affordable, innovative and high quality infocomm services in a customer friendly manner.
2. To enhance access to infocomm services through robust and appropriate technologies and infrastructure.
3. To create a conducive work environment and culture that fosters creativity, collaboration and learning and reward performances.
4. To maximize shareholder value in a manner that is sustainable.

CORPORATE BELIEFS AND ETHICS

Bhutan Telecom is a responsible corporate entity always striving to be accountable through good corporate governance. It is guided by the following corporate ethics and Core Values in all its endeavors:

- **Integrity:** To practice high ethical business standards in all business transactions including handling customers, suppliers and company information. We value in conducting our business with honesty, transparency and highest level of corporate governance.
- **Excellence:** We strive for the highest possible standards while conducting business with continuous improvement through stretched goals to challenge oneself, constantly seeking to expand knowledge and actively seeking solutions to problems. Also, we value in delivering quality service to meet customer expectations (external) and exerting efforts to obtain feedback from customers to understand their needs and wants.
- **Commitment:** To act responsibly in providing reliable and affordable infocomm services to all sections of Bhutanese people and stakeholders by embracing efficiency, transparency and accountability as its cornerstones for all our operations.
- **Responsiveness:** To respond swiftly to the fast changing market environment and new requirements of customers. We should be able to anticipate emerging needs and market dynamics.
- **Innovation:** To create an enabling environment for employees to come up with new and innovative ideas that will contribute to the company's intellectual property. To motivate employees by encouraging them to take initiatives through appropriate incentives and rewards based on merits; to develop human capacities and capabilities through education and training of employees, and to promote practices of consultative and consensus building among stakeholders, colleagues and co-employees and participative group discussions and supporting group decisions.



BOARD OF DIRECTORS REPORT

I am pleased to report on behalf of the Board of Directors the annual performance of Bhutan Telecom Limited (BT) for the financial year 2012. Despite growing competition and the market getting saturated, the company has performed well and achieved a substantial increase in income and profit during the year. The report is based on the audited financial statements for the year ended 31st December 2012.



Operational Performance & Achievement

The company invested in several important capital expansion works and implemented them successfully. A number of activities were also carried out. Amongst them, the most notable were the formulation of the Corporate Strategic Plan; completion of the installation of 10 Gbps SDH network connecting all main exchanges around the country; laying of Fibre-to-the-Cabinet (FFTC) at 5 sites, Fibre-to-the-Home (FTTH) for 20 Homes and Fibre-to-the-Building (FTTB) for 30 buildings; launching of the first phase B-Wallet service in partnership with Bhutan National Bank; upgrading of the core mobile network; upgrading of the Remote Base Station Controller (RBSC) at Kanglung; expansion and upgrading of the 3G services in Thimphu from 7.2 to 21 Mbps; deployment of 3G in Phuentsholing and Paro; addition of 40 BTS in rural areas; improvement in the mobile services through network audit and optimization; initiating studies for business analysis and restructuring the organization.

The Customer Satisfaction Index (CSI) for 2012 is 3.59 as against the CSI of 3.54 in 2011. This is an increase by 1% in the customer satisfaction level.

A Standard Operating Procedure (SOP) for improving customer care is in place and the contact centre incorporating voice and IVR to redress customer grievances is in operation.

All 205 gewog centres now have access to mobile services and more customers have subscribed to mobile Internet service as on 31st December 2012.



Audit Reports

The company was audited by the statutory auditors, Gianender & Associates, Registered Firm No. 004661N, Chartered Accountants from New Delhi, India. The Board is pleased to report that there are no major audit observations in the Auditors' Report and that almost all past recommendations made by the auditors are being implemented and followed.

Financial Performance

Despite intense competition in the mobile and IT market, the financial performance of BT in 2012 saw a positive growth in revenues and profit. The gross operating income for 2012 was Nu 2,209.34 million (including Nu. 109 million commission charges according to new accounting treatment) as against Nu 1,829.50 million in 2011, which is an increase of about Nu 379.83 million or 20.76%. Compared to Nu 681.21 million in 2011, the Profit Before Tax for 2012 was Nu 863.20 million, which is an increase of about 26.72%. BT's Profit After Tax amounts to Nu 576.46 million as against Nu 432.21 in 2011, which is an increase of 33%, compared to 2011.

As a result of the strong growth and expansion works, the operating expenditure in 2012 increased to Nu 875.39 million (including Nu. 109 million commission charges according to new accounting treatment) from Nu 669.44 million in 2011 which is an increase of about 30.77%.

While assets worth Nu 388.40 million have been fully depreciated and written off, the net fixed assets of the company stands at Nu 2,936.76 million. The current assets and advances have increased from Nu 1,018.93 million in 2011 to Nu 1,114.11 million in 2012 mainly due to increase in cash at banks and branches, and advance to suppliers. As against Nu 485.05 million in 2011, the current liabilities and provisions stand at Nu 537.95 million.

Reserves and Surplus

An amount of Nu 230,586,556.40 is being proposed to be transferred to the Group Investment Reserve of DHI and Nu. 115.29 million to the Company's Reserves and Surplus.

Dividend

The dividend for 2012 to the shareholder (DHI) is proposed at 40% of the Profit After Tax amounting to Nu 230,586,556.40.

Human Resource Development and Management

Being a knowledge-based organization, it is important that the company builds the right systems and places a high priority on learning and skills development. A huge budget of Nu 30 million was allocated to provide various trainings to its employees. 173 BT employees received training outside Bhutan and 256 employees received trainings within the country. The company also inducted 63 employees in various fields of IT, Internal Audit, revenue fronts etc.



Corporate Social Responsibility

Bhutan Telecom accords high priority towards promoting corporate social responsibility. A total of Nu 2.34 million was spent towards the promotion of CSR activities in 2012. BT also provisioned free bulk SMS services for dissemination of social messages for various agencies.

The company rolled out the second phase of the Rural GSM Project with 70% subsidy (Nu 100.587 million) from the Universal Service Fund administered by the government. A total of 109 rural villages in 8 dzongkhags were connected to the mobile network under this project.

Challenges and Outlook

The telecom industry in many developing economies faces considerable challenges, as overall growth in the mobile market is slowing down and new technologies are emerging. As revenue growth slows, telecom operators worldwide are forced to improve efficiency and control costs within their businesses and Bhutan Telecom is no exception. The company needs to find sustainable, non-price advantages over its competitors and work towards overall service improvement.

As the global trend in mobile market for voice is being overtaken by data, the company is taking a conscious decision to try out Long Term Evolution (LTE) technology. In an effort to remain highly competitive, Bhutan Telecom needs to improve quality of network with value added services supported by affordable tariff and good customer care.

For the year 2013, Bhutan Telecom will aim to work harder with stiffer targets than before. Some of the new activities that the company plans to undertake in the coming year are:

- 1) Roll out of LTE technology for fast data service;
- 2) Enhancing B-Wallet service and introduce second phase like utility bill payments;
- 3) Increasing the international bandwidth and link capacity to at least 5 Gbps;
- 4) Significant decrease in Internet tariff;
- 5) Golden jubilee celebrations as telecommunications service provider in the country;
- 6) Taking up GSM service expansion to remote areas;
- 7) Introducing more flexible and better broadband packaging and billing solutions;
- 8) Setting up Data Centre;
- 9) Installing triple play soft switch and migrating all fixed line and broadband customers of Thimphu to soft switch;
- 10) Establishing alternate OPGW link between Phuentsholing and Thimphu on 220 KV line and
- 11) Introducing SAP, ERP modules etc.

Acknowledgement

The Board of Directors would like to extend our sincere appreciation to the company's valued customers for their support and patronage. We would also like to acknowledge the invaluable support and advice provided by the shareholder, DHI as we work towards improving our corporate performance. On behalf of the Board, I would like to take this opportunity to congratulate the management and staff of the company for working hard with sincerity and dedication, which has resulted in the successful completion of the year. While we acknowledge the fact that the management and staff of Bhutan Telecom have worked hard towards fulfilling the company's objectives, the Board urges them to work harder as a strong and competitive team and stretch their goals.



The Board of Directors will always strive to provide the necessary support to the management and employees of the company in their endeavor towards providing reliable, affordable and efficient services to our valued customers. We wish every member of the Bhutan Telecom family a healthy and successful year ahead as we work towards realizing the goal of taking BT to even greater heights in fulfilling its commercial and social mandates.

Tashi Delek!

On behalf of the Board of Directors,



Tenzing Yonten
CHAIRMAN



CHIEF EXECUTIVE OFFICER'S REPORT

2012 has been a great year for Bhutan Telecom in terms of revenue turnover and profitability. The Company achieved record revenue of Nu. 2,209.34 millions, 20.76% increase over that of the previous year. Profit after Tax was Nu.576.46 millions, which is an impressive growth of 33% over 2011.

As mentioned in the Board of Directors' Report, a number of activities were carried out in 2012 which contributed to the Company's growth and helped strengthen its position as the leading telecommunications service provider in the country. Amongst the various activities implemented, the most notable were:

- the commissioning of the second international gateway via Gelephu which provides redundancy to the only gateway through Phuentsholing along with expansion in international bandwidth;
- the launch of B-Wallet service with Bhutan National Bank to facilitate pre-paid top-up and fund transfer;
- expansion of the core network license from 400K to 450K along with increase of transcoder channel capacity from 13000 to 22000;
- the upgrade and expansion of 3G stations in Thimphu to 850 MHz and 21 Mbps providing greater coverage and higher mobile data speed;
- the deployment of 3G services in Phuentsholing and Paro;
- commissioning of 40 additional base stations across the country enabling 109 villages to be connected to the mobile network;
- the finalization of the first ever Corporate Strategic Plan which will chart the way for BT for the next five years.

We, in Bhutan Telecom, are constantly working towards improving our services and at the same time make them more affordable for the general public. With this etched in our minds, conscious efforts are being made to transform ourselves into a more customer-oriented organization. We are aware that this is not as easy as it sounds but we believe in the saying: "Where you're headed is more important than how fast you're getting there" and strategizing to align the organizational systems and processes to support the stated goals. We recognize the fact that each employee, each team and the company itself must accomplish the things we set out to do if BT is to continue on its path of being a success story year after year.

Looking forward to 2013, there are some exciting projects that we will be executing. To mention a few: international bandwidth will be continually increased to meet demand and provide enhanced customer experience; LTE will be launched in Thimphu to provide a whole new experience for customers who wish to



keep up with cutting-edge technology; the domestic network reliability will be enhanced through a hybrid-IP link; broadband services will be expanded and upgraded; Wi-Fi services will be rolled out in select areas; a new softswitch capable to supporting quadruple play will be installed; a Data Centre will be built to cater to domestic requirement initially; an ERP will be implemented to bring about a transformation in the Company's processes and systems etc. In a nutshell, BT will be investing substantially to take our services to higher levels of quality and reach.

I take this opportunity to express my gratitude and thanks to BT's Board of Directors and our owner, DHI, for their guidance and support. Above all, I thank our valued customers for their patronage, trust and loyalty to BT. We re-affirm our pledge to you to be "Always there for you".

Thank you and Trashi Delek.

(Nidup Dorji)
Chief Executive Officer



BOARD OF DIRECTORS



Tenzing Yonten
Director, Royal Thimphu college
Chairperson



Sonam P. Wangdi
Joint Secretary
Ministry of Economic affairs



Passang Dorji
Associate Director
Druk Holding & Investment



Kezang
Managing Partner of
Info Age Consulting



Namgyal Wangchuk
Chief Budget Officer
Department of National Budget

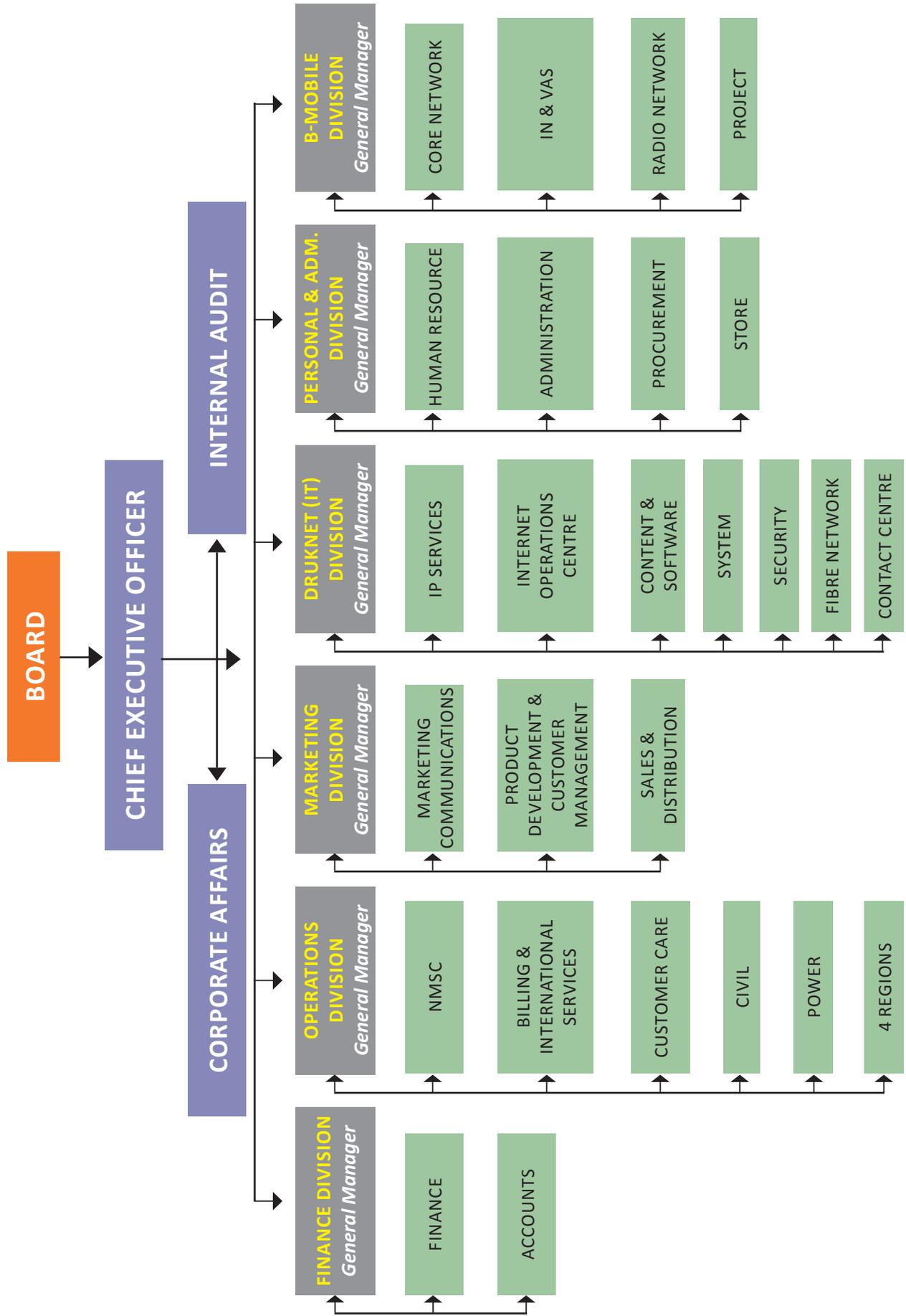


Peldon Tshering
Chief Environment Officer
National Environment Commission



Nidup Dorji
Chief Executive Officer
Bhutan Telecom Ltd.

ORGANIZATIONAL CHART FOR BHUTAN TELECOM LTD. 2012





PORTFOLIO OF PRODUCTS AND SERVICES

BHUTAN TELECOM CURRENTLY OFFERS THE FOLLOWING SERVICES:

Fixed Line Telephone Services

1. Postpaid telephony services
2. E-billing
3. Abbreviated dialing (Short Code)
4. Call forwarding
5. Call waiting
6. Call holding
7. 3-Way call conference
8. Wake up call
9. Don't disturb
10. Absentee subscriber
11. Camp on busy
12. Call barring
13. Reversal facility
14. Multi hunting
15. 6 digits premium easy to remember number
16. 3 digits premium easy to remember number
17. Call details

DrukNet (Internet) Services

1. Broadband
2. Internet leased line
3. Enterprise Network (IPVPN)
4. Point to Point (P2P) leased line
5. Web hosting
6. Mail hosting
7. Web, Mail and Chat advertisement
8. Domain name registration
9. National Peering
10. IP Transit
11. VoIP telephony
12. WiFi
13. Dial-up Internet
14. Web designing service
15. International private lease line circuit (IPLC)



B-Mobile Services

1. Prepaid voice service
2. Postpaid voice service
3. B-Wallet
4. SMS service
5. International roaming
6. Call forwarding
7. Call waiting
8. Call hold
9. CLIR facility
10. Cell Broadcast Service
11. E-Billing with itemized details
12. Charo-Charo (for prepaid service)
13. Choose-ur-Group (CUG)
14. E-Load
15. Paper recharge vouchers
16. 3G, GPRS & EDGE and Data Card
17. B-Tunes
18. Value Added Service like news, astrology, jokes, etc. (both IVR & SMS based)
19. Bulk SMS
20. Tele voting





AN OVERVIEW OF ACTIVITIES DURING 2012

Western Region:

(Covers Thimphu, Paro, Wangdue, Punakha and Gasa Dzongkhags)

Fixed Lines Activities

1. UG 350 meter telephone cable done in Thanzona Punakha Dzong
2. Damji DRMASS converted to SAU with re-alignment of OSP network of 2kms
3. 2.5km OSP restoration done for Damji which was damaged by flood

B-Mobile Activities

1. 400AH battery 2 banks 48 numbers installed in lower Bjiligang, 400AH 2 banks battery 24 numbers replaced in Dawakha BTS and 400AH 2 banks 24 numbers battery installed in COW for 3G in Wangdi.
2. Fiber Cable layout for 2kms NGN from Gasa exchange to Khatoe Gewog done.
3. Chain link fencing done for Dawakha BTS and DG shelter done for Dawakha and Limbukha BTS.
4. FG Wilson 16.5KV installed for Dawakha and Limbukha BTS.
5. Installed and commissioned one new BTS in Punakha exchange, roof Top BTS at Paro town and Dawakha VNL BTS.
6. Expanded Punakha Cremation ground BTS.
7. Replaced Daligonpa and Kabesa BTS Air Conditioner by split AC.
8. 145 meters power UG done for Chemilhakhang BTS.
9. 3G for Paro Town and Bondey Commissioned.
10. SAU Expansion at Satsham.
11. Additional earth work for JJ peak Station
12. Installed SAU at Jenkana Exchange (replaced DRMASS with SAU), new BTS at Haa Mochu, TN Minilink at Haa Mochu and BTS at Gunitsawa.
13. Upgraded the Power system at Teogola repeater station

DrukNet (Internet) Activities

1. Druk PNB Lease Line installed and commissioned
2. Expansion of Broad band DSLAM
3. Provided P2P link for M/s Jay Pee Associates group at Bajo and later shifted to project site at Baychu
4. Expansion of Broadband at Lobesa and Wangdue capacity by 320 lines
5. Provided Internet leased line for Bhutan National Bank, Bajo
6. Provided VPN connection for Basochu power office
7. Provided Internet lease line to Bajo High school
8. Provided leased line to new Dzongkhag temporary office
9. Provided Leased line to NIIT for VTI institute at Samthang
10. Installed POP for Broadband at Baychu office



South Western Region:

(Covers Samtse and Chukha Dzongkhag)

Fixed Line Activities

- Installed and commissioned Fiber connectivity to Omchu BTS in Phuentsholing for better network resiliency, NGN at Gomtu, 4 hops Super PDH TN Minilnk from Phuentsholing to Samtse as an alternate Transmission route for network redundancy and resilience, Chukha Exchange with 256 fixed lines and 2Mbps IPLC for BDBL, Jai Prakash Associates in Trongsa.
- Augmented the radio capacity to YDF BTS with 16 E1 and transmission backbone from Samtse -Sipsu by relocating the Alcatel PDH radio -16 E1 from Samtse-Saurani to Saurani -Chargarey.
- Installed and commissioned NGN at Samtse exchange, new VNL Radio at Chapcha BTS station for Dawakha VNL site, 2Mbps IPLC through Nepal to Thimphu for voice traffic and Installed 15 arrays of solar panels at Tendu BTS to augment the power supply and OSP (Last mile) network at Chukha Exchange.
- Up-gradated Mini-Link -E Radio bandwidth for Chapcha –Tsimasham Exchange link from 4MB to 32 Mbps.
- Replaced Batteries (2 banks) at Central Hotel BTS, Pasakha BTS, Tala Top BTS, Namgaycholing BTS.
- Saureni Repeater station and Yabala Repeater stations to improve the power autonomy.
- FTTC at Zangdopelri Phuentsholing commissioned.
- Replaced 500m 0.6 100P Aerial cable with 200P AC at Karbretar, Phuentsholing to improve the Broadband Internet services.
- Decommissioned WLL CorDECT BSD at Talatop, Phuentshoing under Chukha Dzongkhag and Karmaling top, Lhamoizingkha Dungkhag, Dagana Dzongkhag.
- Completed layout of all the secondary cables for new OSP network within CHP colony and cut over of 178 lines to SAU at Chukha exchange in December.
- Completed construction of shelter at CST Water Tank in Pling -December.
- All civil works provisioned under 2012 budget completed.

B-Mobile Activities

- Installed and commissioned 4 nos. 3G Node B at Omchu, YDF, Town, Exchange at Phuentsholing, Chukha Dzongkhag.
- Augmented Pepchu BTS with High power RBS 2216 V2 (2+4+2) -48 V DC from Low power BTS RBS 2111V2.
- Replaced High power BTS 2216V2 at Tashi lakha (Manitar) with Low power BTS.
- Installed new 2216V2 BTS at Tsimasham Exchange (NIDUPTSE).
- Replaced and Expanded BTS RBS 2206 V2 (2+4+4) with RBS 2216V2 (4+4+4) at Town BTS, Phuentsholing.
- Replaced BTS RBS 2202 (2+2+0) with BTS RBS 2216V2 (4+4+0) at Kharbandi Goenpa.
- Installed and commissioned BTS RBS 2216V2 2+2+2 at Gaikuri, Phuentsholing.
- Installed and commissioned 1 Sector (0+0+4) GSM 1800 as augmentation of 2G sector C at Omchu, Phuentsholing.



- Installed and commissioned two sectors GSM 1800 with configuration 4+0+4 and augmented sector A and C at Central Hotel, Phuentsholing.
- Installed and commissioned radio link for Mochu BTS (Haa Dzongkhag) from Denchukha, Samtse.

DrukNet (Internet) Activities

- Installed and commissioned POP at Lhamoizingkha exchange in March
- Expanded 48 IP DSLAM ports at Gedu PoP.
- Upgraded Gomtu PoP bandwidth from 8Mbps to 100 Mbps.
- Expanded 448 IPDSLAMS Ports at Phuenstholing PoP.
- Upgraded Samtse POP bandwidth to 100Mbps from 14 Mbps.
- Up gradation of TIIMS 32 Mbps for Gomtu in May and 68 Mbps for Samtse through NGN in July.
- Installed Marconi SDH equipment for the up-gradation of IPLC link to LINZ London.

Eastern Region:

(Covers Samdrupjongkhar, Trashigang, Mongar, Lhuentse, Pemagatshel and Tashiyangtse Dzongkhags)

Fixed Line Activities

- Kanglung E10 switch and Mongar CSN interface E1 (2 E1s) was given via NGN, Trashigang SAU interface E1(3E1s) to V5P base was given via NGN, Pemagatshel SAU interface E1(3E1s)to V5P base was given via NGN, Kanglung E10 switch and Thimphu toll switch interface E1(2E1s) was given via NGN, Kanglung E10 switch and Gelephu NEAX switch interface E1(1E1s) was given via NGN and Nganglam SAU interface E1(1E1s)to V5P base was given via NGN.
- Replacement of Rectifiers at Yongla (NRC30 by Emerson), aerial cable at Kelikhar and Hospital colony at Mongar and PMS for BTS was replaced by EMERSON rectifiers
- Expansion of OSP cable in the public ground and from Kelikhar BPC substation to RNR-RC Wengkhari at Mongar.
- Installation and commissioning of SAU at Jomotshangkha Exchange.
- 3 E1's for Trashigang SAU was allocated from NGN.

B-Mobile Activities

- Commissioned new BTS at Jamkhar, Saythang at Wamrong, Martshala, Sankarjuli, Khengthongmani, Repla and Jomchang and they were integrated to RBSC Kanglung.
- Installation and commissioning of VNL BTS at Agurthang station and at Wominang in Trashiyangtse, RBSC Hardware and addition of 3 EGEM (MAGZINE) as per installed hardware and NGN at S/ Jongkhar Exchange, Trashigang, Trashiyangts, Tangmachu, Mongar and Lhuentse.
- Added two additional signaling via NGN between RBSC-BSC2 and RBSC-MGW via BSC2.
- Addition of 12 CSPB2.0 board and addition of 12 more board in the existing 12.1 CSPB 2.0 making total of 12 CPBD BOARD, 1 BOARD=384 TRA Channel i.e 9216 TRA Channel.
- Connectivity of A-interface (RBSC-TRC-MGW) via NGN STM1 level was connected
- Diversion of BTS E1 route via NGN- Nganglam town BTS, Nganglam Top BTS, Jomotshangkha BTS, S/Choling BTS and DCN for TN-ML, V5P, E10.



- Kanglung-Mongar & Kanglung-SJK, 10 Mbps Ethernet via NGN was allocated for LAN/WAN and for IP call.
- Relocation of Airmux link (Murmur-Tangmachu BTS) from Tangmachu NGN – Tangmachu BTS
- Mongar to Yongkola and Yongkola to Gyelposhing system was thoroughly checked and rectified
- Migration of BTS in Gyelpozhing, Lingmithang and Mongar (BTS in town) along with other circuits like POP and CSN switch to NGN system and Latongla BTS to Kanglung RBS
- Installation of high power BTS in Thonphu after removing low power BTS and LPS at Agurthang BTS, Deorali BTS, Thongphu BTS, Redingla BTS, Monmola BTS and Meringchenmo BTS
- Replacement of TN-ML hop and up gradation of lux50 16E1s to 78 E1a MLTN, at Yongla-Martsala station.

DrukNet (Internet) Activities

- Commissioned leased line at Mithun Farm Aerong and Fishery Centre at Samdrupcholing, broadband connectivity access to Jomotshangkha with 24 numbers of broadband connections, NIIT leased line at T/Yangtse and BOB IPVPN and BNB leased line at Rangjung and Wamrong
- Establishment of DCCL and CPL P2P circuit
- Broadband expansion done at Dewathang (48 to 128 ports), Drametse (24 to 48 ports), Jomotshangkha Exchange (24 port to 48) and Khaling Exchange (24 to 48 ports)
- 2mbps bandwidth connectivity was linked from SJK to Jomotshangkha pop
- Allotted 100mbps of additional bandwidth to SJK pop to reduce the bandwidth constraints.
- Up gradation of bandwidth from 4mbps to 8 mbps at Dewathang Exchange.
- Added 4mbps additional bandwidth to CSN of existing by NGN and now we have 8 mbps in total
- Provided IPVPN connection to RICB and BPC office at Lhuentse and Trashiyangtse.
- Provided Leased line connection to Tangmachu and Autsho School.
- Upgraded 10 Mb from 2 Mb through NGN Ethernet Lhuentse pop.
- Install SAU and IPDSLM at yongphula.
- Added 2 Ethernet Sub Card to ECFG card in NGN for IP call purpose in Mongar and S/Jongkhar Exchange.

Central Region:

(Covers Bumthang, Sarpang, Dagana, Tsirang, Trongsa and Zhemgang Dzongkhags)

Fixed Line Activities

- Installed SAU at Bubja and Tshangkha, Trongsa in March, 2012.
- Dismantled DRMASS of Bubja, Tshangkha and Trongsa Exchange in April, 2012.
- Installation of power equipments, building of Radio hops and commissioning of SAU at Bhur.

B-Mobile Activities

- Construction and commissioning of BTS (VNL) at Phuntenchu, Moenlamthang, Damphu on December and Taktse BTS was commissioned in October, 2012.



- In November, 2012, Khamey BTS was commissioned and also commissioned new mini-link CN of 16xE1 between Bubja and Khamey BTS.
- Installation and commissioning of Kharsat repeater and Chokhortoe BTS done in September, 2012.
- Added one dTRU at Jampa Lhakhang to ease the congestion in October, 2012.
- Survey work for installation of new BTS at Geychudara.
- Addition of one Sector antenna at Tsachutop and Chukulipong BTS.
- Installation of new BTS Repeater at Laring Bridge for DNC.
- Survey work for installation of new BTS at Shompangkha and Geychudara and Jaruwa, Gelephu including land demarcation and processing environmental clearance.
- Land demarcation and processing environmental clearance for proposed BTS at Pelrithang and Chuzegang.
- Stabilisation of Doban BTS after removal of damaged cells (12V).

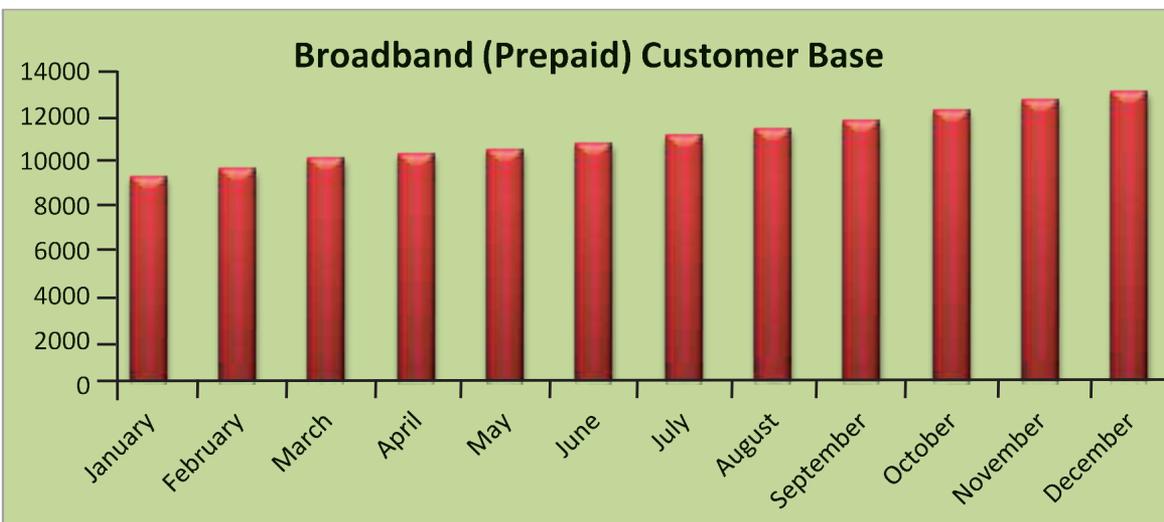
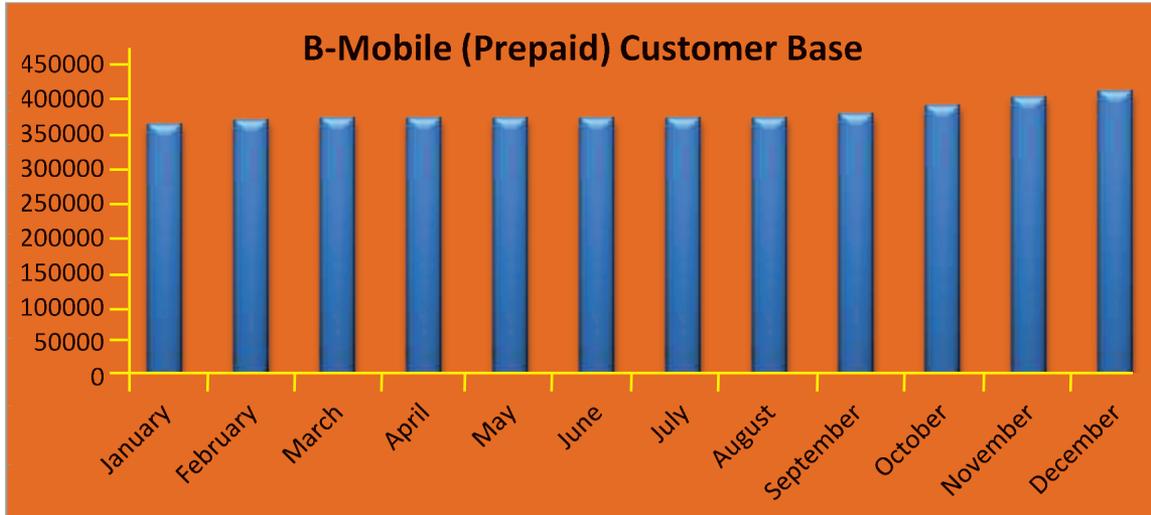
DrukNet (Internet) Activities

- Additional GW installed at Damphu as the serial ports on the old GW exhausted in January, 2012
- In March 2012, added another E1 to Sarpang-Gelephu POP backbone link making 2 E1s in total. Put through 1 Gbps Link between Thimphu-Gelephu for traffic going to Hongkong. Also, STM-1 link between Hongkong to Gelephu through Airtel. Installed additional Core router at Gelephu POP as an international Gateway.
- Upgraded Zhemgang Broadband capacity from 96 ports to 320 ports. Installed 24 port DSLAM at Bubja and Tshangkha Exchange, Trongsa. Put additional GW router at Gelephu POP to cater the Leased Lines and VPNs in April, 2012.
- Upgraded Gelephu-Tsirang POP link from 10 Mbps to 100 Mbps. Shifted the 1 E1 Telecom LAN/WAN from NEC radio to 10 Mbps NGN from Tsirang and also upgraded the Tsirang-Thimphu Telecom LAN/WAN to 20 Mbps from 10 Mbps in the month of May, 2012.
- Rectified faulty mux at Jigmecholing in June, 2012.
- Panbang POP setup and TIMMS Network from Gelephu, and wireless link till Panbang BTS from Exg. Tested Gelephu- London STM1 Link in July, 2012.
- Replaced the Trongsa GW1 with New router 2800 series. Augmented 10 Mbps NGN Ethernet Link to Chumme POP from Trongsa in August, 2012.
- Augmented Dagapela POP with 15 Mbps from Tsirang POP from 2 Mbps from Dagana POP. By putting switch at Namchela by using the existing Damphu -Namchela and Namchela-Dagapela Airmux link in October, 2012.
- Replaced 2 x 24 port DSLAM with 120 port DSLAM at Dagana in November, 2012.

Jamricot▲
Namgaycholing▲



SUBSCRIBER GROWTH CHARTS FOR 2012





AUDITORS' REPORT & FINANCIAL STATEMENTS

(1st JANUARY - 31st DECEMBER 2012)

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BHUTAN TELECOM LIMITED
(AUDITOR'S REPORT TO THE MEMBERS OF BHUTAN TELECOM LIMITED)

1. We have audited the attached Balance Sheet of Bhutan Telecom Limited, Thimphu as at 31st December 2012 and the Profit & Loss Account and the Cash Flow Statement of the Company for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by section 75 of The Companies Act of the Kingdom of Bhutan, 2000 read with part II of Schedule XIV thereto (Minimum Audit Examination and Reporting requirements), we enclose in the Annexure a statement on the matters specified therein to the extent applicable.
4. Further, to our comments in the Annexure as referred above, and subject to :
 - Granting of loan amounting to Nu. 100 Million to DHI (Group holding Company) is not as per the object in The Articles of Incorporation of the company.
 - Excess payment of Nu 2,196,800 (US \$ 40,000) to Bharti Airtel Limited in respect of 'Internet transit service charges' from August 2011 and December 2012 in respect of STM1 circuit: Phuentsholing to London, which should have been paid at MRC of US\$ 13,500 but got paid at MRC - US\$ 16,000.
 - Excess payment of Nu 1,502,007 (US \$ 27349) to Bharti Airtel Limited on account of non availment of discount on International Roaming during 1st quarter of 2012.
 - Accounting of all international expenses and income on the basis of receipt/ payment i.e. cash basis and not on mercantile basis, which is in contravention to the accounting policy disclosed.
 - Non classification of Sundry Debtors outstanding for a period exceeding six months and other debts which is required under Schedule - XIII A of The Companies Act of the Kingdom of Bhutan 2000.
5. We report that:
 - a. Our examination was made in accordance with the generally accepted auditing standards and accordingly included such tests of accounting records and such other auditing procedures, as we considered appropriate for the purpose of our audit.





- b. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - c. In our opinion, proper books of account as required by the law have been kept by the Company, so far as it appears from our examination of those books.
 - d. The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with in this report are in agreement with the books of account and have been compiled on the basis of generally accepted accounting principles.
 - e. In our opinion and to the best of our information and according to the explanations given to us, subject to Para. 4 of above, the said accounts give the information required by The Companies Act of the Kingdom of Bhutan, 2000, in the manner so required and the said accounts give a true and fair view:
 - I) In the case of Balance Sheet, of the state of affairs of the Company as at 31st December 2012,
 - II) In the case of Profit & Loss account, of the profit of the Company for the year ended on that date; and
 - III) In the case of Cash Flow Statement, of the cash flows during the year ended on that date.
6. We also draw attention to the following:
- I) The balances of Sundry Debtors, Depository Works and Foreign Receivables are subject to confirmation by the parties. Hence we are unable to express our opinion on the same.
 - II) Depreciation is charged from the date of booking the asset in the accounts and not from the date when the asset is ready to use. Other expenses which are part of the cost of asset are capitalized as and when they are incurred and are subjected to Depreciation from that very date irrespective of date of capitalization of the asset to which they relate.
 - III) Direct Expenses, incurred on purchase of stock-able items are not considered for valuing the stock at the year end. Taxes paid are booked under Rates and Taxes account and Freight inward is booked under Freight A/c. Due to this the valuation of stock in hand is not correct.

Place: Thimphu

Date: 4/3/2013

For Gianender & Associates.
Chartered Accountants
Firm Reg. No. 004661N



G.K. Agrawal
Partner
Membership No 081603
BHUTAN TELECOM LIMITED



BHUTAN TELECOM LIMITED
(ANNEXURE REFERRED TO IN OUR REPORT OR EVENT DATE)

MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENT (Part-II of schedule XIV to The Companies Act of the Kingdom of Bhutan, 2000)

1. The Company is maintaining soft copy of records for the fixed assets in Excel ,showing particulars relating to acquisition cost and location only *but other required details as to depreciation, written down value, transfer of assets from one location to others and details relating to sale/ scraping of the assets are not maintained in the Fixed Assets Register. As informed to us, physical verification was conducted for two regions only i.e. South Western Region and Central Region.* On review of these physical verification reports, no material discrepancies were noticed.
2. None of the fixed assets has been re-valued during the year.
3. Physical verification of inventories has been conducted only at the Central stores in Phuentsholing by a committee nominated by the management at quarterly intervals during the year. Physical verification of stores at other regions and exchanges has not been conducted.
4. Procedures followed for physical verification of stocks are not considered reasonable and adequate in relation to the size of the company and the nature of its business. Physical verification is conducted only in respect of stocks appearing in the books of accounts and other stocks available in the Store are not considered in the physical verification process.
5. To the extent, physical verification of stocks has been conducted, no material discrepancy was found on such verification.
6. On the basis of our examination of stock records, we are of the opinion that the valuation is not fair and proper in accordance with the normally accepted accounting principles due to non inclusion of direct costs such as taxes/duties paid on purchases and freight thereon. The basis of valuation of inventories is same as in the preceding year.
7. The Company has availed an interest free loan from Danish Ministry of Foreign Affairs, Danish International Development Assistance (DANIDA) for Rural Telecommunication Network Project. The terms of the said loans are prima facie not prejudicial to the interest of the Company. As per the sanction terms of the said loan, Nu. 511,655,304 (Euro 7,053,423.00) is outstanding as on 31.12.12.
8. The company has granted an unsecured loan of Nu. 100,000,000(One Hundred Million) during the year to Druk Holding and Investments, the holding company. The loan is given at a simple rate of interest of 8% p.a. The loan is repayable on 31st May, 2014 along with interest.
9. Loan granted to Druk Holding and Investments, the holding company is repayable on 31st May, 2014 and interest is payable after liquidation of loan.





10. The advances granted to officers/staffs are in keeping with the provision of service rule. However, Substantial amounts are lying unadjusted in the account of various staff members given as advance for office expenses or as imprest and there are abnormal delays in settlement of these advances.
11. The Company generally has an established system of internal control to ensure completeness, accuracy and reliability of accounting records, for carrying out the business in an orderly and efficient manner, to safeguard the assets of the Company as well as to ensure adherence to the rules & regulations, systems and procedures except the internal control system needs to be reviewed and strengthened from time to time in respect of sale of prepaid vouchers and SIM cards, International billing , accounting for fixed assets and stores.
12. As informed to us, there is a reasonable system of obtaining competitive bids/quotations from the vendors in respect of purchase of stores, plant & machinery, equipments and other assets commensurate with the size of the Company and nature of its business.
13. (a) As informed to us, there is no transaction for purchase and sale of goods and services made in pursuance of contracts on agreements entered into with the directors or any other parties related to directors or with the Company or firms in which the directors are directly or indirectly interested.

(b) The examination of records does not reveal any transaction entered into by the Company which is prejudicial to the interest of the company wherein the directors are directly or indirectly interested.
14. As explained to us, the unserviceable or damaged stock of inventories is disposed off as and when ascertained and taken in accounts.
15. It has been explained that the Company has reasonable system of ascertaining and identifying point of occurrence of breakage/damages of stores, spares and capital goods while in transit, during loading/unloading in storage and during handling etc. so that responsibility could be fixed and compensation sought from those responsible.
16. The Company is a service oriented organization and not a manufacturing concern. Hence maintenance of records of production etc. is not applicable.
17. Reasonable records are maintained for disposal of realizable scraps.
18. According to the records, the Company is generally regular in depositing rates and taxes, duties etc. and other statutory dues with the appropriate authorities during the year 2012. Provision for Corporate Income Tax is adequate and necessary adjustments have been made to compute the amount of tax required to be paid under The Rules on the Income Tax Act of the Kingdom of Bhutan, 2001.





19. Undisputed amount of TDS amounting to Nu. 2,839,612.21, Health Contribution amounting to Nu. 7,238.00 and Provident Fund amounting to Nu. 63,238.00 were payable as at the last day of the financial year ending on 31.12.2012.
20. According to the information and explanations given to us, no personal expenses have been debited to the Profit and Loss Account excepting those payable under contractual obligations.
21. The Company is a service oriented organization and not a manufacturing concern. Hence recording consumption of materials and stores etc. is not applicable.
22. Quantitative reconciliation has not been carried out during the year in respect of all items between the Central Store and the Regional Stores and between the Regional stores and stores at the Exchanges.
23. Inventory has not been written off on account of material loss/discrepancies between physical and book balances during the year under review.
24. The Company is a service oriented organization and not a manufacturing concern and there is no system of allocating man hours utilized to the respective jobs etc.
25. System of authorization and internal control regarding issue of stores and allocation of materials and labour is not applicable for a service oriented Company.
26. System of price fixation taking into account the cost of production and market conditions is not applicable for a service oriented Company.
27. The credit sales policy and credit rating of customers is not applicable for the Company.
28. The Company has engaged some agents in connection with mobile service through appropriate screening. The agency commission structure is in keeping with the industry norms / market conditions.
29. There is no regular follow-up with debtors and other parties for recovery of outstanding amounts should be strengthened. Vigorous follow-up is necessary to realize the old debts, which may become doubtful of recovery.
30. The management of liquid resources particularly cash / bank is reasonably adequate considering the nature and size of the business. Fund is not lying idle in non-interest bearing account. Interest Free Loan has been availed on account of genuine fund requirement for carrying out operational activities.
31. According to the information and explanations given to us and on the basis of examination of books and records on test check basis, the activities carried out by the Company are in our opinion lawful and intra-vires the Articles of Incorporation of the Company except granting of Loan of Nu. 100 million to DHI.





32. According to the information and explanations given to us, the Company has a system of approval of the Board for all capital investment decision and investments in new projects.
33. The Company has established an effective budgetary control system.
34. System of standard costing, variance analysis etc. is not applicable for a service oriented Company.
35. The details of remuneration to the Chief Executive Officer have been indicated in the Notes to the Accounts (Note No.13 (a), Schedule No.16).
36. According to the information and explanation given to us, the directives of the Board have been complied with except that Current year franking no. is not included in the expense as well as income. Therefore Board directive / decision of 12/03/2012 for including income as well as expense in respect of franking no's has not been followed.
37. According to the information and explanations given to us, the officials of the Company have not transmitted any price sensitive information, which is not made publicly available, unauthorized to their relatives/ friends/associates, or close persons, which would directly or indirectly benefit themselves.

In Case Of Other Service Sector Companies

1. The Company does not have a costing system to ascertain cost of its services.
2. Proper records are kept for inter unit transactions. Arrangements for services made with other agencies engaged in similar activities are not applicable for this Company.
3. The Company has executed proper agreements wherever the machinery/equipments are acquired on lease. The terms and conditions of leases are reasonable and are applied for.

Computerized Accounting environment

1. The Company has a Computerized accounting system and the internal control system seems to be adequate taking into account the size and nature of its computer installations except as reported in the Management report.
2. It is explained to us that the Company has a standby server installed at Wangdue which is identical to the main database server which keeps the data synchronized real time. Backup is also taken every night and is stored on external hard disk drive.
3. The Company keeps a back-up data for the entire Company in a standby server installed at Wangdue, i.e. at a different location from the Head Office.





4. Operational controls are adequate to ensure correctness and validity of input data and output information.
5. There are adequate preventive measures to prevent unauthorized access over the computer installation and files.

GENERAL

1. Going Concern Problem

Based on the Company's financial statements for the year ended 31st December, 2012 audited by us, the Company is healthy and going concern assumption is appropriate.

2. Ratio Analysis

Financial and operational ratio in respect of the Company is given in the statement of Ratio Analysis.

3. Compliance of Companies Act of Kingdom of Bhutan:

The Company has complied with the provisions of The Companies Act of the Kingdom of Bhutan, 2000.

4. Adherence of Laws Rules & Regulations:

Audit of the Company is governed by The Companies Act of the Kingdom of Bhutan, 2000 and the scope of audit is limited to examination and reviews of the financial statement as produced to us by the management. In the course of audit, we have considered the compliance of provision of the said Companies Act and its Article of Incorporation. The Company does not have a comprehensive Compliance Reporting and Recording System as regards adherence to all laws, rules and regulations, systems, procedures and practices. Under the circumstances we are unable to comment on the compliance of the same by the Company during the year 2012.

Place: Thimphu

Date: 4/3/2013

For Gianender & Associates
Chartered Accountants
Firm Reg. No. 004661N



G.K. Agrawal
Partner
Membership No. 081603



BHUTAN TELECOM LIMITED
BALANCE SHEET AS AT 31ST DECEMBER 2012

PARTICULARS	Schedule	Current Year (Nu)	Previous Year (Nu)
I. SOURCES OF FUNDS			
1. Shareholder's Funds			
a. Equity Share Capital	1	854,082,000	854,082,000
b. Reserves & Surplus	2	2,152,667,409	1,816,488,924
2. Loan Funds			
a. Unsecured Loan	3	511,655,304	576,778,690
TOTAL		3,518,404,713	3,247,349,614
II. APPLICATION OF FUNDS			
1. Fixed Assets			
a. Gross Block	4	5,147,000,936	4,734,084,423
b. Less Accumulaed Depreciation		2,210,242,118	2,020,619,576
c. Net Block		2,936,758,818	2,713,464,847
d. Capital Work In Progress		5,486,277	-
2. Current Assets, Loans & Advances	5		
a. Inventories		27,941,663	26,755,720
b. Sundry Debtors		95,723,921	74,146,992
c. Cash and Bank Balances		657,798,127	598,163,463
d. Other Current Assets		105,020,035	108,621,592
e. Loans & Advances		227,623,255	211,246,237
Total – A		1,114,107,001	1,018,934,004
Less Current Liabilities & Provisions	6		
a. Current Liabilities		109,584,694	76,085,908
b. Provisions		428,362,689	408,963,329
Total – B		537,947,383	485,049,237
NET CURRENT ASSETS - A-B		576,159,618	533,884,767
TOTAL		3,518,404,713	3,247,349,614

Significant Accounting Policies 15

Notes On Accounts 16

The Schedules referred to above form an integral part of the Balance Sheet.


Chairman

This is the Balance Sheet referred to in our report of even date.


Chief Executive Officer

For Gianender & Associates
Firm Regd. No. 004661N
Chartered Accountants

Place : Thimphu
Date: 4/3/2013





G.K. Agrawal
(M. No. 081603)
Partner



BHUTAN TELECOM LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 2012

PARTICULARS	Schedule	Current Year (Nu)	Previous Year (Nu)
INCOME			
Revenue – Domestic	7	2,130,265,329	1,764,562,036
Revenue – International	8	35,060,818	43,190,741
Other Income	9	44,015,446	21,753,075
Gross Operating Income		2,209,341,593	1,829,505,852
EXPENDITURE			
Stores And Spares Parts	10	104,574,144	74,639,889
Employee Cost	11	212,153,247	177,812,698
Repairs & Maintenance	12	124,698,558	93,963,840
Admin & General Expenses	13	272,646,862	148,624,199
International Payment	14	135,333,148	88,462,104
Foreign Exchange Fluctuations		25,982,070	85,939,868
Operating Expenses		875,388,030	669,442,598
Profit Before Depreciation, Interest And Tax		1,333,953,563	1,160,063,254
Depreciation 579,055,425.39	4	524,421,421	473,402,684
Less: Transfer to Capital Reserve 54,634,004.99			
Profit Before Interest And Tax		809,532,142	686,660,570
Interest		-	-
Profit Before Tax, Prior Period Adjustments And Provisions		809,532,142	686,660,570
Prior Period Adjustments		55,863,587	3,365,598
Provision for Bad Debt		2,195,773	2,088,124
Profit Before Tax		863,199,956	681,206,848
Provision for Taxation		286,733,565	248,998,951
Profit after Tax		576,466,391	432,207,897
Proposed Dividend		230,586,556	216,103,948
Transfer to Group Investment Reserve		230,586,556	
Transfer To Reserves & Surplus		115,293,279	216,103,949

Significant Accounting Policies 15

Notes On Accounts 16

The Schedules referred to above form an integral part of the Balance Sheet


Chairman

This is the Balance Sheet referred to in our report of even date.


Chief Executive Officer

For Gianender & Associates
Firm Regd. No. 004661N
Chartered Accountants





G.K. Agrawal
(M. No. 081603)
Partner

Place : Thimphu
Date: 4/3/2013



BHUTAN TELECOM LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2012

	Notes	2012
Net Cash Flow from Operating Activities	1	473,705,810
Cash Flows from Investing Activities	2	(418,402,789)
Cash Flow from Financing Activities	3	4,331,643
Increase/(Decrease) in Cash		59,634,664
Cash & Bank Balance(Opening)		598,163,463
Cash & Bank Balance(Closing)		657,979,127
Increase/(Decrease) in Cash		59,634,664

Notes 1 to 3 forms part of the Cash Flow Statement

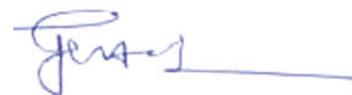

Chairman

This is the Cash Flow Statement referred to in our report of


Chief Executive Officer

For Gianender & Associates
Firm Regd. No. 004661N
Chartered Accountants





G.K. Agrawal
(M. No. 081603)
Partner

Place : Thimphu
Date: 4/3/2013



BHUTAN TELECOM LIMITED
NOTE FORMING PART OF CASH FLOW STATEMENT FOR THE YEAR
ENDED 31ST DECEMBER 2012

Note.1	<u>Cash Flow from Operating Activities</u>	Current Year
	Net profit before tax but after prior period adjustment & provision	576,466,391
	Add Provision For Taxation during the year	286,733,565
	Add: Net Addition in Provision for Bad Debts	581,249
	Add : Prior Period adjustments	-
	Add: Net Addition in Provision for Leave Encashment	2,798,476
	Less Dividend Paid for Last F.Y.	(216,103,948)
	Less Tax paid During the year	(285,196,538)
	Net profit before tax and prior period adjustment	365,279,195
	Add back:	
	Depreciation during the year	579,055,426
	Less: Adjustment made	389,432,885
	Less Transfer to Capital Reserve	54,634,005
		134,988,536
	Less:	
	Profit on sale of Fixed Assets	-
	Interest Received	24,522,374
	Net Profit from Operating Activities	475,745,357
	Increase in Current Assets (other than Cash & Bank)	(35,538,333)
	Increase in Current Liabilities	33,498,786
		(2,039,547)
	Net cash from Operating Activities	473,705,810
Note. 2	Cash Flow from Investing Activities	
	Addition to Fixed Assets	(824,036,943)
	Less: Adjustment including profit on sale made during the year	411,120,431
	Increase in Capital Work in Progress	(5,486,277)
	Net cash from Investing Activities	(418,402,789)
Note. 3	Cash Flow from Financing Activities	
	Interest Received	24,522,374
	Receipt of Capital Grant from BICMA	44,932,655
	Repayment of Unsecured Loan	(65,123,386)
	Net cash from Financing Activities	4,331,643
	Increase/(Decrease) in Cash	59,634,664
	Cash & Bank Balance (Opening)	598,163,463
	Cash & Bank Balance (Closing)	657,798,127
	Increase/(Decrease) in Cash	59,634,664





BHUTAN TELECOM LIMITED
SCHEDULE FORMING PART OF THE ACCOUNTS

SCHEDULE 1 <u>Equity Share Capital</u> AUTHORISED:	Current Year (Nu)	Previous Year (Nu)
1,500,000 (Previous Year 1,500,000) Equity Shares of Nu.1,000 each	1,500,000,000	1,500,000,000
ISSUED, SUBSCRIBED AND PAID UP 854,082 (Previous Year 854,082) Equity Shares of Nu.1,000 each	854,082,000	854,082,000
	854,082,000	854,082,000
SCHEDULE 2 Reserves and Surplus		-
<u>A.Capital Reserve :-</u>		-
a) Grant from Royal Government Of Bhutan		-
As per last account	2,879,665	3,044,665
Less: Transferred to Profit and Loss account	(165,000)	(165,000)
	2,714,665	2,879,665
b) Grant from Government of India for B Mobile		-
As per last account	9,401,938	10,201,870
Less: Transferred to Profit and Loss account	(799,932)	(799,932)
	8,602,006	9,401,938
c) Grant from Danida		
As per last account	16,301,140	40,752,850
Less: Transferred to Profit and Loss account	(16,301,140)	(24,451,710)
	(0.00)	16,301,140
d) Grant from Government of India for VSAT		
As per last account	2,919,573	4,014,413
Less: Transferred to Profit and Loss account	(1,094,840)	(1,094,840)
	1,824,733	2,919,573
e) Grant from BICMA for GSM		
As per last account	169,857,061	175,644,685
Add: Received during the year	44,932,655	25,142,655
Less: Transferred to Profit and Loss account	(36,273,093)	(30,930,279)
	178,516,623	169,857,061
Total - A (a + b + c + d + e)	191,658,027	201,359,377
<u>B.Profit & Loss A/c</u>		
As per last account	1,615,129,547	1,399,025,598
Add: Addition During the Year	115,293,279	216,103,949
Total – B	2,191,595,938	1,615,129,547
<u>C. Group Investment Reserve:</u>	230,586,556	
Grand Total - A + B	2,152,667,409	1,816,488,924
SCHEDULE: 3 <u>Unsecured Loan</u> <u>For Rural Telecom Project</u> (From Danida at interest free rate,Guaranteed by Royal Government of Bhutan for Rural Telecom Project)	Current Year (Nu)	Previous Year (Nu)
	511,655,304	576,778,690
	511,655,304	576,778,690

BHUTAN TELECOM LIMITED: SCHEDULE 4 FIXED ASSETS

PARTICULARS	GROSS BLOCK			DEPRECIATION			NET BLOCK (in NU)			
	As at 01.01.2012	ADDITIONS	ADJUSTMENT	As at 31.12.2012	Up to 01.01.2012	ADDITIONS	ADJUSTMENT	UP TO 31.12.2012	As at 31.12.2012	As at 31.12.2011
Land	41,199,619	2,687,700	-	43,887,319	-	-	-	-	43,887,319	41,199,619
Building	312,661,885	36,361,390	3,222,192	345,801,083	62,720,883	11,234,852	2,694,884	71,260,851	274,540,232	249,941,002
Plant & Machinery	3,405,307,667	669,831,207	371,607,728	3,703,531,146	1,679,570,827	507,340,426	367,432,735	1,819,478,518	1,884,052,628	1,725,736,840
Office Equipment	53,252,802	6,812,751	6,913,966	53,151,587	29,340,131	7,219,330	6,913,966	29,645,495	23,506,092	23,912,671
Cables and Power System	867,162,808	102,869,658	16,658,720	953,373,746	225,548,940	45,340,230	-	270,889,170	682,484,576	641,613,868
Furniture & Fixture	7,814,772	1,372,607	1,080,963	8,106,416	4,210,913	1,105,950	1,080,962	4,235,901	3,870,515	3,603,859
Vehicles	46,684,871	4,101,630	11,636,862	39,149,639	19,227,883	6,814,638	11,310,338	14,732,183	24,417,456	27,456,989
Total	4,734,084,424	824,036,943	411,120,431	5,147,000,936	2,020,619,577	579,055,426	389,432,885	2,210,242,118	2,936,758,818	2,813,464,848
Previous Year	4,471,059,416	634,960,487	371,935,480	4,734,084,423	1,859,895,135	530,844,445	370,120,004	2,020,619,576	2,713,464,847	2,611,164,281

Note: Need to update the Fixed Asset Schedule to arrive at Cash Flow.

Depreciation Rates:

The Depreciation Rate applied are as follows:

1. Land 0%
2. Building
 - a. Permanent Structure 3%
 - b. Semi-Permanent Structure 20%
- 3 Plant & Machinery 15%
 - a. Cables and Power Equipment 5%
- 4 Furniture 15%
- 5 Vehicle 15%





BHUTAN TELECOM LIMITED
SCHEDULE FORMING PARTS OF ACCOUNTS

SCHEDULE: 5		
<u>Current Assets, Loans and Advances</u>		
a. Inventories		
Stock in Hand	27,941,663	26,755,720
b. Sundry Debtors		
Domestic	70,685,951	64,712,143
International	25,037,970	9,434,849
	95,723,921	74,146,992
c. Cash and Bank Balances at Head Office		
Disbursement Bank Account, BT	22,659,191	64,186,984
Depository Works Account	17,223,348	19,436,471
BOB Current Account	59,865	7,218,666
Foreign Currency Account	44,085,857	33,180,951
Disbursement Bank Account, BM	43,531,631	23,142,159
BDBL Revenue Account	1,456,467	2,633,878
Insurance Account	6,005,213	5,130,596
Investment in the form of Fixed Deposit	474,120,935	399,000,000
at Branches	48,655,620	44,233,758
	657,798,127	598,163,463
d. Other Current Assets		
Income Accrued but not Due	9,240,929	2,635,762
Income Accrued and Due	3,117,172	-
Other Receivables	167,680	-
Other Deposits	76,252	80,838
Prepaid Expenses	92,418,002	105,904,992
	105,020,035	108,621,592
e. Loans & Advances		
<u>i. Advances recoverable in cash and in kind or for value to be received</u>		
Advance to Suppliers, Interest Free	112,736,354	191,275,050
Advance to Suppliers, POL	1,017,643	1,007,245
Advance to Contractors	2,023,715	7,540,518
Advance to Staff, Personal Advance	2,109,442	1,458,917
Advance to Others	411,717	1,358,137
Advance to Staff, Office Advance	6,065,031	5,700,458
Advance to staff Imprest	3,259,353	2,905,912
ii. Other Loans & Advances		
Loan to Druk Holding & Investments, the Holding Company	100,000,000	-
	227,623,255	211,246,237
Total Current Assets, Loans and Advances	1,114,107,001	1,018,934,004
SCHEDULE: 6		
<u>Current Liabilities & Provisions</u>		
A. Current Liabilities:		
<u>(i) Sundry Creditors:</u>		
Liability for Adjustment	28,199,154	34,661,270
International Payables	36,388,002	10,300,213





BHUTAN TELECOM LIMITED
SCHEDULE FORMING PARTS OF ACCOUNTS

(ii) Security Deposits		
Security Deposit for Suppliers	820,853	605,178
SD from consumers/subscribers	2,300,000	1,710,000
SD from Contractors	2,160,804	3,036,032
SD from Dealers	90,000	120,000
(iii) Statutory Dues:		
TDS - Contractors	1,231	-
TDS - Suppliers	2,672,111	554,355
Provident Fund Contribution	63,238	-
Health Contribution	7,238	-
Salary Tax	166,270	484
(iv) Other liabilities:		
Liability for Depository Works	25,366,893	19,436,470
Stale Cheques	351,305	289,352
Other Deductions	4,762,286	5,287,409
Other Deposits	6,145,309	15,145
Audit Fee Payable	90,000	70,000
Total - A	109,584,694	76,085,908
B. Provisions:		
Provision for Leave Encashment	5,566,580	2,768,104
Provision against Bad and Doubtful Debts	28,267,087	27,685,838
Provision for Taxation	162,942,466	161,405,439
Provision against stores and spares	1,000,000	1,000,000
Provision for Dividend	-	-
	230,586,556	216,103,948
Total - B	428,362,689	408,963,329
Grand Total - A+ B	307,360,827	485,049,237
SCHEDULE: 7		
Revenue		
Telephone Service	126,334,542	135,607,085
Druknet	217,666,617	159,298,446
Misc. Income	35,664,196	24,674,833
Sale of SIM Cards	7,282,535	7,798,013
Sale of Recharge Vouchers	1,563,252,384	1,289,443,532
Post Paid Mobile Service	139,214,558	114,347,957
E-Load	40,850,497	33,392,170
	2,130,265,329	1,764,562,036
SCHEDULE: 8		
International Receipts		
International (ISD)	18,721,675	24,073,982
Income from International Roaming	13,278,895	19,116,759
Income from IPLC	3,060,248	-
	35,060,818	43,190,741
SCHEDULE: 9		
Other Income		
Income from IN & VAS	1,063,726	944,256





BHUTAN TELECOM LIMITED
SCHEDULE FORMING PARTS OF ACCOUNTS

Income from Domain Name Registration	1,050,605	40,731
Thuraya	74,428	643,464
Gain on sale of Fixed Asset	2,385,043	473,350
Misc. Income	1,690,425	1,040,798
Sale of Tender Document	-	600
Income from Sale of Equipment	4,349,546	4,855,737
Fines	6,503,801	3,757,433
Income for Hire Charges	741,254	3,537,742
Interest from Fixed Deposit	24,522,374	4,908,625
Income from House Rent, Staff	1,634,244	1,542,283
Audit Recoveries	-	8,056
	44,015,446	21,753,075
SCHEDULE: 10		
Store and Spare Parts.		
Telephone Instrument	79,015	231,003
O & M Consumable Stores	73,087,005	47,659,644
Drop Wire	5,500,396	2,499,289
Sim Card	3,339,200	2,728,100
Recharge Voucher	22,568,528	20,412,879
Mobile Handset	-	127,987
Modems	-	980,987
	104,574,144	74,639,889
SCHEDULE: 11		
Employee Costs		
	(Nu)	(Nu)
Salaries and Wages, Permanent Employee	131,554,787	127,017,905
Salaries and Wages, Temporary Employee	14,508,822	12,801,839
Bonus/ Special Pay	12,995,849	11,700,300
Medical Expense Reimbursement	121,338	1,137,072
Leave Travel Concession	6,657,123	6,510,570
Leave Encashment	11,397,616	3,101,958
Uniform and Livery Expenses	594,707	835,384
Staff Welfare Expenses	337,622	237,653
Employer Contribution to Provident Fund	12,451,533	9,213,853
Employee Cost - Gratuity	21,509,420	4,746,164
Special Payment	24,430	510,000
	212,153,247	177,812,698
SCHEDULE: 12		
Repair and Maintenance		
R&M Of Building	4,385,291	2,194,778
R&M Of Transmission	602,975	371,567
R&M Of Power Supply Equipment	1,640,428	773,147
R&M Of Civil Works	234,980	39,100
R&M Of OSP Network	475,788	216,853
R&M Of Vehicle	2,782,274	3,280,767
R&M Of Furniture/Fixture	5,870	5,550
R&M Of Office Equipment	954,529	1,887,088
R&M Of Other, AMC	111,317,672	83,949,904



BHUTAN TELECOM LIMITED
SCHEDULE FORMING PARTS OF ACCOUNTS

R&M Of Generator Set	140,521	16,072
R&M Of LAN/WAN	3,600	8,320
R&M Of Broadband Equipment	1,969,246	567,838
R&M Of Optical Fiber	185,384	652,857
	124,698,558	93,963,840
SCHEDULE: 13		
Administration & General Expenses	(Nu)	(Nu)
Rent	3,980,766	4,076,578
Rates and Taxes	5,697,700	4,286,488
Insurance	90,811	4,224,317
Communication (Fax, Mail, Post, Tele)	1,080,168	908,714
Professional Charges	519,898	1,201,784
Traveling - Domestic	11,056,323	9,748,227
Traveling - Foreign	1,708,671	5,911,904
Car Hire Charges	2,320	1,000
Electricity	10,127,199	8,502,049
Vehicle Running Expenses, POL	6,421,004	5,703,070
Vehicle License & Registration Fees	172,706	139,678
Printing and Stationary	1,103,603	1,315,418
Advertisement Expenses	2,682,069	1,036,318
Fees and Subscription	55,254,818	53,248,291
Carriage Inward/Outward	1,146,230	683,334
Office Maintenance	751,171	916,868
Books, Magazine, Newspaper	53,210	51,639
Entertainment	3,050,357	2,880,262
Staff Training	29,556,999	22,820,902
Misc. Expense	419,022	1,070,340
Audit Fees	90,000	70,000
Registration & Filing Fees/Survey	4,170	11,479
Directors Fees	508,000	536,000
Custom Clearing Charges	2,465	2,214
G/SET Running Expenses	3,543,859	3,373,778
Bank Charges	1,492,533	1,905,038
Water and Sewerages	229,534	67,623
Corporate Social Responsibility	2,339,687	3,817,233
Insurance for Building	20,152	20,152
Insurance for Telecom equipment	4,179,927	-
Audit Expense	361,222	419,881
Education Allowances	5,000	15,000
Business Promotion	4,244,369	1,475,895
Meeting and Seminar	690,949	135,864
Revenue Sharing, National	10,716,091	8,038,124
Insurance for Cash-in-Transit	-	8,737
Commission	109,343,859	-
	272,646,862	148,624,199





BHUTAN TELECOM LIMITED
SCHEDULE FORMING PARTS OF ACCOUNTS

SCHEDULE: 14	Current Year	Previous Year
International Payment	(Nu)	(Nu)
Satellite Transmission/Utilization Charges	10,587,349	4,539,770
Service Fees for IBS	22,543,997	5,143,183
GTS Settlement	1,709,933	2,489,007
Internet Traffic Settlement/Voice/Voip	37,257,145	30,773,232
Internet Transit Service Charges	32,684,358	13,885,512
International Roaming	26,535,951	30,637,162
GMPCS Service Charges	-	327,534
Fees and Subscription, International	4,014,415	666,703
	135,333,148	88,462,104
Depreciation		
Depreciation	579,055,425	530,844,446
Transfer to Capital Reserve	54,634,005	57,441,761
	524,421,421	473,402,684





SCHEDULE 16: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are as follows:

1. BASIS OF ACCOUNTING:

The accounts have been prepared on historical cost convention as a going concern based on the generally accepted accounting principles and mercantile system has been generally followed except as otherwise stated.

2. REVENUE RECOGNITION:

- a. Telephone calls are recognized on the basis of metered calls in monthly cycles as generated through central billing system except for 608 BT office connection all over the country, 324 VVIP connections in Thimphu and Phuentsholing, 313 employees' residential connections with certain ceiling as per Service Rule w.e.f. 1st March 2006.
- b. Druknet bills are booked monthly on the basis of usage times and include revenue on account of start-up kits.
- c. All fixed network leased lines (international, local and domestic) are billed.
- d. Income from sale of recharge voucher is recognized on the basis of usage by subscribers.
- e. Sale of instruments including satellite phones are billed on delivery basis.
- f. All other miscellaneous incomes are booked in the accounts only when collection is made.

3. FIXED ASSETS

- a. Fixed Assets are stated at cost plus other charges for bringing the assets to the location and includes installation charges, less accumulated depreciation.
- b. Depreciation is provided at the rates specified in the Annexure II of Rules on the Income Tax Act of the Kingdom of Bhutan 2001, and is computed under straight line method (on Pro-rata basis, from the date of purchase).
- c. Work, which is still in progress relating to civil construction, is accounted for under capital work-in-progress after considering 1st running bill from the contractor.
- d. Capitalization of work-in-progress has been done on the basis of completion certificate issued by the concerned authority.

4. OTHER CURRENT ASSETS:

- a. Debtors booked in accounts are based on the returns of billing and collection from Areas/ Exchanges as recorded in the TIIMS database pertaining to the bill claim and the collection of revenue.
- b. The inventories include value of stocks lying at Central stores at Thimphu and at various stores at Areas and Exchanges. Stocks issued to operational persons eg. Lineman and other workers have been treated as consumption as per past practice.
- c. Inventory is accounted for at cost arrived at on FIFO Basis.





5. GRANTS:

- a. Grants relating to the period prior to 30th June 2000 are not identifiable and as such merged with the Capital Fund.
- b. In accordance with the guidelines (issued by the Ministry of Finance, Royal Government of Bhutan), grants received after 30th June, 2000 for purchase of fixed assets have been treated as Capital Reserve, and those received for other purposes have been treated as income.
- c. Amount of Depreciation on fixed Assets acquired through grant has been credited to Profit and Loss Account by way of transfer from Capital Reserve.

6. CURRENT LIABILITIES AND PROVISION:

- a. Provision for corporate taxes has been based on the reported profit.

7. FOREIGN EXCHANGE:

- a. Foreign exchange transactions are converted into local currency by using daily exchange rates prevailing on the date of transaction as published by Royal Monetary Authority of Bhutan.
- b. Monetary assets and liabilities (denominated in foreign currencies) are converted at rates prevailing at the year-end, and gain or loss of fluctuation (on such conversion) is transferred to Profit and Loss Account.

8. EMPLOYEES' BENEFITS:

- a. Actuarial valuation of gratuity liability has been made and equivalent amount has been transferred to the gratuity trust.
- b. Bonus is accounted for on cash basis and is dependent on the reported profit subject to approval of the Board of Directors.
- c. Leave encashment liability is accounted for on the basis of actuarial valuation.

9. NET PROFIT OR LOSS:

- a. The result declared (in the Profit and Loss Account) is after considering:
- b. Provision for depreciation on company's property, and
- c. Other usual or necessary provisions.





SCHEDULE 16: NOTES ON ACCOUNTS

1. Bhutan Telecom was formed as a Public Corporation by virtue of Bhutan Telecommunications Act, 1999 as approved by the 77th session of the National Assembly with effect from close of business as on 30th June, 2000 as a body corporate with perpetual succession under a Chairman and other members to operate under the direction of the Minister of Communications. On 25th April 2002 the said Corporation was incorporated as Bhutan Telecom Limited under the Companies Act of the Kingdom of Bhutan, 2000.
2. The properties, rights and liabilities of the erstwhile Telecom Department vesting with Bhutan Telecom Limited at the close of business of 30th June 2000 have been assessed with the help of an outside consultant, Internal Valuation Committee and other departmental staffs and the difference between the assets and liabilities had been taken as Capital Fund for which 854,082 equity shares of Nu 1,000/= each has been issued to the Ministry of Finance, Royal Govt. of Bhutan.
3. Land vested in the company are subject to verification and confirmation by National Land Commission. In respect of land purchased during the year and some land purchased in earlier years, the registration is under progress.
4. Confirmations of balances being not available from Receivables and Depository Works are stated as per their respective book balances.
5. Provision for bad and doubtful debt is made @ 0.5% of domestic land line, Druknet and Post-paid mobile revenue.
6. Assets fully depreciated amounting to Nu. 388,396,383 have been adjusted from the gross block and the provision for depreciation held as on 31.12.2012.
7. GSM License fee payable to BICMA for 15 years is Nu. 777.00 million of which Nu. 362.60 million have been paid up to 31.12.2012.
8. Depreciation on fixed assets acquired through grants amounting to Nu. 54,634,005 have been adjusted by way of transfer of equal amount from Capital Reserve.
9. Income Tax assessment of the company has been computed by the Revenue Authority up to the year 2008.
10. During the year the company has net loss of Nu. 25,982,069 on account of unfavourable fluctuation of foreign exchange rates on its foreign exchange transactions, monetary assets and liabilities.
11. During the year under review the company has received additional Nu. 44,932,655 (Nu. 25,142,655 received in 2011) from Bhutan Information and Communication & Media Authority (BICMA) as grant towards Rural GSM Project.





12. Consumption of service connection given to various offices and employees of the company in Bhutan amounting to Nu. 11,180,523 have not been considered as income or expenditure.
13. Profit and Loss account includes the following remunerations & other expenses:-

a) Chief Executive Officer's remunerations	Current Year Amount (Nu.)	Previous Year Amount (Nu.)
Salary	1,224,408	987,129
Leave Travel Concession	15,000	15,000
Contribution to superannuation fund	92,888	70,987
Foreign travel expenses	799,623	721,968
TOTAL	2,131,919	1,795,084
b) Directors Fees	536,000	366,000

14. Revenue from sale of Prepaid Vouchers and SIM Cards has been accounted for on gross basis. Commission on sale of these vouchers and SIM Cards amounting to Nu. 109,343,859 have been separately shown as an expense in Profit & Loss Account.
15. The company has carried out certain jobs on 'no profit – no loss basis' for various parties from whom fund is received from time to time. Separate bank account is maintained for defraying the cost of these jobs. The yearend balance of this bank account Nu. 17,223,348 are shown under Current Assets and Current Liabilities respectively (Previous year Nu. 19,436,471).
16. Actuarial valuation of gratuity liability has been made during the year and the liability of Nu. 21,509,420 have been transferred to the gratuity trust fund (Previous year Nu. 4,746,163).
17. Leave Encashment liability has been provided during the year on the basis of actuarial valuation amounting to Nu. 5,566,580 in line with Section 67 of the Companies Act of the Kingdom of Bhutan 2000(Previous year Nu. 2,768,104).
18. The company has Capital commitment to the tune of Nu. 52,476,146 (Previous year Nu. 191,275,050).
19. Advances to contractors towards capital work in progress to the extent of Bill Receivables have been shown under Capital Work In Progress.





20. Provision for Taxation:-

	2012	2011
Tax on current year's profit	286,733,565	248,998,950
Less: Tax paid	122,781,951	87,090,787
Less: TDS	1,009,147	502,724
Payable	162,942,467	161,405,439

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

Chairman 


Chief Executive Officer

These are the Notes on Accounts referred to in our report of even date.

For Gianender & Associates,
Firm Regd. No. 004661N
Chartered Accountants

Place: Thimphu
Date: 4/3/2013



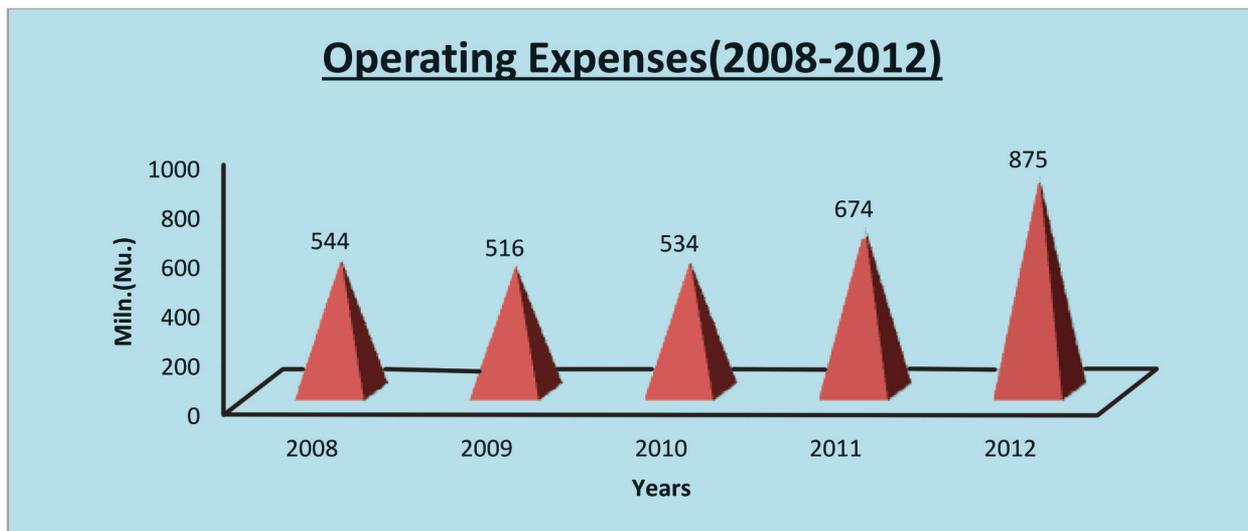
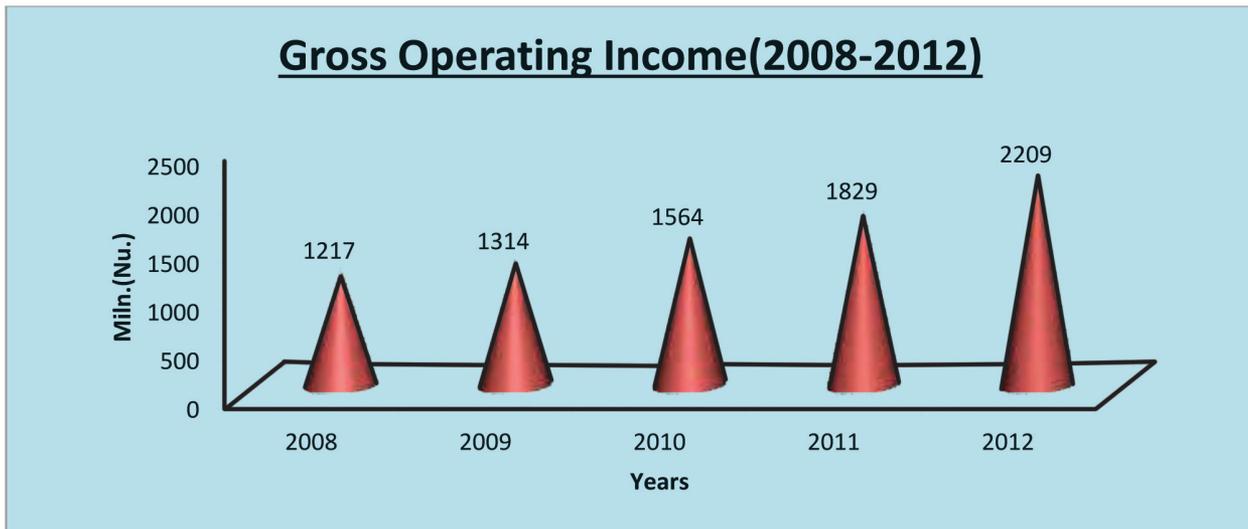
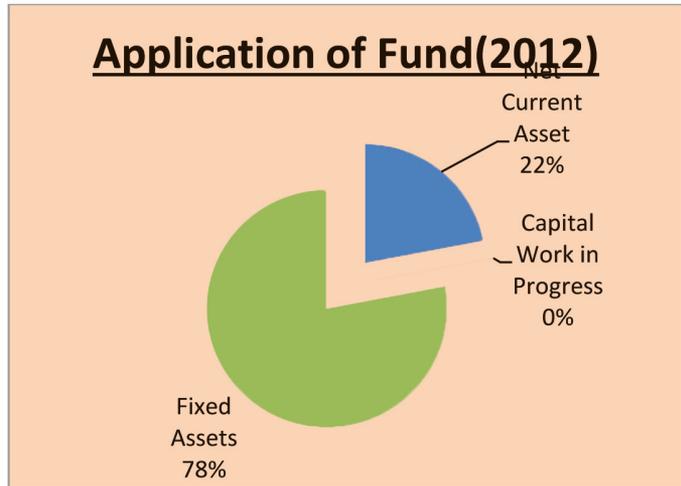
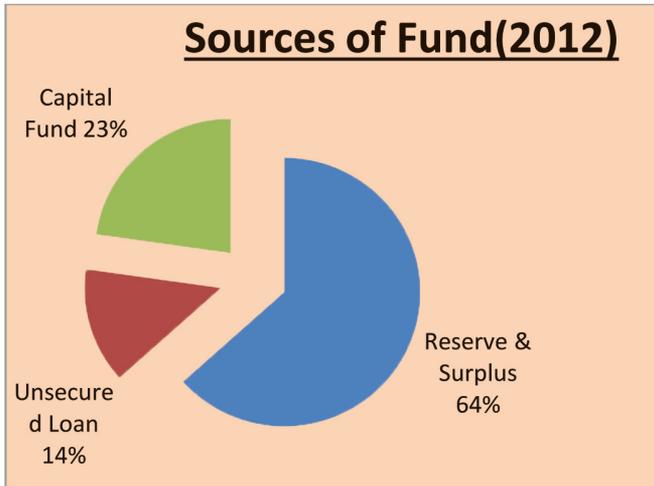

G.K. Agarwal
M.No. 081603
(Partner)

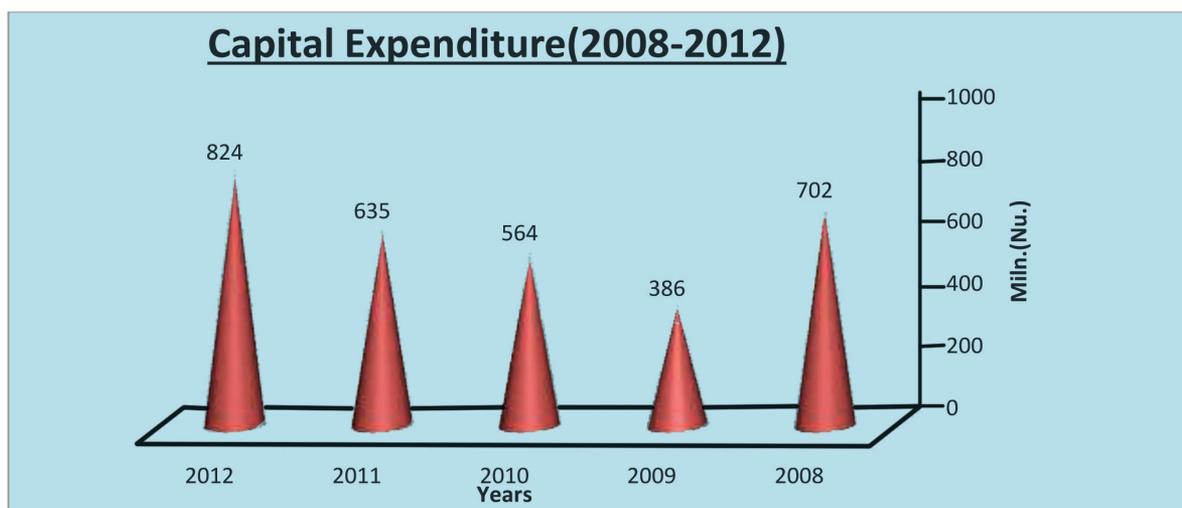
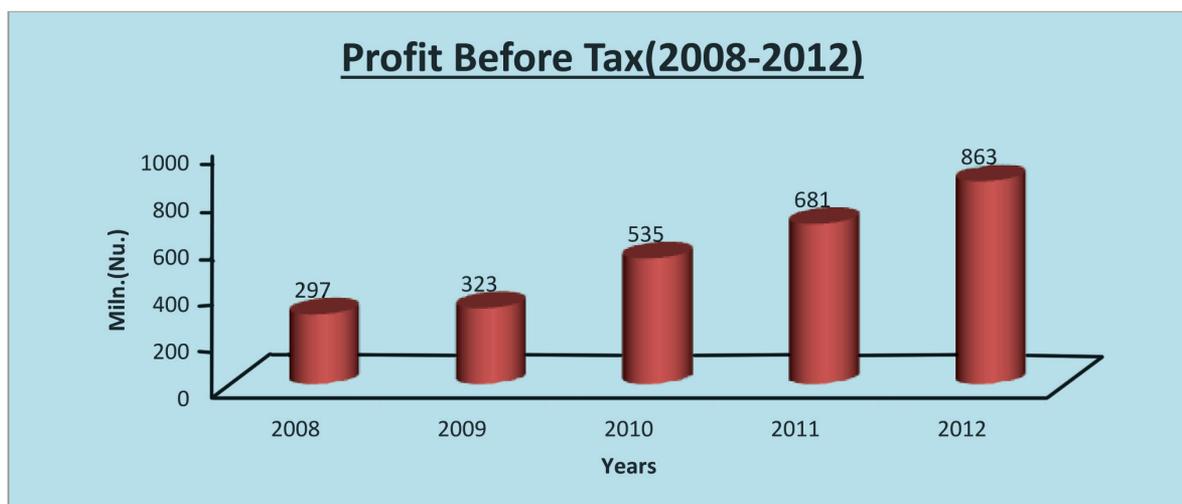
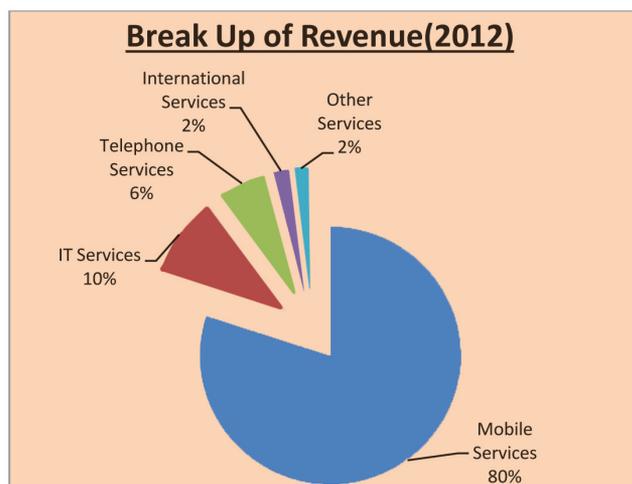
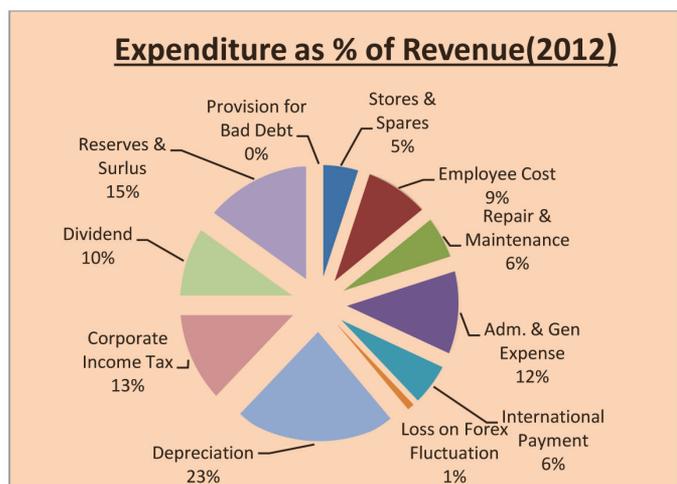


BHUTAN TELECOM LIMITED
RATIO ANALYSIS FOR THE PERIOD ENDED 31ST DECEMBER 2012

1. LIQUIDITY		2010	2011	2012
A	Current Ratio	2.09 : 1	2.1 : 1	2.07 : 1
	Current assets, Loans and advances/Current Liabilities & provisions			
B	Quick Ratio:	2.05 : 1	2.0 : 1	2.02 : 1
	Quick Assets/Quick Liabilities			
	Quick Assets=Current Assets-Stock			
	Quick Liabilities= Current Liabilities-Bank Loan			
C	Accounts Receivable Period	12.12 days	14.76 days	15.81 days
	365*Accounts receivable/operating Income			
D	Working Capital to Sales	28.27%	29.12%	26.08%
	Current Assets-Current Liabilities/Operating Income			
2. SOLVENCY:				
A	Term Debt to Total Fixed Assets	22.01%	21.30%	17.42%
	Long term Debt/Total Fixed Asset-Net			
B	Debt Equity Ratio:	23.11%	21.60%	17.02%
	Debt/(Capital Fund + Reserve & Surplus)			
3. PROFITABILITY:				
A	Return on Capital Employed:			
	a) PBT/Capital Employed	16.55%	20.98%	24.53%
	b) PAT/Capital Employed	10.42%	13.31%	15.37%
	Capital Employed=Equity Capital + Loan Fund			
B	Return on Equity:	13.53%	16.18%	19.17%
	Profit After Tax/Total Equity			
	Total Equity= Capital + Reserve & Surplus			
C	Return on Sales	34.17%	37.23%	39.07%
	PBT/Operating Income			
D	Employee Cost to Gross Income	10.00%	9.70%	9.60%
	Total Employee Expenses/Operating Income			
E	Profit per Employee:	.502 million	.614 million	.813 million
	PAT/Total no. of Employees			









CONTACT DETAILS

CORPORATE HEAD OFFICE, 2/28 DROPHEN LAM, POST BOX NO. 134, THIMPHU
PABX – 343434/322678/322850/320149/320151/320152/320153/320154, FAX – 324312
CUSTOMER CARE – 1600 (toll free)
WEBSITE: www.bt.bt

CHIEF EXECUTIVE OFFICER 322026**CORPORATE AFFAIRS**

Company Secretary 336787
Legal Officer 336787
Manager, Corporate Affairs 336778

PERSONNEL & ADMINISTRATION DIVISION

General Manager 323068/Fax-324312
Manager, HRD 326646/Fax-336803
Manager, Adm. Section 335466
Manager, Procurement Section 335509

FINANCE & ACCOUNTS DIVISION

General Manager 320139
Manager, Finance 336058
Manager, Accounts 336058

OPERATIONS DIVISION

General Manager 324385/Fax-324312
Sr. Manager, NMSC 320123
Manager, Billing 322963/Fax-323041
Manager, Customer Care 324984
Manager, Civil 321911

B-MOBILE DIVISION

General Manager 320194/Fax-320193
Manager, Core Network 337029
Manager, Radio Network 337031
Manager, IN & VAS 332731
Project Manager 337030

MARKETING DIVISION

General Manager 335736/Fax-337988
Manager, Marketing Communications 322414
Manager, Product Dev. & Customer Mgmt 324027
Manager, Sales & Distribution 335927

DRUKNET (IT) DIVISION

General Manager 320118
Manager, IP Service 320145
Manager, Internet Operations 320145
Manager, Content & Software 326919
Manager, Systems 320145

REGIONAL OFFICES:**WESTERN REGION (Code No. 02)**

Regional Manager 322999/Fax-320102

SOUTH WESTERN REGION (Code No. 05)

Regional Manager 252923/Fax-252125

EASTERN REGION (Code No.07)

Regional Manager 250335

CENTRAL REGION (Code No. 06)

Regional Manager 250101