

BHUTAN TELECOM LIMITED

*Always there for you*



dhi Company

**ANNUAL REPORT 2015**

15<sup>th</sup> Issue





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## COMPANY PROFILE

### VISION STATEMENT

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 DIRECTOR'S REPORT

This Board of Directors' Report contains the operational performance along with achievements, audited financial statements, human resources, corporate social responsibility, and challenges in 2015, and broad outlook for 2016. On behalf of the Board of Directors, I am pleased to report that Bhutan Telecom Limited (BT) had a successful 2015 for which the Board acknowledges the hard work put in by the management and staff of the company.

### Operational Performance & Achievements

As was done in the past years, the company continued to provide services even in non-profitable and challenging areas as a social mandate. The company continued to give top priority on the technological front and undertook many activities to both extend and improve the services. Some of the notable operational performance achievements are mentioned below.

The company's mobile network witnessed some major expansion works during 2015. Expansion on the Core network involved replacement of Mobile Packet Backbone Network (MPBN) with new routers and switches supporting 10 Gbps connections both on the access and ISP sides. Radio Network Controller was upgraded to 1.5 Gbps from 250 Mbps mainly to support increasing number of 3G users. 27 Node Bs were installed at various locations to augment capacity and expand 3G coverage. 18 2G BTS sites were also installed to extend mobile services to the rural areas which previously had weak or no mobile network coverage. Thimphu-east domestic backbone capacity was increased from 2.5 Gbps to 40Gbps using the DWDM technology.

The company launched B-secure services aimed at enhancing security for building owners, Lhakhangs, and other important and historical sites. The year also saw the launch of BT Guide, targeted at tourists, to provide information on Bhutan's cultural heritage and historical sites at a glance on the mobile devices installed with the service.

The company partnered with HP Enterprises and Microsoft to host cloud services at the company's Data Centre in Phuentsholing. The BT Cloud supports numerous services like Microsoft Exchange-email, Microsoft Lync-video conferencing similar to skype, Microsoft share point – remote desktop access, and Microsoft Office – word processing, work sheets, power point presentation, etc. With the installation of hardware and software completed, BT Cloud services will be ready for launch during the first quarter of 2016.

Because of the substantial increase in 3G users and data consumption, congestions had been observed in the 3G network in the core areas. The company's plan to deploy WiFi solution in the core areas of Thimphu, Paro, and Phuentsholing to offload 3G data and to ease congestion was approved towards the end of 2015. Installation of Core equipment and some Access Points have been completed while integration and testing is being



done. The WiFi solution for 3G offload is currently on trial testing and it is expected to be commercially launched within the first quarter of 2016.

The company's prepaid mobile subscriptions have increased to 475,444 subscribers by the end of 2015 from 443,480 subscribers in 2014 which is an increase of 7.2%. Just like in 2014, the post-paid mobile subscriptions saw a reduction by 2.5% from 11,063 subscribers in 2014 to 10,784 subscribers by the end of 2015. The number of broadband subscriptions increased to 27,606 subscribers in 2015 from 24,904 subscribers in 2014 which is an increase of 10.8%. Leased line subscriptions increased by 43.6% from 300 subscribers in 2014 to 431 subscribers by the end of 2015. Following the global trend, the company's fixed line subscriptions saw further decrease in 2015. From 23,823 subscribers in 2014, it decreased to 21,811 subscribers in 2015 which is a decrease of 8.4%.

### **Audit Reports**

The company was audited by the statutory auditors, KASG & CO., Chartered Accountants from Kolkata, India. The board is pleased to report that there are no major audit observations in the Auditors' Report and that past recommendations made by the auditors are being implemented and followed through except for sundry debtors issue which the company has been rigorously pursuing to resolve.

There were 8 recommendations in 2014 including 2 recommendations from the previous years. Out of these, 5 recommendations were fully implemented and 3 are partially implemented and followed through. In 2015, there has been a substantial decrease in the audit observations/recommendations. There are only two new recommendations in 2015.

### **Financial Performance**

The company's operating income for 2015 is Nu. 2,717.14 million. This is an increase by Nu. 315.67 million or 13% as compared to Nu. 2,401.47 million in 2014. The profit before tax increased by Nu. 51.7 million or 7.4% to Nu. 748.7 million in 2015 from Nu. 697.0 million in 2014. The profit after tax for 2015 is Nu. 516.64 million which is an increase by 9% or Nu. 42.77 million compared to Nu. 473.9 million in 2014. All these figures, and those reflected in the following paragraphs, are based on the accounts prepared as per Bhutan Accounting Standards (BAS).

The total operating expenditure of the company increased by 15.6% or Nu. 266.03 million to Nu. 1,967.66 million from Nu. 1,701.63 million in 2014. The increase was mainly contributed by substantial increase in employees' remuneration and benefits because of salary revision to the tune of Nu. 75.62 million and payment of service tax which has increased by 109.88 million compared to 2014.

The net fixed assets of the company stands at Nu. 3,125.89 million in 2015 as against

Nu. 2,998.48 million in 2014. While the net intangible assets is Nu. 648.78 million in 2015, it was Nu. 213.32 million in 2014. The current assets and advances (excluding long-term advances and investments) is Nu. 705.43 million in 2015 as compared to Nu. 679.60 million in 2014. From Nu. 407.41 million in 2014, the total current liabilities have increased to Nu. 498.96 million in 2015.

### **Dividend**

The dividend for 2015 to the shareholder (DHI) is recommended at 95% of the profit after tax which amounts to Nu. 490.806 million.

### **Reserve and Surplus**

The balance amount of Nu. 25.831 million is being transferred to the company's Reserve & Surplus. Because of the substantially increased dividend payout, it was decided that no amount from 2015 profits will be transferred to the Group Investment Reserve (GIR) Fund.

### **Human Resource Development and Management**

The company has always accorded high importance to human resource management and development. The company spent a little over Nu. 40 million in 2015 to train its staff and participate in other HRD events. A total of 992 employees (some attended more than one training/event) were trained or attended other HRD events in 2015 out of which 212 received in-country, 163 ex-country, and 495 in-house trainings and 52 attended other HRD events.

Thirty four regular employees, 14 ESPs, and 12 local caretakers got separated from the company in 2015 reducing the total employee strength to 680 by the end of 2015 from 736 in 2014 (including employees on long-term leave, ESPs, and local caretakers).

Some of the initiatives proposed by the company and approved by the Board in 2015 are listed below:

**a. BT Day Celebration:**

BT Day will be the forum to recognize and reward high-performance, both at the group and individual levels. The Day will be celebrated on 17th May every year beginning 2016 coinciding with the World Telecom Day.

**b. Position Directory:**

The new Position Directory provides for up-gradations in designations/position titles with regular normal grade promotions. It is expected that new attractive position titles will motivate the employees in addition to providing both horizontal and vertical career growth.

**c. Cadre Migration:**

While the employees were graded in different cadres based on their educational qualifications, it is now possible for employees with consistent outstanding



performance to move to a higher cadre. Cadre Migration scheme is a tool that would encourage employees to constantly strive to deliver outstanding performance.

**d. Performance Management System (PMS) revision:**

The PMS manual has been revised to incorporate group performance rating system in order to encourage team work and group performance with the ultimate aim to achieve the company's goals and objectives. The revised manual also provides for performance based retirement scheme where employees who do not perform or fail to perform even after necessary interventions will be sent on early retirement schemes. The manual would undergo further revisions in 2016 to incorporate provisions for the proposed annual salary increment model for DHI's subsidiary companies.

### **Corporate Social Responsibility**

To participate in the celebrations of the 60th birth anniversary of the 4th Druk Gyalpo, the company contributed Nu. 6 million through the DHI. The company also spent Nu. 3.4 million to purchase and provide network equipment to the Royal Academy in Paro to support the noble objectives behind its establishment. Other than these, the company spent Nu. 1.04 million to support 22 institutions/organizations.

### **Challenges**

Some of the significant challenges faced by the company are highlighted below.

Bhutan being a mountainous country with very narrow valleys it is technically very challenging to meet the capacity and quality of services due to high interferences among cells caused either by overreach or reflected signals. While substantial improvements have been made both in terms of data speed and speech quality, congestion has been the prime factor affecting the customers' satisfaction and perceptions.

The company has not been able to build a resilient mobile network or disaster recovery site due to the huge investments required. If a disaster strikes or something undesirable happens to the presently single Core system serving the entire nation, the entire mobile communications would be affected throughout the country. If the core system is damaged, it would take anywhere from a few months to a year to restore the communications network depending on the severity of the damage. Further, the current system is designed to handle only the normal traffic because of which the system could get paralyzed during the times of disasters as the traffic could be three to four times more during such times leading to very high congestion and frustrations among the users. It is important for the stakeholder to take note of this challenge and plan for DR network within a foreseeable future.

It has been very difficult, if not impossible, for the company to get good return on investments as the technology in the telecom industry gets obsolete within years whereas

the investment required is always substantial. The unfavourable terrain and scattered settlements contribute to the increase in investments required. Servicing loan, meeting the dividend expectations, maintaining quality network, and meeting other operating expenses have been a huge challenge.

With Bhutan's population less than a million and two operators, the market for the company is getting saturated at great pace because of which potential for revenue growth is negligible. The company has been trying to diversify its product portfolio like the Data Center, cloud services, WiFi offload, B-secure, BT Guide, etc. However, it is a huge challenge for the company to monetize these new services at the earliest before the technology becomes obsolete.

Because of the lack of CRM (customer relationships management) software and digital marketing, it has been a huge challenge for the company to adequately understand customer behaviour and reaching out to the customers within the desired time.

### **Outlook**

Notwithstanding the numerous challenges faced, the company has a positive outlook for 2016. The theme for 2016 is to improve the service reliability and customer services delivery efficiency because of which the company has decided to replace the old microwave transmission radios by latest IP-based radios and also augment the power supply systems with auto start-stop features for generators. Because failure of old microwave and power supply systems will be greatly reduced, uptime of mobile services is expected to see significant improvements.

The company will be making further investments in WiFi solution to offload 3G data services in other Dzongkhags and satellite towns. About 800 Access Points (APs) is planned for 2016 in addition to the 1,000 APs planned and procured at the end of 2015 for deployment in 2016.

Capacity enhancement and expansions of 3G services are also planned in a few highly congested areas and new locations. This activity is aimed at bringing improvements in customer experience as more capacity for data users will be added.

The company will be deploying a new converged billing solution which is expected to improve service delivery and reduce billing errors which is one of the areas of frequent customer complaints. The new solution will also reduce the bill cycle and processing times in addition to facilitating better credit control policy. This would result in the company being able to deliver bills in time as well as enabling efficient connection/disconnection of services which would result in minimizing the outstanding dues. With the implementation of PCRF (Policy and Charging Rules Function) with the new billing solution, it will be possible to deliver various packages as per the market demand.



The company plans to deploy Over-The-Top (OTT) TV on a pilot basis which will initially live-stream BBS TV using the company's 3G and WiFi networks. Depending on the success of the pilot, the company has plans for further expansions which will include other features like gaming and video-on-demand.

Despite the planned activities for 2016, the company will look at aggressive marketing of its Data Center and cloud services. In addition to taking HP technology and the Microsoft products to the market in Bhutan, the company will look at further diversification of products and services to meet the needs of the customers.

### **Acknowledgement**

On behalf of the Board of Directors and the company, I would like to express our gratitude to the company's valued customers for continued loyalty and support. The company is trying its best to address some of the pertinent issues on the 3G network through many initiatives. We are hopeful that our customers will experience improved services soon.

The Board would like to thank the management and employees of the company for working very hard in achieving whatever have been achieved in 2015. The Board urges the management and employees to work equally hard, if not harder, to achieve even greater success in 2016 and beyond.

The Board also thank Druk Holding & Investments for its continued support and guidance provided to the company.

On behalf of the Board of Directors;



(Tenzin Dhendup)  
**CHAIRMAN**

## REPORT ON CORPORATE GOVERNANCE

**B**hutan Telecom Limited (BT) is mostly compliant with the provisions of the Corporate Governance Code and the Ownership Policy developed and introduced by its owner – the Druk Holding and Investments Limited (DHI), the Companies Act of the Kingdom of Bhutan, and other statutory requirements.

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

All the members of the Board of BT are identified and appointed by the DHI. All appointments so made are submitted to the BT's General Meetings for endorsement. On the last day of 2015, the BT Board comprised of six Board Directors, including the Chief Executive Officer. Necessary disclosures about each Board Director are provided below:

Name of Director	Category	Profile	No. of Board Meetings attended in 2015	Directorship in other companies
Mr. Tenzin Dhendup, Chairman	Independent Non-executive	Secretary, Ministry of Agriculture & Forests	11	DHI (Board Director) BBS Corporation (Chairman) FCB (Chairman)
Dr. Damber S. Kharka	Non-independent Non-executive	Director, CPD, DHI	10	Drukair Corporation (Board Director) Bhutan National Bank (Board Director)
Mr. Phuntsho Tobgay	Independent Non-executive	Director General DGM, MoEA	8	
Mr. Gyeltshen	Independent Non-executive	Collector, Department of Revenue & Customs	10	
Mr. Minjur Dorji (from 17 <sup>th</sup> March 2015)	Independent, Non-executive	Executive Secretary, Samdrup-Jongkhar Thromde	7	
Mr. Tshewang Gyeltshen	Non-independent Executive	CEO, BT	12	

The following Board Directors served on the BT Board for part of 2015:

Name of Director	Category	Profile	No. of Board Meetings attended in 2015
Mr. Kezang (until 31 <sup>st</sup> March 2015)	Independent Non-executive	Project Director, GPP Bhutan Project	4
Mr. Karma Tshering (until 10 <sup>th</sup> December 2015)	Independent Non-executive	Member of Parliament (current post after retirement from Board)	7



A total of twelve Board Meetings were held in 2015. The meetings were held as frequently as required and gap between any two meetings never exceeded three months as required by the Companies Act.

**Board Meetings in 2015 were held on the following dates:**

1. 5<sup>th</sup> February
2. 13<sup>th</sup> March
3. 20<sup>th</sup> March
4. 22<sup>nd</sup> March
5. 7<sup>th</sup> May
6. 4<sup>th</sup> June
7. 6<sup>th</sup> August
8. 19<sup>th</sup> August
9. 5<sup>th</sup> October
10. 6<sup>th</sup> November
11. 18<sup>th</sup> December
12. 30<sup>th</sup> December

The calendar for the Board Meetings during the entire year is proposed at the beginning of the year. The calendar is reviewed and the meeting for the next Board Meeting confirmed in every Board Meeting. All the Board Meetings in 2015 were held at the Conference Hall of the Company's Headquarters in Chubachu, Thimphu, except the 115<sup>th</sup> meeting which was held at Hotel Dorji Elements, Thimphu. The agenda and related documents for the Board Meetings are generally circulated to the Board Members at least a week in advance of the Meetings. However, in case of emergency Board Meetings the agenda and the related papers are circulated just a few days in advance.

The following Board Committees are in place:

1. Board Audit Committee
2. Board Tender Committee
3. Board HR Committee

**Board Audit Committee**

The Board Audit Committee was established to, inter alia, monitor the internal control system and internal audit activities. The Committee held four meetings in 2015 on the following dates:

1. 2<sup>nd</sup> April
2. 29<sup>th</sup> August
3. 4<sup>th</sup> November
4. 30<sup>th</sup> December

The Committee also had a joint meeting with the Board HR Committee on 1<sup>st</sup> April 2015.

### **Board Tender Committee**

The Board Tender Committee was established to make decisions and approve works/ procurements which are beyond the management's authority. The Committee held three meetings in 2015 on the following dates:

1. 6<sup>th</sup> February
2. 17<sup>th</sup> March
3. 6<sup>th</sup> October

### **Board HR Committee**

The Board HR Committee was established to make decisions on HR related issues which are beyond the authority of the management. The Committee held five meetings in 2015 on the following dates:

1. 12<sup>th</sup> March
2. 25<sup>th</sup> May
3. 30<sup>th</sup> June
4. 17<sup>th</sup> August
5. 14<sup>th</sup> October

The Committee also had a joint meeting with the Board Audit Committee on 1<sup>st</sup> April 2015.

### **Ad-hoc Committees**

The Board also establishes Ad-hoc Board Committees as and when required to deal with matters not relevant or limited to the three Committees mentioned above. Ad-hoc Committees were established on four occasions in 2015 and meetings of these Committees were held on the following dates:

1. 11<sup>th</sup> March (Interview for Finance & Accounts GM's post)
2. 10<sup>th</sup> August (Compact Review with DHI)
3. 27<sup>th</sup> August ((Interview for Operations GM's post)
4. 4<sup>th</sup> December (Compact Negotiation with DHI)

### **General Meetings**

The Company held only one General Meeting in 2015 on the following date:

1. 31<sup>st</sup> March – Annual General Meeting

No Extraordinary General Meeting was held in 2015.



### **Board Orientation Program**

To prepare the new Board Directors on the roles and responsibilities of the board, the DHI organizes and conducts an orientation program for the new Board Directors. The three new Directors on the BT Board appointed in 2015 and the Chief Executive Officer attended the Directors' Orientation Program conducted by DHI in Thimphu on 21<sup>st</sup> April 2015. The new Directors and the CEO also attended the "Board Directors' Skills Development Training" from 26-30 October 2015 in Bangkok. Further, the company also conducted an orientation program for its new Directors on 19<sup>th</sup> August 2015.

### **Non-Compliance Reporting**

Subject to the "comply or explain" clause, BT has generally complied with the provisions of the Corporate Governance Code, except:

1. While the Corporate Governance Code mentions that quorum for Board Meetings should have at least two-third of the board strength, the company has been following a quorum of at least one-third of the board strength as provided both in the Companies Act and BT's Articles of Incorporation.
2. The Board does not have a procedure in place for directors to follow if actual, potential, or perceived conflict of interest should arise. However, it is felt that any issue of conflict of interest would be dealt in an appropriate manner as and when it arises.
3. One or two minor provisions in the Corporate Governance Code which are beyond the control of BT could not be complied with fully. Report on this, and others mentioned above, have been submitted to DHI.

## CHIEF EXECUTIVE OFFICER'S REPORT

2015 was a busy, but successful year for Bhutan Telecom as we met major milestones on the road to expanding its ICT services in the country. Guided by our core values and long-term vision to be the leading provider of Infocomm services, we continued to implement our strategy and strived towards achieving maximum value for the shareholders.

In presenting the Annual Report for the year 2015, I am happy to report that Bhutan Telecom saw 13% revenue growth in 2015 as compared to the 2014. The revenue of Nu.2717.14 million in 2015 has surpassed our 2014 revenue of Nu.2401.47. The profit before tax increased by Nu. 51.7 million or 7.4% to Nu.748.7 million in 2015 from Nu.697 million in 2014. The profit after tax for 2015 is Nu.516.64 million which is an increase of 9% or Nu.42.77 million as compared to Nu.473.9 million in 2014. All these figures are based on the accounts prepared as per Bhutan Accounting Standards (BAS).

In addition to its commercial mandates, Bhutan Telecom is entrusted with the universal service obligations to take its services to all parts of the country. Major expansion works were carried out in 2015 on cellular network. The Core Router and Switches were upgraded from 1G to 10G and Radio Network Controller upgraded to 1.5 Gbps from 250 Mbps mainly to support the persistent increase in the number of 3G users. 27 Node Bs were installed at various locations to augment capacity and expand 3G coverage. 18 2G BTS sites were also installed to extend mobile services to the rural areas which previously had weak or no mobile network coverage.

BT launched its B-Secure service during the year to add to the existing service portfolio and create product differentiation and improve the company's competitiveness. B-Secure is a service that will help people safeguard their homes from thefts and house breaks. Occupants can remotely monitor the activities taking place in and around their premises via their mobile phones or PC connected to internet. The company also launched the BT guide designed for tourists visiting Bhutan to enrich their experience by offering location-based information and insights on historic and cultural sites in Bhutan. The year also saw the launch of BT Mobile App to enable our customers to get access to some of the BT services without having to personally visit the service counters.

Beside the launch of these new services, BT also revised the mobile tariff for calls to India to Nu.4 per minute from Nu.7.5 per minute. BT also tied up with other banks to append more B-Wallet features.



As a socially responsible company, BT contributed Nu.6 million through the DHI to celebrate the 60th Birth Anniversary of the 4th Druk Gyalpo. The company also contributed Nu.3.4 million to provide network equipment and internet connectivity to the Royal Academy in Paro to support the noble objectives. Apart from these major contributions, the company also spent a total of Nu.1.04 million to support 22 institutions/organizations and other social initiatives. Bhutan Telecom believes in creating a positive impact on the society and communities it serves and operates in.

On the Human Resource front, a new position directory has been put in place where the employees now get their designations and position titles upgraded with the normal grade promotions. Designation and position titles remained the same in the past irrespective of the number of promotions the employees received and their seniority. Employees, even with limited qualification, but with consistent outstanding performance can now move to a higher cadre with the implementation of cadre migration policy.

To reward and recognize high performing employees and group performance and achievements, BT will be celebrating BT Day on 17th May annually starting 2016 coinciding with World Telecommunication & Information Society Day. This initiative will motivate employees and encourage them to constantly strive to deliver outstanding performance.

In light of the strong financial performance and achievement of key milestones, there is no doubt that Bhutan Telecom had a successful 2015. The company will continue to implement its strategies and focus on the growth of the business and create values for the shareholders. Improving the reliability of our network and efficiency in the service delivery is going to be the main target for BT for 2016. Therefore, all the investment plans and programs for 2016 are aligned to achieve this target. To improve the reliability of mobile network, we would be replacing most of the mobile transmission radios and installing auto start diesel generators. To further address 3G data congestion, the company will deploy BT Wifi offload in core locations in Thimphu, Paro, Phuentsholing and in some satellite towns where there is no 3G. About 1000 Access Points (APs) will be deployed in these areas in 2016. We would also be installing 22 new 3G sites in a few highly congested areas and new locations. The company will be deploying a new converged billing solution which is expected to improve service delivery and reduce billing errors which is one of the areas of frequent customer complaints.

The company, in partnership with the HP Enterprises and Microsoft, will be launching the cloud services during the first quarter of 2016. The BT Cloud will cater numerous services like Exchange, SharePoint, Lync and Microsoft Azure. The company will also venture into a new line of business by setting up a Mobile Shop in Thimphu. The shop will offer mobile handsets, accessories, repair services and the regular BT services like bill payment, sale of SIMs, vouchers, etc. Apart from these activities, BT will continue to do aggressive marketing for Data Center and Contact Center.

Finally, I take this opportunity to express my gratitude to the Royal Government of Bhutan, DHI and the Board for their constant guidance and support. I would like to acknowledge and thank all the employees of BT for their hard work and dedication which have contributed to the success of the company. My heartfelt appreciation goes to all the company's valued customers for their support, patience, and loyalty.

Tashi Delek!

Yours Sincerely

A handwritten signature in black ink, appearing to read 'Tshewang Gyeltshen', with a long, sweeping underline.

(Tshewang Gyeltshen)  
**Chief Executive Officer**

## BOARD OF DIRECTORS



**Dasho Tenzin Dhendup**  
Chairman  
Secretary, MOAF



**Gyeltshen**  
Collector, Department of  
Revenue & Customs



**Phuntsho Tobgay**  
Director General  
DGM, MoEA



**Dr. Damber S Kharkha**  
Director  
CPD, DHI



**Minjur Dorji**  
Executive Secretary,  
Samdrup Jongkhar Thromde



**Karma Tshering**  
Member of Parliament  
(BT Board, Part of 2015)

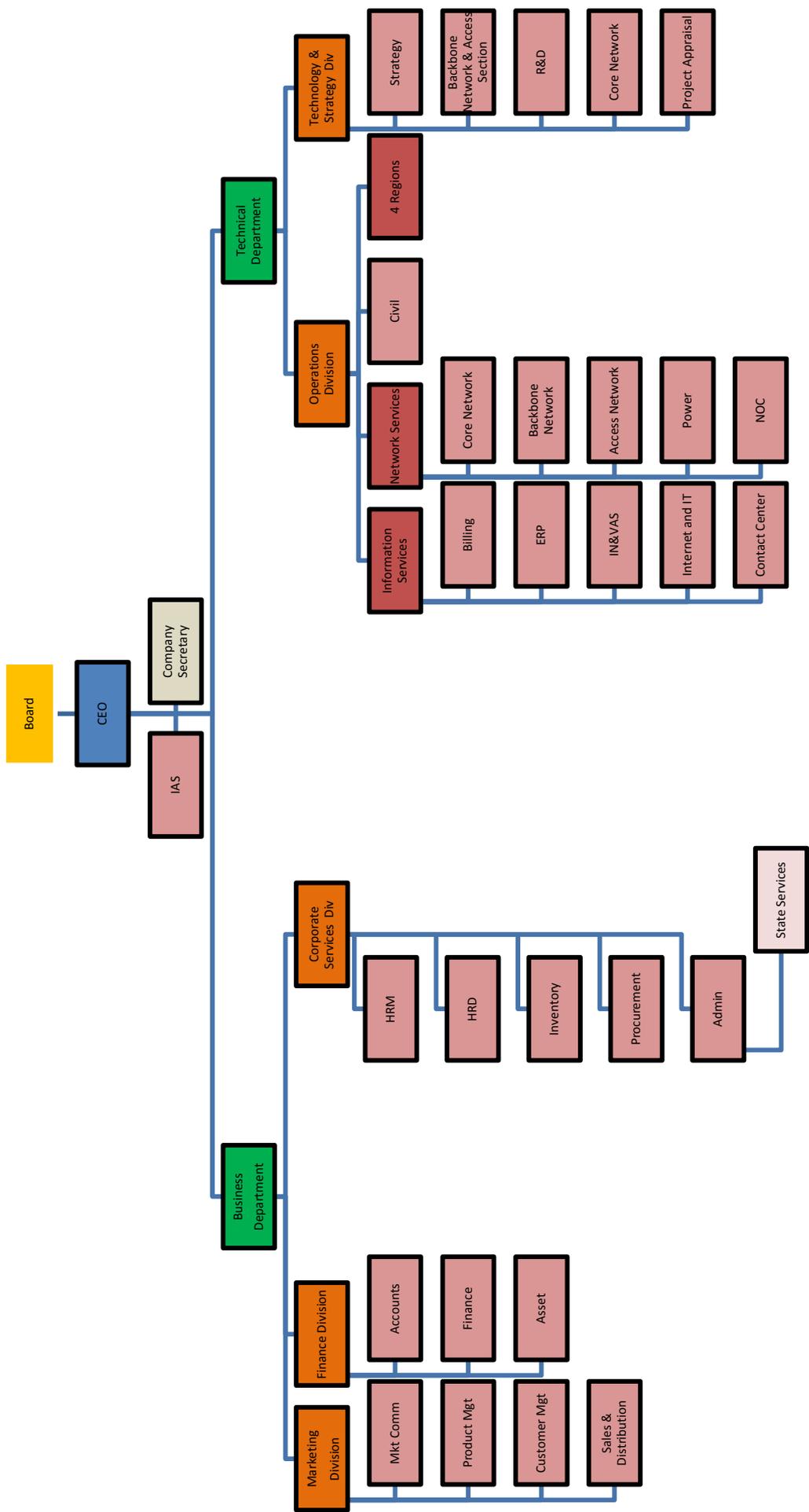


**Kezang**  
Project Director  
GPP, Bhutan Project  
(BT Board, Part of 2015)



**Tshewang Gyeltshen**  
Chief Executive Officer  
Bhutan Telecom Ltd.

# ORGANIZATIONAL STRUCTURE



## NEW SERVICES IN 2015

The year 2015 had been an eventful year for Bhutan Telecom. Not only did BT revise the tariff for India Calls or tie up with different banks to append more B-Wallet features, BT also launched other new services. These services were launched to give technological benefit and new experiences to our customers.

### **B-Secure** (*The Power to protect*)



B-Secure is a service that will help people safe guard their homes from thefts and house breaks. This simple security features has a real time recording of the homes with an additional feature to monitor the premises and properties from an app on their mobile devices or on a computer connected via internet. Occupants can remotely monitor the activities taking place in and around their premises via their mobile phones.

### **BT Guide** (*Travelers best friend in Bhutan*)

BT Guide is a device (mobile phone) designed for tourists visiting Bhutan. It offers location based information to the tourist to enrich their experience. BT Guide contains information on historic and cultural sites in Bhutan and any other information that a tourist is looking for. Besides providing insights about Bhutan, the device also offers a platform for tourist to make calls and use internet facilities if they wish to. The device also has a guide call button where the tourist can press the button to alert his/her guide in case they are lost.



### BT Mobile App (Use BT Mobile App for your own convenience)

The BT Mobile App is an app designed to enable our customers to avail some of the BT services without having to visit customer care service.

The app features 3 services:

*General Information:* contains all information on B-Mobile, DrukNet and Fixed Line.

*Provisioning:* allow users to view their mobile and internet bills online, activate internet on their handsets and select B-Tunes from a list of songs

*Feedback:* users can leave their feedback if any at the Feedback feature.

The mobile app will ease our customers in using BT services and also save their time from visiting BT counters.



### BT Data Center

Certified by Uptimes Institute, USA

1. Rack Space for both single and 3 phase power
2. Cage services
3. Cloud Services

BT also offers the following services in addition to the hosting services

1. Remote hands
2. Manager services



### BT Contact Center

BT contact center offers the following services:

1. Real-Time monitoring
2. Measure contact center performance
3. Track and provide feedback on performance
4. Analyze when and why the past problems occurred





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## INDEPENDENT AUDITOR'S REPORT

**TO  
THE MEMBERS OF  
BHUTAN TELECOM LIMITED**

### **1. Report on the Financial Statements**

We have audited the accompanying financial statements of **Bhutan Telecom Limited** ("the company"), which comprise the Statement of Financial Position as at **31st December, 2015**, the Statement of Comprehensive Income, Statement of Changes in Equity and the Statement of Cash Flows for the year then ended and a summary of the significant accounting policies and other explanatory information.

### **2. Management's Responsibility for the Financial Statements**

The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Bhutanese Accounting Standards and provisions of the Companies Act of the Kingdom of Bhutan, 2000 ("the Act") - This responsibility includes the design, implementation and maintenance of internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatements, whether due to fraud or error.

### **3. Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing and other generally accepted auditing principals. Those Standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose



of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### 4. Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the Bhutanese Accounting Standards and provisions of the Companies Act of the Kingdom of Bhutan, 2000 ("the Act"):

- i) in the case of Statement of Financial Position, of the state of affairs of the Company as at 31<sup>st</sup> December, 2015;
- ii) in the case of Statement of Comprehensive Income, of the Profit of the Company for the year ended on that date;
- iii) in case of Statement of changes in Equity, of the changes in equity of the Company for the year ended on that date; and
- iv) in the case of Statement of Cash Flows, of the movement of cash flows of the Company for the year ended on that date.

#### 5. Report on Other Legal and Regulatory Requirements

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

#### As required by Section 74(3) of the Act, we report that:

- i) 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.
- ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
- iii) The Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows dealt with by this report have been prepared in accordance with accounting principles generally accepted and are in agreement with the books of account.



iv) In our opinion, the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows comply with the Bhutanese Accounting Standards and provisions of the Companies Act of the Kingdom of Bhutan, 2000.

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**for KASG & Co.**

**Chartered Accountants**

(Firm Reg. No. 002228C)



**CA. Raj Kumar Agarwal**  
**Partner**

M. No. 073063

Place: Kolkata

Date: 16.03.2016

(ANNEXURE AS REFERRED TO IN OUR REPORT OF EVEN DATE)

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

**Re: Bhutan Telecom Limited**

1. The Company has maintained the Property, Plant & Equipment register during the year. The register is showing particulars relating to acquisition cost, depreciation and net value. As explained to us, the Physical Verification of Property, Plant & Equipment has been conducted at two regions, but the complete report for the same has not been produced before us.
2. None of the fixed assets have been re-valued during the year.
3. Physical verification of inventories has been conducted at reasonable intervals by a committee nominated by the management for reconciling Inventories between the System and actual physical inventories.
4. Procedures followed for physical verification of inventories are considered reasonable and adequate in relation to the size of the company and the nature of its business.
5. To the extent, physical verification of Inventory has been conducted; material discrepancy was observed on such verification and the same have been properly dealt with in the books of accounts.
6. On the basis of our examination of stock records, we are of the opinion that the valuation is fair and proper in accordance with the normally accepted accounting principles. The basis of valuation of stock is same as that in the previous 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. 229,227,015 (Euro 3,150,887) is outstanding as on 31<sup>st</sup> December 2015.
8. The Company has not granted any loan to other companies, firms or other parties and/or to the companies under the same management. The point no. 8 of Part II of Schedule XIV of The Companies Act of The Kingdom of Bhutan 2000 is not applicable.
9. The Company has not granted any loan to other companies, firms or other parties

and/or to the companies under the same management. The point no. 9 of Part II of Schedule XIV of The Companies Act of The Kingdom of Bhutan 2000 is not applicable.

10. The advances granted to officers/staffs are in keeping with the provision of service rules. No excessive/frequent advances are granted and accumulated of large advances against particular individual is avoided.
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. *But, in some cases, it has been observed that the Maker-Checker concept is not being followed, i.e. the transactions are not being verified by any person other than the person booking the transaction.*
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 or 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 inventory 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. The Company is maintaining reasonable records 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 2015. 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 payable to Regional Revenue & Custom Office amounting to Nu. 12,970,853 and TDS amounting to Nu. 713,589 were payable as at the last day of the financial year ending on 31<sup>st</sup> December, 2015.
20. According to the information and explanations given to us, no personal expenses have been debited to the Statement of Comprehensive Income 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 been carried out during the year in respect of all major items of inventories at the end of the accounting period.
23. There have been material loss/discrepancies of Inventory between physical and book balances during the year under review and approval of appropriate authority is obtained for writing off amounts due to material loss/discrepancies in physical/book balances of inventories including finished goods, raw materials, stores and spares.
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. The System of authorization and internal control regarding issue of stores and allocation of materials and labour need to be strengthened.
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. *The system of follow-up with debtors and other parties for recovery of outstanding amounts needs to be improved. Vigorous follow-up is necessary to realize the old debts.*
30. The management of liquid resources particularly cash / bank is reasonably adequate considering the nature and size of the business. Funds are not lying idle in non-interest bearing accounts. Interest Free Loan taken from DANIDA 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.
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 Board of Directors including the Chief Executive Officer have been indicated in the Notes to the Accounts.
36. According to the information and explanation given to us, the directives of the Board have been complied with.
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. The proper records are kept for inter unit transactions/services and arrangements for services made with other agencies engaged in similar activities.
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.
2. *It is explained to us that the Company has a standby server installed at Phuntsholing and backup is going on daily basis with complete backup with two way process. Firstly data backup are going on system and then it takes it to TSM server on daily basis.*
3. *As per information given to us, the Company keeps a back-up data for the entire Company in a standby server installed at Phuntsholing and the same is being maintained at Thimpu. However company is in the process of installation of server at another location in Central Bhutan.*
4. As per information given to us, Operational controls are adequate to ensure correctness and validity of input data and output information.
5. As per information given to us, 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 31<sup>st</sup> December, 2015 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 2015.

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**for KASG & Co.**

Chartered Accountants

(Firm Reg. No. 002228C)



A handwritten signature in blue ink, appearing to read 'Raj Kumar', with a long horizontal flourish underneath.

**CA. Raj Kumar Agarwal**

Partner

M. No. 073063

Place : **Kolkata**

Date : **16.03.2016**

**BHUTAN TELECOM LIMITED**  
**Statement of Financial Position as at 31st December 2015**

Amount in Nu.

Particulars	Note no.	As at 31st December 2015	As at 31st December 2014
<b>I. ASSETS :</b>			
<b>(a) Non-Current Assets</b>			
Property, Plant and Equipment	1(a)	3,125,892,062	2,998,483,445
Intangible Assets	1(b)	648,791,874	213,320,020
Capital work-in-progress	1(a)	157,742,056	255,734,895
Long-Term Loans & Advances	2	38,850,000	51,800,000
Non-current Investments	3	92,308,400	92,308,400
<b>Total Non-Current Assets</b>		<b>4,063,584,392</b>	<b>3,611,646,760</b>
<b>(b) Current Assets</b>			
Inventories	4	68,971,055	71,908,587
Trade Receivables	5	53,207,356	55,965,900
Cash and Bank Balances	6	522,595,314	474,303,829
Short-term Loans and Advances	7	56,275,961	74,182,377
Other Current Assets	8	2,212,782	3,243,314
Deferred Tax Assets		2,171,144	-
<b>Total Current Assets</b>		<b>705,433,612</b>	<b>679,604,007</b>
<b>Total Assets</b>		<b>4,769,018,004</b>	<b>4,291,250,764</b>



**II. EQUITY AND LIABILITIES :****(a) Shareholders Fund**

Equity Share Capital	9	854,082,000	854,082,000
Retained Earnings & Reserves	10	2,860,609,995	2,680,982,623
<b>Total Shareholders Fund</b>		<b>3,714,691,995</b>	<b>3,535,064,623</b>

**(b) Non-Current Liabilities**

Deferred Government Grants	11	99,658,860	88,019,446
Long-Term Borrowings	12	434,590,512	244,004,674
Long-Term Provisions	13	21,119,479	16,749,542
<b>Total Non-Current Liabilities</b>		<b>555,368,851</b>	<b>348,773,662</b>

**(c) Current Liabilities**

Trade Payables	14	43,627,400	71,010,964
Short-Term Provisions	15	12,379,773	9,558,069
Other Current Liabilities	16	442,949,982	326,843,446
<b>Total Current Liabilities</b>		<b>498,957,155</b>	<b>407,412,479</b>

**Total Outside Liabilities (b+c)**

<b>1,054,326,006</b>	<b>756,186,141</b>
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**Total Equity & Liabilities**

<b>4,769,018,004</b>	<b>4,291,250,764</b>
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Summary of significant Accounting Policies	27
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Notes on Accounts	28
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The above accompanying notes are an integral part of the financial statements

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

For KASG & Co.

Chartered Accountants  
(Firm Reg. No. 002228C)



CA Raj Kumar Agarwal

Partner

M. No. 073063



**for and on behalf of Board of Directors**



**Chairman**



**Chief Executive Officer**

Place: Kolkata

Date: 16/03/2016



**BHUTAN TELECOM LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED ON**  
**31ST DECEMBER 2015**

Amount in Nu.

Particulars	Note no.	As at 31st December 2015	As at 31st December 2014
<b>I. Income :</b>			
<b>Revenue from Operations:</b>			
Domestic	17	2,537,687,142	2,258,137,176
International	18	55,196,174	26,287,850
Other Operating Income	19	62,474,349	63,635,872
Gain on Forex Fluctuations		61,782,314	53,404,203
<b>Total Revenue</b>		<b>2,717,139,978</b>	<b>2,401,465,102</b>
<b>II. Expenditures:</b>			
Administrative and General Expenses	23	290,689,788	250,124,753
Employees' Remuneration and Benefits	21	327,147,209	251,533,394
Foreign Exchange Fluctuations		36,076,519	6,623,357
Interest on Loan on Corporate Bond		10,371,575	-
International Payments	24	165,125,332	217,722,343
Repair & Maintenance	22	207,148,083	170,045,554
Service Tax Paid		135,026,544	25,419,147
Stores and Spares Parts	20	66,388,979	43,485,775
Depreciation and Amortisation	25	729,683,793	736,679,658
<b>Total Expenditures</b>		<b>1,967,657,821</b>	<b>1,701,633,981</b>
<b>Profit before Prior-period items, Other Comprehensive Income, Interest and Tax</b>		<b>749,482,157</b>	<b>699,831,121</b>
Prior-period Expenses		(813,963)	2,797,850
Prior-period Income		24,110	-
<b>Profit Before Tax</b>		<b>748,692,304</b>	<b>697,033,271</b>
<b>III. Add/(Less):Tax Expenses :</b>			
Current Tax		234,819,443	222,288,830
Deferred Tax		(2,171,144)	-
<b>Total Tax Expenses</b>		<b>232,648,299</b>	<b>222,288,830</b>
<b>Profit After Tax for the Year</b>		<b>516,044,006</b>	<b>474,744,440</b>



**IV Other Comprehensive Income:**

Actuarial (gains) / losses on defined benefit plans	(849,280)	1,191,561	
Income tax relating to component for other comprehensive Income	254,784	(357,468)	
	(594,496)	834,093	
<b>Total Comprehensive Income for the year</b>	<b>516,638,502</b>	<b>473,910,348</b>	
Earnings Per Share	26	604	555
Summary of significant Accounting Policies	27		
Notes on Accounts	28		

The above accompanying notes are an integral part of the financial statements  
This is the Statement of Comprehensive Income referred to in our report of even date.

**For KASG & Co.**

Chartered Accountants  
(Firm Reg. No. 002228C)


**CA Raj Kumar Agarwal**

Partner  
M. No. 073063  
Place: Kolkata  
Date: 16/03/2016

**for and on behalf of Board of Directors**

**Chairman**

**Chief Executive Officer**



**BHUTAN TELECOM LIMITED**  
**STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31ST DECEMBER 2015**

Particulars	Amount in Nu (2015)		Amount in Nu (2014)	
<b>Cash Flow from Operating Activities</b>				
Net profit before tax	749,541,584		695,841,710	
Add/Less: Net Addition in Provision for Leave encashment	7,191,641		7,608,693	
Add/Less: Gain on sale of Property Plant and Equipments	-		(4,960,235)	
Add/Less: Foreign Exchange Loss/(Gain)	(23,558,366)		(43,773,195)	
<b>Net profit before tax and after prior period adjustment</b>		<b>733,174,860</b>		<b>654,716,973</b>
<b>Adjustment for</b>				
Depreciation during the year	729,683,793		736,679,658	
Interest Received	(8,623,265)	721,060,528	(19,997,766)	716,681,893
<b>Net Profit from Operating Activities before working capital changes</b>		<b>1,454,235,388</b>		<b>1,371,398,866</b>
(Increase)/Decrease in Inventories	2,937,532		(35,182,621)	
(Increase)/Decrease in Trade Receivables	2,758,544		(2,738,654)	
(Increase)/Decrease in Short Term Loans and advances	17,906,415		138,126,351	
(Increase)/Decrease in Other Current Assets	1,030,531		117,514,187	
(Increase)/Decrease in Long term Loans and advances	12,950,000		12,950,000	
Increase/(Decrease) in Other Trade Payables	(27,383,564)		35,373,971	
Increase/(Decrease) in Other Current Liabilities	77,275,238	87,474,696	(64,473,030)	201,570,204
<b>Cash Generated from operating activities</b>		<b>1,541,710,084</b>		<b>1,572,969,070</b>
Income Tax Paid		(189,896,409)		(232,870,074)
<b>Net Cash Flow from Operating Activities</b>		<b>1,351,813,674</b>		<b>1,340,098,996</b>



<b>Cash Flow from Investing Activities</b>				
Payment for Property Plant and Equipments	(812,461,949)		(657,331,002)	
Payment for Intangible Assets	(513,022,941)		(121,007,346)	
Sale of Property Plant and Equipments including gain			10,992,984	
Payment for Capital Work in Progress	97,992,839		(209,030,167)	
Interest Received	8,623,265		19,997,766	
Investment in Fixed Deposits	112,000,000		(58,000,000)	
Margin //money Provided	(9,561,887)			
Investment in Subsidiary company	-		(92,308,400)	
<b>Net cash used in Investing Activities</b>		<b>(1,116,430,673)</b>		<b>(1,106,686,165)</b>
<b>Cash Flow from Financing Activities</b>				
Repayment of Loan	(91,956,761)		(102,812,316)	
Receipt of Capital Grant from BICMA	44,314,488		9,895,000	
Payment of Dividend	(337,011,130)		(216,007,203)	
Corporate Bond issued	300,000,000		-	
<b>Net cash used in Financing Activities</b>		<b>(84,653,403)</b>		<b>(308,924,519)</b>
<b>Increase/(Decrease) in Cash &amp; Cash Equivalents</b>		<b>150,729,599</b>		<b>(75,511,689)</b>
Opening Cash & Bank Balances	162,303,829		237,815,518	
Closing Cash & Bank Balances	313,033,427		162,303,829	
<b>Increase/(Decrease) in Cash &amp; Cash Equivalents</b>		<b>150,729,599</b>		<b>(75,511,689)</b>



Reconciliation of Cash and Cash Equivalent with Statement of Financial Position	2015	2014		
Cash on hand	247,218	3,227,201		
Balances with Banks in current accounts	312,786,209	159,076,628		
Fixed deposits placed for a period less than 3 months	-	-		
<b>Cash and Cash Equivalents</b>	<b>313,033,427</b>	<b>162,303,829</b>		
Other Bank balances	209,561,887	312,000,000		
<b>Cash and Cash Equivalents as per Statement of Financial Position</b>	<b>522,595,314</b>	<b>474,303,829</b>		

This is the Statement of Cash Flow referred to in our Report of even date.

**For KASG & Co.**

Chartered Accountants  
(Firm Reg. No. 002228C)



**CA Raj Kumar Agarwal**

Partner  
M. No. 073063  
Place: Kolkata  
Date: 16/03/2016

**for and on behalf of Board of Directors**



**Chairman**



**Chief Executive Officer**



**BHUTAN TELECOM LIMITED**  
**Statement of Changes in Equity for the year ended 31st December, 2015**

Particulars	Equity share Capital	Retained Earnings	Revaluation Surplus	Group Investment Reserve	Total Equity
Balance at 1st January 2014	854,082,000	2,027,773,354	55,353,466	339,952,658	3,277,161,478
Changes in equity for 2014	-	-	-	-	-
Comprehensive Income for the year	-	473,910,348	-	-	473,910,348
Dividend for FY 2013	-	(216,007,203)	-	-	(216,007,203)
Transferred to Group Investment Reserve	-	(65,536,944)	-	65,536,944	-
<b>Balance at 31st December 2014</b>	<b>854,082,000</b>		<b>55,353,466</b>	<b>405,489,602</b>	
Changes in equity for 2015	-	-	-	-	-
Comprehensive Income for the year	-	516,638,502	-	-	516,638,502
Dividend for FY 2014	-	(337,011,130)	-	-	(337,011,130)
Transferred to Group Investment Reserve	-	-	-	-	-
<b>Balance at 31st December 2015</b>	<b>854,082,000</b>		<b>55,353,466</b>	<b>405,489,602</b>	



**BHUTAN TELECOM LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2015**

**Note 1(a)**

Particulars	PROPERTY, PLANT & EQUIPMENT										Amount in Nu.	
	Gross Block					Accumulated Depreciation					Net Block	
	01.01.2015	Addition	Adjustment	31.12.2015	01.01.2015	Addition	Adjustment	31.12.2015	31.12.2015	01.01.2015	01.01.2014	
Land	102,632,856	2,471,241	-	105,104,097	-	-	-	-	105,104,097	-	102,632,856	
Buildings	416,969,985	95,225,141	-	512,195,126	91,493,427	17,791,517	-	109,284,944	402,910,181	-	325,476,557	
Tele. Equipments	4,547,230,792	536,881,172	-	5,084,111,964	2,994,859,870	524,089,115	-	3,518,948,985	1,565,162,979	-	1,552,370,922	
Office Equipments	74,560,202	5,066,637	-	79,626,839	52,430,775	5,708,757	-	58,139,532	21,487,307	-	22,129,427	
Power System & Cables	1,409,898,669	160,039,756	-	1,569,938,425	435,892,715	140,589,728	-	576,482,443	993,455,982	-	974,005,954	
Furniture & Fixtures	14,490,613	1,880,752	-	16,371,365	8,045,251	1,289,087	-	9,334,338	7,037,027	-	6,445,362	
Vehicles	44,992,847	19,193,031	-	64,185,878	29,570,481	3,880,908	-	33,451,389	30,734,489	-	15,422,366	
<b>Total (A)</b>	<b>6,610,775,964</b>	<b>820,757,730</b>	<b>-</b>	<b>7,431,533,694</b>	<b>3,612,292,519</b>	<b>693,349,112</b>	<b>-</b>	<b>4,305,641,631</b>	<b>3,125,892,062</b>	<b>-</b>	<b>2,998,483,445</b>	
Previous Year (A)	5,959,477,710	657,331,002	6,032,749	6,610,775,963	2,861,681,432	750,951,580	340,494	3,612,292,518	2,998,483,445	-	3,097,796,276	
<b>Capital work-in-progress</b>	<b>255,734,895</b>	<b>(97,992,839)</b>		<b>157,742,056</b>					<b>157,742,056</b>		<b>255,734,895</b>	
Previous Year	46,704,728	209,030,167		255,734,895								

**Note 1(b):**

INTANGIBLE ASSETS										
Software Applications	252,221,843	513,022,941	-	765,244,784	38,901,823	77,551,087	-	116,452,910	648,791,874	213,320,020
Previous Year	105,254,169	146,967,674	-	252,221,843	11,371,292	27,530,531	-	38,901,823	213,320,020	93,882,877

**The Useful lives applied are as follows:**

<b>Asset Type</b>	<b>Useful life</b>
<b>1. Land</b>	NA
<b>2. Building</b>	
a. Permanent Structure	50 yrs
b. Semi-Permanent Structure	15 yrs
c. Temporary Structure	5 yrs
<b>3. Tele-Equipment</b>	
a. Tower	30 yrs
b. Rest	7 yrs
<b>4. Power Systems &amp; Cable</b>	
a. Air Conditioner	5 yrs
b. Rest	10 yrs
<b>5. Furniture</b>	10 yrs
<b>6. Office Equipment</b>	5 yrs
<b>7. Vehicle</b>	5 yrs
<b>8. Software Application</b>	5 yrs





**BHUTAN TELECOM LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31st DECEMBER 2015**

Amount in Nu.

Particulars	As at 31st December 2015	As at 31st December 2014
<b>Note "2" : Long Term Loans &amp; Advances :</b>		
Prepaid Licence Fees - BICMA	38,850,000	51,800,000
	<b>38,850,000</b>	<b>51,800,000</b>

<b>Note "3" : Non-Current Investments :</b>		
Investment in Equity Shares, Unquoted in Thimphu Tech Park Limited (923084 number of equity shares of face value of Nu 100)	92,308,400	92,308,400
	<b>92,308,400</b>	<b>92,308,400</b>

<b>Note "4": Inventories :</b>		
for Trading Goods	34,269,850	31,806,202
for Stores & Spares	34,701,205	40,102,385
	<b>68,971,055</b>	<b>71,908,587</b>

<b>Note "5": Trade Receivables :</b>		
Domestic	74,358,848	75,928,084
Less: Provision	(27,995,153)	(30,335,813)
	<b>46,363,695</b>	<b>45,592,271</b>
International	6,843,661	10,373,629
	<b>53,207,356</b>	<b>55,965,900</b>

<b>Note "6": Cash and Bank Balances : Cash and Cash Equivalents</b>		
<b>Cash on hand in Regions &amp; Exchanges</b>	247,218	3,227,201
(As certified by the management)		
<b>Cash at Banks</b>		
BNB Disbursement Bank Account	(32,126,341)	(9,056,639)
BNB Depository Works Account	67,539,698	16,803,314
BOB Current Account	7,337,143	41,302,558
BNB Foreign Currency Account	17,098,890	53,386,363
BDBL Revenue Account	2,892,232	1,422,864
BNB Insurance Account	21,937,787	737,269
BOB Disbursement Account	37,238,249	-
BNB GIR Current Account	125,949,923	14,841,443
Bank Balances in Regions & Exchanges	64,918,626	39,639,456
	<b>312,786,209</b>	<b>159,076,628</b>
<b>Other Bank Balances</b>		
Fixed Deposits - more than three months and less than twelve months	200,000,000	312,000,000
Margin Money - Pledge with BNB	9,561,887	-
	209,561,887	312,000,000
	<b>522,595,314</b>	<b>474,303,829</b>



**Note "7": Short-term Loans and Advances :**

Unsecured, Considered good (Advances recoverable in cash and/or in kind or for value to be received)		
Capital Advances	37,260,974	53,018,385
Others	1,564,801	915,115
Security Deposits	739,651	725,833
Staff, Personal Advances	131,485	265,805
Staff, Office Advance	151,945	2,129,267
Staff Imprest	67,999	3,329,161
creditors Employee	5,250	-
Prepaid Licence Fees - BICMA	12,950,000	12,950,000
Prepaid Expenses	3,403,857	848,812
	<b>56,275,961</b>	<b>74,182,377</b>

**Note "8": Other Current Assets :**

Accrued Interest on Fixed Deposits	2,143,453	2,269,638
Other Receivables	69,329	973,676
	<b>2,212,782</b>	<b>3,243,314</b>

**Note "9" : Share Capital :**

<b>Equity Share Capital</b>		
<b>Authorised :</b>		
1,500,000 (Previous Year 1,500,000) Equity Shares of Nu. 1,000 each	<b>1,500,000,000</b>	<b>1,500,000,000</b>
<b>Issued, Subscribed and Paid up :</b>		
854,082 (previous Year 854,082) Equity Shares of Nu. 1,000 each	854,082,000	854,082,000
<b>Total issued, subscribed and fully paid-up</b>	<b>854,082,000</b>	<b>854,082,000</b>

**Foot Notes:****i. Terms / Rights attached to Equity Shares**

The Company has only one class of equity shares having a par value of Nu. 1000/- per share. Each holder of equity shares is entitled to one vote per share. Each holder of these ordinary shares are entitled to receive dividends as and when declared by the company. Of the above 854,082 (previous year 854,082) shares are held by the Druk Holding & Investment Limited, being the Holding Company. During the year ended December 31, 2015, dividend Nu. 490,806,576.43 (95%) to be declared (Previous year 337,011,130).



## ii. Shares held by the Holding Company

Name of Shareholder	As at 31st December 2015		As at 31st December 2014	
	No. of Shares held	% of total holding	No. of Shares held	% of total holding
Druk Holdings & Investment Limited	854,082	100%	854,082	100
<b>Total</b>	<b>854,082</b>	<b>100%</b>	<b>854,082</b>	<b>100</b>

## iii. Reconciliation of number of shares

Particulars	As at 31st December 2015		As at 31st December 2014	
	Equity Shares		Equity Shares	
	No. of Shares	Amount in Nu.	No. of Shares	Amount in Nu.
Shares outstanding at the beginning of the year	854,082	854,082,000	854,082	854,082,000
Shares issued during the year	-	-	-	-
Shares bought back during the year	-	-	-	-
<b>Shares outstanding at the end of the year</b>	<b>854,082</b>	<b>854,082,000</b>	<b>854,082</b>	<b>854,082,000</b>

### Note "10" : Retained Earnings & Reserves :

<b>a) Group Investment Reserve</b>		
Balance as per the last financial statements	405,489,602	339,952,658
Add: during the year	-	65,536,944
Closing Balances	405,489,602	405,489,602
<b>b) Revaluation Reserves</b>		
Balance as per the last financial statements	55,353,466	55,353,466
Add: during the year	-	-
Closing Balances	55,353,466	55,353,466
<b>c) Retained Earnings</b>		
Balance as per last financial statements	2,220,139,555	2,027,773,354
Add: during the year	516,638,502	473,910,348
Less: Dividend Paid	(337,011,130)	(216,007,203)
Less: Transfer to Group Investment Reserve	-	(65,536,944)
Closing Balances	2,399,766,927	2,220,139,555
<b>Total Retained Earnings &amp; Reserves (a+b+c)</b>	<b>2,860,609,995</b>	<b>2,680,982,623</b>



**Note "11" : Deferred Government Grants :**

a) Grant from Royal Government of Bhutan		
At the beginning of year	2,439,648	2,549,648
Less: Transferred to Statement of Comprehensive Income	(110,000)	(110,000)
	<b>2,329,648</b>	<b>2,439,648</b>
b) Grant from Government of India for B Mobile		
At the beginning of year	6,202,210	7,802,074
Less: Transferred to Statement of Comprehensive Income	(1,599,864)	(1,599,864)
	<b>4,602,346</b>	<b>6,202,210</b>
c) Grant from Government of India for VSAT		
At the beginning of year	-	730,440
Less: Transferred to Statement of Comprehensive Income	-	(730,440)
d) Grant from JICA		
At the beginning of year	-	-
Received during the year	8,295,781	-
Less: Transferred to Statement of Comprehensive Income	(484,888)	-
	<b>7,810,893</b>	<b>-</b>
e) Grant from BICMA for GSM		
At the beginning of year	120,839,546	149,966,201
Add : Received during the year	44,314,488	9,895,000
Less: Transferred to Statement of Comprehensive Income	(39,021,655)	(39,021,655)
	<b>126,132,379</b>	<b>120,839,546</b>
<b>Total Deferred Government Grants (a to e)</b>	<b>140,875,267</b>	<b>129,481,404</b>
Less: Current Maturity of Deferred Government Grants	41,216,407	41,461,959
<b>Deferred Government Grants</b>	<b>99,658,860</b>	<b>88,019,446</b>

**Note "12": Long Term Borrowings :**

a) Loan from Danida (Unsecured, Interest Free)	134,590,512	244,004,674
i) Guaranteed by Royal Government of Bhutan		
ii) Loan is repayable in 20 equal half yearly installments of Euro 650,422.70 each		
iii) Term loan of Nu. 94,636,502 (Previous year Nu.100,737,468) is classified under Current maturity of long term borrowing.		
b) Corporate Bond - Bank of Bhutan	300,000,000	-
i) 7.50% Secured, non-cumulative non-convertible redeemable bonds of 1000 each redeemable at par in full on 15th July 2020.		
ii) Corporate Bond is secured by hypotheciation of Fixed Assets/ Plant & Machinery of the company.		
<b>Total (a+b)</b>	<b>434,590,512</b>	<b>244,004,674</b>



<b>Note "13" : Long Term Provision :</b>		
Leave Encashment	21,119,479	16,749,542
	<b>21,119,479</b>	<b>16,749,542</b>

<b>Note "14" : Trade Payables :</b>		
International	43,627,400	71,010,964
	<b>43,627,400</b>	<b>71,010,964</b>

<b>Note "15" : Short Term Provisions :</b>		
Leave Encashment	12,379,773	9,558,069
	<b>12,379,773</b>	<b>9,558,069</b>

<b>Note "16" : Other Current Liabilities :</b>		
<b>Other liabilities</b>		
Current Maturities of Long Term Borrowing	94,636,502	100,737,468
Current Maturities of Deferred Government Grants	41,216,407	41,461,959
Other Payables - unused prepaid balances	29,329,580	41,550,893
Liabilities against Capital Goods & Works	16,922,691	750,506
Advance Received for Depository Works	72,004,581	13,632,884
Provisions for Insurance	9,421,535	9,421,535
Security Deposits received		
Suppliers and Contractors	162,007	6,430,828
Consumers/Subscribers	7,808,954	2,945,145
<b>Others</b>		
Interest Payable on Corporate Bond	4,509,247	-
Audit Fees Payable	115,000	100,000
Stale Cheques	20,055	20,666
Income Tax Payable (net)	153,118,982	107,941,164
TDS Payable	713,589	1,824,043
Regional Revenue & Custom Office	12,970,853	26,354
	<b>442,949,982</b>	<b>326,843,446</b>

<b>Note "17" : Revenue - Domestic :</b>		
Broadband - Postpaid	70,066,488	56,628,186
Broadband - Prepaid	58,481,512	72,815,425
Broadband - Recharge	19,511,389	4,011,731
Contact Center Revenue	7,066,456	5,600,622
Data Center Revenue	345,933	-
Domain Name Reg.	75,250	211,150
Eload - Broadband	3,873,518	565,820
Eload - Mobile	538,338,757	290,665,116
Income - IN & VAS	2,458,588	2,626,205
Income - IPLC - National	23,088,301	787,632
Internet Leaseline	142,809,658	104,499,020
Misc. Income - DNet	3,519,256	21,604,453
Misc. Income - Fixed	5,932,508	14,512,647
Misc. Income - Mobile	1,149,222	5,281,069



Mobile - Postpaid	151,634,249	143,927,585
Mobile - Prepaid	1,368,362,194	1,401,989,374
Mobile - Sim Cards	15,847,182	12,822,600
Sale of Data Cards	3,389,500	3,656,699
Sale of Modems	8,485,637	884,451
Telephone Services	113,251,545	115,047,391
	<b>2,537,687,142</b>	<b>2,258,137,176</b>

**Note "18" : Revenue - International :**

International (ISD)	14,712,318	17,903,569
Income from International Roaming	27,112,861	2,627,625
Income from IN & VAS-International	7,102,196	-
Income from IPLC(International)	5,123,901	4,558,032
Income from Domain name registration	848,109	423,115
Income from Leaseline(International)	296,790	775,510
	<b>55,196,174</b>	<b>26,287,850</b>

**Note "19" : Other Operating Income :**

Discount Received	-	2,198,260
Fines	7,774,721	2,282,758
Gain on sale of fixed assets	-	4,960,235
Income - CPE & Equip	626,986	1,518,656
Income - Depo Works	7,312,655	4,789,423
Income - Hire Charge	51,080	181,177
Income - Rent, Staff	2,078,459	1,826,485
Income - Thuraya	546,696	144,543
Income-BT Guide	97,900	-
Interest from FD	8,623,265	19,997,766
Misc. Income	33,282,884	11,841,524
Physical verification on Inventory-Gain	946,946	12,831,733
Price Difference of Material-Gain	1,132,472	1,053,014
Revaluation of Material-Gain	-	10,088
Rounding Difference -Gain	287	209
	<b>62,474,349</b>	<b>63,635,872</b>

**Note "20" : Stores and Spares Parts :**

Trading Goods of Sim Cards & Vouchers	29,121,437	24,439,460
O & M Consumable Stores and Spares	37,267,542	19,046,315
	<b>66,388,979</b>	<b>43,485,775</b>

**Note "21" : Employees' Remuneration and Benefits :**

Basic Pay	147,006,571.04	144,734,059
Allowances	39,332,618	6,328,076
Bonus	29,876,180	15,283,949
Gratuity	27,613,884	7,315,862
Leave Encashment	17,889,304	18,300,329
Leave Travel (LTC)	8,887,175	9,029,334
Medical Expenses	679,266	432,777
Meeting and Seminar	4,796,588	799,293





PF Contribution	15,235,044	14,254,095
Pilgrimage Expense	708,540	108,580
Training - ExCountry	28,922,679	30,871,823
Training - In Country	5,535,859	1,698,506
Uniform and Livery expenses	-	1,041,571
Wages	223,504	1,121,807
Welfare Expenses	439,997	213,332
	<b>327,147,209</b>	<b>251,533,394</b>

**Note "22" : Repairs and Maintenance :**

Gen. Running Expense	2,873,134	4,239,553
R&M Bldg - Services	8,237,236	5,463,119
R&M Cable - Services	233,676	323,456
R&M FF-Services	34,500	77,612
R&M G-Set - Services	18,797	1,750
R&M OE - AMC	441,250	413,750
R&M OE - Services	252,779	396,101
R&M Power - Services	690,115	808,758
R&M Softw - AMC	26,267,324	5,738,906
R&M Tele - AMC	156,432,398	84,353,638
R&M Tele - Services	1,296,479	56,710,719
R&M Vehi - Services	2,536,194	3,058,143
Vehicle - POL	7,834,202	8,460,050
	<b>207,148,083</b>	<b>170,045,554</b>

**Note "23" : Administrative and General Expenses :**

Advertisement	1,980,112	2,608,123
Audit Expenses	508,706	567,442
Audit Fees	115,000	100,000
Bad & Doubtful Debts	2,430,028	2,100,862
Bank Charges	1,832,804	1,418,370
Business Promotion	2,112,330	16,158,904
Carriage Inward	58,135	571,613
Carriage Outward	593,146	704,063
Commission	127,477,520	108,012,088
Communication Exp.	690,486	617,678
CSR Expense	10,447,602	2,110,000
Custom Clean Charge	4,376	4,625
Deposit Work Expense	-	807,081
Directors Fees	764,000	912,080
Discount Allowed	408,822	566,174
Disposal Assets	11,060,387	-
Electricity	22,903,240	15,116,295
Entertainment	4,314,128	3,180,700
Fees and Subs - Natl	54,465,273	55,558,094
Hire Charges	78,400	77,567
Insurance - Building	-	20,152
Insurance - Equipment	-	400



Insurance - General	304,983	93,194
Loss/Scrapping/Retirement of Inventory-Loss	1,224,632	-
Management Fees	6,768,167	-
Misc. Expenses	665,612	7,003,112
Office Maintenance	998,134	691,412
Periodicals	11,634	7,475
Physical verification of Inventory-Loss	908,174	6,413,220
Price Difference of Material-Loss	2,939,071	207,597
Printing & Stationary	83,165	107,742
Professional Charges	1,692,063	1,537,262
Rates and Taxes	934,255	1,899,560
Reg & Filing Fees	418,448	331,408
Rent	5,402,425	4,618,138
Revaluation of Material-Loss	-	36,720
Reve Sharing - Natl	6,674,752	2,685,441
Rounding Difference-Loss	19	383
Travel - Foreign	1,318,262	2,922,952
Travel - Local	14,463,795	8,891,884
Travel - Maint/Proj	3,370,774	1,120,847
Water and Sewerage	266,927	344,098
	<b>290,689,788</b>	<b>250,124,753</b>
<b>Note "24" : International Payments :</b>		
Fees and Subscription - International	1,119,158	1,514,196
GTS Settlement	768,148	758,904
Internet, IP Transit	10,806,942	11,544,686
Intl Roaming	11,476,494	21,287,823
Intl Traffic, Voice	31,979,776	72,987,863
Satellite Charges	5,089,535	8,999,578
Service fee for IPLC	103,885,280	100,629,292
	<b>165,125,332</b>	<b>217,722,343</b>
<b>Note "25" : Depreciation and Amortisation :</b>		
Depreciation for the year	693,349,112	750,611,086
Amortisation for the year	77,551,087	27,530,531
Less: Transferred to Deferred Grants	(41,216,407)	(41,461,959)
	<b>729,683,793</b>	<b>736,679,658</b>
<b>Note "26" : Earnings Per Share :</b>		
Profit available for Equity Shareholders	516,044,006	473,910,348
Weighted number of Equity Shares outstanding	854,082	854,082
Nominal Value of Equity Shares	1,000	1,000
<b>Basic &amp; Diluted Earnings Per Share</b>	<b>604</b>	<b>555</b>





## **BHUTAN TELECOM LIMITED** **Note No- 27 Significant accounting policies**

### **REPORTING ENTITY**

Bhutan Telecom Limited ("Company") was formed as a public corporation by virtue of Bhutan Telecommunication Act, 1999. The principal activities of Bhutan Telecom Limited are providing the telecom services, internet and other allied services. The Holding company is Druk Holding and Investments Limited.

### **1. BHUTANESE ACCOUNTING STANDARDS:**

- i) The present Financial Statements for the year ended 31st December 2015 is prepared in compliance with the BASs.
- ii) The Financial statements have been prepared on a going concern basis in accrual system of accounting.
- iii) The company has decided on the early adoption of BAS 19 Employee Benefits, which is in the second phase of adoption of Bhutanese Accounting Standards. Employee retirement benefits are valued on an actuarial basis which better reflects the estimated liability in Statement of Financial Position date.

### **2. USE OF ESTIMATES**

The preparation of financial statements in conformity with BAS requires that the management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the period, the reported balances of assets and liabilities and the disclosures relating to contingent liabilities as of the date of the financial statements. Examples of such estimates include useful life of Plant Property and Equipment's and intangible assets, provision for doubtful debts /advances, future obligations in respect of retirement benefit plans etc. Differences between the actual results and the estimates are recognised in the year in which results are known/materialised.

### **3. REVENUE RECOGNITION**

Revenue is recognized when it is probable that future economic benefits will flow to the entity and these benefits can be measured reliably.

The following specific recognition criteria must also be met before revenue is recognized:

- i) Post-paid calls are recognized on the basis of metered calls in monthly cycles as generated through central billing system except for 610 (Previous Year - 591) BT office connection all over the country, 25 (Previous Year - 25) VVIP



connections in Thimphu and Phuentsholing, 58 (Previous Year – 63) for Post-paid and 266 (Previous Year – 243) for Land Line employees' residential connections with certain ceiling as per Service Rule w.e.f. 1st March 2006.

- ii) Druknet bills are booked monthly on the basis of usage times and include revenue on account of start-up kits.
- iii) All fixed network leased lines (international, local and domestic) are billed.
- iv) Income from sale of recharge voucher is recognized on the basis of usage by subscribers.
- v) Sale of instruments including satellite phones are billed on delivery basis.
- vi) All other miscellaneous incomes are booked in the accounts only when collection is made.
- vii) Revenue is measured at the fair value of the consideration received or receivable.

#### 4. PROPERTY PLANT & EQUIPMENT

PPE is recognized when it is probable that the future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably.

- i) Property Plant & Equipment except land are stated at historical cost less accumulated depreciation and impairment losses, if any
- ii) Cost includes Purchase Price and directly attributable expenses including installation charges, taxes & duties etc. up to the date the asset is ready for its intended use.
- iii) 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 Statement of Comprehensive Income during the financial period in which they are incurred.

#### Leasehold Land

- iv) Land is carried at the revalued amount equal to the fair value as envisaged in BAS- 16 and the difference in book value has been credited to Equity as Revaluation Surplus.
- v) The company has several plots of land on an operating lease rental basis without any clause of transition of ownership. These lands are obtained from the Government of Bhutan, mostly for the purpose of erecting telecommunication towers of the company. These are cancellable leases and have only rental



payment and minimum amount of security deposit at the time of signing of agreement. These leases being operative leases are not to be capitalized and the rents paid are equally charged to revenue (Statement of Comprehensive Income) from year to year till the conclusion of the lease period.

### Depreciation

- vi) Depreciation is recorded by a charge to operating profit computed on a straight-line basis so as to write off the cost of the assets to their residual values over the expected useful lives. The residual value and the useful life of an asset are reviewed at each year end.
- vii) Estimated useful life of Assets applied is as follows:

Asset Type	Useful life
<b>1. Land</b>	NA
<b>2. Building</b>	
a. Permanent Structure	50 yrs
b. Semi-Permanent Structure	15 yrs
c. Temporary Structure	5 yrs
<b>3. Tele-Equipment</b>	
a. Tower	30 yrs
b. Rest	7 yrs
<b>4. Power Systems &amp; Cable</b>	
a. Air Conditioner	5 yrs
b. Rest	10 yrs
<b>5. Furniture</b>	10 yrs
<b>6. Office Equipment</b>	5 yrs
<b>7. Vehicle</b>	5 yrs

- viii) Amount of Depreciation on Property, Plant and Equipment acquired through grant has been transferred to Statement of Comprehensive Income as a credit to depreciation on the respective assets.

### Capital Work in Progress

- ix) 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.
- x) Expenses directly attributable to the asset including expenses to bring the asset to the site and in the working condition for its intended use are capitalised along with that asset.
- xi) Capitalization of work-in-progress has been done on the basis of completion certificate issued by the concerned authority.



## 5. INTANGIBLE ASSETS

### Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

### Amortisation

These costs are amortised over their estimated useful lives of 5 years. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

## 6. 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.

## 7. GOVERNMENT GRANTS

- i) Grants relating to the period prior to 30th June 2000 are not identifiable and as such merged with the Deferred Government Grants.
- ii) Grants relating to property, plant and equipment are included in noncurrent liabilities as Deferred Government Grants and as current liabilities for the Grants adjustable during current year and those received for other purposes have been treated as Income.
- iii) Amount of Depreciation on Property, Plant and Equipment acquired through grant has been transferred to Statement of Comprehensive Income as a credit to depreciation on the respective assets.

## 8. EMPLOYEE BENEFITS

- i) Actuarial valuation of gratuity liability has been made and equivalent amount has been transferred to gratuity trust.



- ii) Bonus accounted for on cash basis and is dependent on the reported profit subject to approval of the Board of Directors.
- iii) Leave encashment liability is accounted for on the basis of actuarial valuation

## 9. CURRENT AND DEFERRED INCOME TAX

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

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

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements. Deferred income tax is determined using tax rates (and laws) that have been enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

## 10. PROVISIONS AND CONTINGENT LIABILITIES

- i) Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.
- ii) A contingent liability is only disclosed in the notes to the account if an outflow of resources embodying economic benefits is possible.
- iii) Contingent Assets are neither recognized, nor disclosed
- iv) Provisions & Contingent Liabilities are reviewed at each Balance Sheet date



## 11. FOREIGN CURRENCY TRANSLATION

- i) Foreign currency transactions that are completed within the accounting period are translated into Bhutan Ngultrum using the exchange rates prevailing at the date of settlement. Monetary assets and liabilities in foreign currencies at balance date are translated at the rates of exchange ruling at balance date.
- ii) Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

## 12. INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Cost of Inventories includes all cost of purchase, cost of conversion and other cost incurred in bringing the inventories to their present location and conditions.

## 13. SEGMENTAL REPORTING

The company is in the Business of providing telecom services and its operating facilities are all situated in the Royal Kingdom of Bhutan only. Under the broad segment of telecom services the company has subsidiary segments of fixed line, Mobile Phones and internet services under the brand name of Druknet. Further as the company's share are not or about to be listed with any stock exchange the provision of BFRS-8 – Operating segments is not applicable to the company.

## 14. CASH AND CASH EQUIVALENTS

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

## 15. 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, they are classified as current assets. If not, they are presented as non-current assets. Receivables are reviewed regularly for impairment.

## 16. 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. If not, they are presented as non-current liabilities.



## 17. EARNING PER SHARE

Basic Earnings per share is calculated by dividing the net profit / (loss) after tax for the period attributable to equity shareholders of the Company by the total number of shares which are fully paid up.

For **KASG & Co.**

Chartered Accountants

(Firm Reg. No. 002228C)



**CA. Raj Kumar Agarwal**

Partner

M. No. 073063

Place: Kolkata

Date: 16.03.2016

## Note "28": Notes to Accounts

### 1. Related Party Disclosure

**As identified by the management in accordance with the Bhutanese Accounting Standard - 24 are as follows:**

- a) List of related parties where control exists and related parties with whom transactions have taken place during the period and relationships:

Nature of Relationship	Name of Entity	Acronym used
Holding Company	Druk Holding & Investments Ltd.	DHI
Subsidiary Company	Thimphu Tech Park Limited	TTPL
<b>Key Management personnel</b>		
Chairperson	Mr. Tenzin Dhendup	
Director	Dr. Damber S.Kharka	
Director	Mr. Karma Tshering*	
Director	Mr. Kezang*	
Director	Mr. Phuntsho Tobgay	
Director	Mr. Gyeltshen	
Director	Mr. Minjur Dorji	
Chief Executive Officer	Mr. Tshewang Gyeltshen	
<b>Entities under Common Control</b>		
Subsidiary of Holding Company	Bhutan Power Corporation Limited	
Subsidiary of Holding Company	Drukair Corporation Limited	
Subsidiary of Holding Company	Bank of Bhutan Limited	

\*Mr. Kezang has been retired on 01.04.2015.

\*Mr. Karma Tshering has been retired on 10.12.2015.

- b) Transactions with related parties during the Year:

Transactions :	Amount in Nu	
	2015	2014
DHI (Loan)	-	100,000,000
DHI (Interest)	-	2,630,137
DHI (Dividend)	337,011,130	-
Thimphu Tech Park (Investment in Shares)	-	92,308,400
Thimphu Tech Park (Rental Expenses)	1,157,800	703,491
Drukair Corporation Limited – for Expenses	4,373,469	N.A.
Mr. Tenzin Dhendup - Sitting Fee	92,000	72,000
Mr. Tenzin Dhendup – DSA	270,239	-
Mr. Phuntsho Tobgay - Sitting Fee	80,000	32,000
Mr. Phuntsho Tobgay – DSA	55,291	-
Mr. Damber S.Kharka - Sitting Fee	120,000	72,000
Mr. Damber S.Kharka – DSA	34,592	-
Dasho Tenzing Yonten - Sitting Fee	-	52,000
Mr.Passang Dorji - Sitting Fee	-	60,000





Mr. Kezang - Sitting Fee	44,000	128,000
Ms. Peldon Tshering - Sitting Fee	-	60,000
Mr. Minjur Dorji - Sitting Fee	68,000	-
Mr. Minjur Dorji - DSA	100,664	-
Mr. Gyeltshen - Sitting Fee	108,000	116,000
Mr. Gyeltshen - DSA	53,059	-
Mr. Karma Tshering - Sitting Fee	104,000	84,000
Mr. Karma Tshering - DSA	53,059	-

As per Clause 9 of BAS 24, the disclosures defined in Clause 18 are required for the other subsidiaries of Druk Holding Investments Limited. But, since the details for the aforementioned transactions have not been maintained separately; it is not possible to segregate such transactions.

**Amount in Nu.**

<b>Chief Executive Officer's remuneration</b>	<b>2015</b>	<b>2014</b>
Salary	1,403,600	1,289,633
Leave Travel concession	15,000	15,000
Bonus and PBVA	104,974.18	-
Contribution to superannuation fund	106,260	98,319
Sitting Fees	160,000	128,000
<b>Total</b>	<b>2,247,087</b>	<b>2,352,680</b>

## 2. Employee's Benefits disclosures as per BAS 19

### 2.1 Gratuity scheme

#### A. Accounting Exhibits

In Ngultrum

<b>A.1 Change in Defined Benefit Obligation (DBO)</b>	<b>31-Dec-2015</b>	<b>31-Dec-2014</b>
DBO at the beginning of the current period	93,577,864	84,307,886
Current service cost	7,067,771	6,224,212
Interest cost	7,590,146	6,199,855
Past Service Cost	20,184,547	-
Benefits paid from plan assets	(8,564,056)	(3,286,304)
Benefits paid by employer	-	-
Actuarial (gain)/loss due to scheme experience	12,762,980	132,215
Actuarial (gain)/loss due to change in demographic assumptions	543,688	-
Actuarial (gain)/loss due to change in financial assumptions	(17,032,494)	-
<b>DBO at the end of the current period</b>	<b>116,130,447</b>	<b>93,577,864</b>

<b>A.2 Change in fair value of Plan Assets</b>	<b>31-Dec-2015</b>	<b>31-Dec-2014</b>
Fair Value of Assets at the beginning of current period	85,070,441	55,197,219
Interest income on plan assets	7,228,581	5,108,205
Employer contributions	8,507,423	29,110,667
Benefits paid	(8,564,056)	(3,286,304)



Return on plan assets greater or (less) than discount rate	(2,876,546)	(1,059,346)
<b>Fair Value of Assets at the end of the period</b>	<b>89,365,843</b>	<b>85,070,441</b>

<b>A.3 Income Statement</b>	<b>31-Dec-2015</b>	<b>31-Dec-2014</b>
Current Service Cost	7,067,771	6,224,212
Past service cost	20,184,547	-
Net interest cost on net DB liability/(asset)	361,565	1,091,650
<b>Net cost for the year recognized in Income Statement</b>	<b>27,613,884</b>	<b>7,315,862</b>

<b>A.4 Other Comprehensive Income (OCI)</b>	<b>31-Dec-2015</b>	<b>31-Dec-2014</b>
Actuarial (Gain)/Loss due to scheme experience	12,762,980	132,215
Actuarial (Gain)/Loss due to assumption changes	(16,488,806)	-
Return on plan assets Greater or (Less) than discount rate	2,876,546	1,059,346
<b>Remeasurement (Gain)/Loss recognized in OCI</b>	<b>(849,280)</b>	<b>1,191,561</b>

<b>A.5 Defined Benefit Cost</b>	<b>31-Dec-2015</b>	<b>31-Dec-2014</b>
Current service cost	7,067,771	6,224,212
Past Service Cost	20,184,547	-
Net interest cost on net DB liability/(asset)	361,565	1,091,650
Remeasurement (Gain)/Loss recognized in OCI	(849,280)	1,191,561
<b>Total Defined Benefit Cost</b>	<b>26,764,604</b>	<b>8,507,423</b>

<b>A6. Development of Net Financial position</b>	<b>31-Dec-2015</b>	<b>31-Dec-2014</b>
Defined Benefit Obligation	(116,130,447)	(93,577,864)
Fair Value of Plan Assets	89,365,843	85,070,441
Funded Status - (Deficit)/Surplus	(26,764,604)	(8,507,423)
<b>Net Defined Benefit Asset/(Liability)</b>	<b>(26,764,604)</b>	<b>(8,507,423)</b>

<b>A7. Reconciliation of Net Financial position</b>	<b>31-Dec-2015</b>	<b>31-Dec-2014</b>
Net Defined Benefit liability/(asset) at the beginning of reporting period	8,507,423	29,110,667
Amount recognized in the profit or loss	27,613,884	7,315,862
Amount recognized in the OCI	(849,280)	1,191,561
Employer contributions	(8,507,423)	(29,110,667)
Benefits paid by employer	-	-
<b>Net Defined Benefit liability / (asset) at the end of current period</b>	<b>26,764,604</b>	<b>8,507,423</b>

<b>A8. Expected Benefit Payments for the year ending</b>	<b>Amount</b>
December 31, 2016	11,700,263
December 31, 2017	15,453,974
December 31, 2018	16,058,212
December 31, 2019	21,223,088
December 31, 2020	19,664,928
December 31, 2021 to December 31, 2025	123,534,891

<b>A9. Estimated Term of Liability (Years)</b>	<b>11.36</b>
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A10. Scheme Asset Allocation	Amount	Percentage
Term Deposits	56,345,890	63.05%
Corporate Bond	15,878,425	17.77%
Bank Account	17,141,528	19.18%
<b>Total</b>	<b>89,365,843</b>	<b>100.00%</b>

A.11 Sensitivity Analyses	In Nu.	
	Defined Benefit Obligation	Net Effect on DBO
<b>1. Discount Rate</b>		
Base Discount Rate of 8.5%	116,130,447	-
Discount rate of 9% (+0.5%)	112,125,132	(4,005,315)
Discount rate of 8% (-0.5%)	120,383,122	4,242,675
<b>2. Salary Escalation Rate</b>		
Base Salary Escalation Rate of 8%	116,130,447	-
Salary Escalation Rate of 9% (+1%)	120,248,137	4,117,690
Salary Escalation Rate of 7% (-1%)	111,745,598	(4,384,849)
<b>3. Attrition Rate</b>		
Base Attrition Rate of 5%	116,130,447	-
Attrition Rate of 6% (+1%)	116,279,347	148,901
Attrition Rate of 4% (-1%)	<b>115,836,521</b>	<b>(293,925)</b>

B. Gratuity Scheme Benefits as at 31 December 2015

1. **Normal Retirement Age:** 56 years
2. **Benefit payable on:** Death/Disability/Resignation/Normal Retirement
3. **Form of Benefit:** Lump sum
4. **Vesting period:** 5 years for Normal Retirement and Resignation and none for the rest
5. **Maximum Benefit:** Nu. 1,500,000 revised from Nu. 1,000,000 in 2014
6. **Benefit Formula:** Monthly Basic Salary at the time exit X Eligible service rendered till the time of exit rounded to the nearest integer.

C. Summary of Actuarial Assumptions

	31-Dec-2015	31-Dec-2014
Discount Rates	8.50%	7.50%
Salary Escalation Rates	8.00%	10.00%
Employee Turnover Rates	5.00%	3.40%
Mortality Rates	100% of IALM (2006-08)	100% of IALM (2006-08)



## 2.2 Leave Encashment Benefits as at 31st December 2015

### A. Summary of Actuarial Assumptions

<b>A1. Change in Defined Benefit Obligation (DBO)</b>	<b>31-Dec-2015</b>
DBO at the beginning of the reporting period	8,742,260
Current service cost	1,024,526
Interest cost	716,078
Past service cost	-
Benefits paid from plan assets	-
Benefits paid by employer	(635,625)
Actuarial (gain)/loss due to plan experience	720,513
Actuarial (gain)/loss due to change in demographic assumptions	62,090
Actuarial (gain)/loss due to change in financial assumptions	(2,802,577)
<b>DBO at the end of the reporting period</b>	<b>7,827,266</b>
<b>A2. Statement of Profit or Loss</b>	<b>31-Dec-2015</b>
Current Service Cost	1,024,526
Past service cost	-
Net interest cost on net DB liability/(asset)	716,078
Remeasurement (Gain)/Loss	(2,019,974)
<b>Net cost for the year recognised in Profit or Loss</b>	<b>(279,369)</b>
<b>A3. Development of Net Financial position</b>	<b>31-Dec-2015</b>
Defined Benefit Obligation	(7,827,266)
Fair Value of Plan Assets	-
Funded Status - (Deficit)/Surplus	(7,827,266)
<b>Net Defined Benefit Asset/(Liability)</b>	<b>(7,827,266)</b>
<b>A4. Reconciliation of Net Financial position</b>	<b>31-Dec-2015</b>
Net Defined Benefit liability/(asset) at the beginning of reporting period	8,742,260
Amount recognized in the Profit or Loss	(279,369)
Employer contributions	-
Benefits paid by employer	(635,625)
<b>Net Defined Benefit liability/(asset) at the end of reporting period</b>	<b>7,827,266</b>
<b>A5. Expected Benefit Payments for the year ending</b>	<b>Amount</b>
December 31, 2016	472,449
December 31, 2017	590,516
December 31, 2018	575,872
December 31, 2019	828,064
December 31, 2020	588,881
December 31, 2021 to December 31, 2025	3,893,025
<b>A6. Estimated Term of Liability (Years)</b>	<b>10.54</b>



A.7 Sensitivity Analyses	In Nu.	
	Defined Benefit Obligation	Net Effect on DBO
<b>1. Discount Rate</b>		
Base Discount Rate of 8.5%	7,827,266	-
Discount rate of 9% (+0.5%)	7,481,848	(345,417)
Discount rate of 8% (-0.5%)	8,199,945	372,679
<b>2. Salary Escalation Rate</b>		
Base Salary Escalation Rate of 8%	7,827,266	-
Salary Escalation Rate of 9% (+1%)	8,640,711	813,446
Salary Escalation Rate of 7% (-1%)	7,117,197	(710,068)
<b>3. Attrition Rate</b>		
Base Attrition Rate of 5%	7,827,266	-
Attrition Rate of 6% (+1%)	7,861,110	33,845
Attrition Rate of 4% (-1%)	7,789,723	(37,543)

## B. Leave Scheme Benefits as at 31 December 2015

- 1. Normal Retirement Age:** 56 years
- 2. Benefit payable on:** Death/Disability/Resignation/Normal Retirement
- 3. Form of Benefit:** Lump sum
- 4. Maximum Benefit:** 60 days of accrued leave.
- 5. Benefit Formula:** Monthly Basic Salary at the time of exit X Accrued earned leave.

## C. Summary of Actuarial Assumptions

	31-Dec-2015	31-Dec-2014
Discount Rates	7.50%	7.50%
Salary Escalation Rates	10.00%	10.00%
Employee Turnover Rates	3.40%	3.40%
Mortality Rates	100% of IALM (2006-08)	100% of IALM (2006-08)

## 3. Provisions, Contingent Liabilities

### a. Capital Commitments :

Amount in Nu.

Particulars	2015	2014
Amount of contract remaining to be executed on Capital Accounts but not provided (Net of Advances)	25,546,671	172,227,258



**b. Contingent Liabilities:**

Particulars	2015	2014
Contingent Liability	Nil	Nil

**c. Provisions**

Particular	2015			2014		
	Leave Encashment	Inventories	Bad Debts	Leave Encashment	Inventories	Bad Debts
Opening	26,307,611	-	30,335,813	18,698,918	1,000,000	28,234,951
Addition	7,827,266	-	4,956,450	18,300,329	-	2,100,862
Reversed	-	-	-	-	-	-
Utilized	635,625	-	7,183,676	10,691,636	1,000,000	-
Closing	33,499,252	-	28,108,587	26,307,611	-	30,335,813

4. Land vested in the company is 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.
5. Depreciation on Property, Plant and Equipment acquired through grants amounting to Nu. 41,216,407 (Previous Year Nu. 41,461,959) have been adjusted by way of transfer of equal amount from Capital Reserve.
6. During the year under review the company has received additional Nu. 44,314,488 (Previous Year Nu. 9,895,000) from Bhutan Information and Communication & Media Authority (BICMA) as grant towards Rural GSM Project.
7. GSM License fee payable to BICMA for 15 years is Nu. 777,000,000 of which Nu. 401,450,000 (Previous Year Nu. 349,650,000) has been incurred up to 31<sup>st</sup> December, 2015.
8. The Closing Balances of Sundry Debtors between the Books of Accounts and the Billing system against Fixed Line Services, Internet Services and Mobile Services have not been reconciled. The closing balance of Sundry Debtors for these services according to the Books of Accounts is Nu. 68,982,171.23 and that as per the Billing system is Nu. 86,918,513.61 giving a difference of Nu. 17,936,342.38 (previous year – Nu. 16,547,452) as on 31<sup>st</sup> December, 2015.
9. Confirmations of balances being not available from Receivables are stated as per their respective book balances.
10. 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.



11. Provision for bad and doubtful debt is made @ 0.5% (Previous Year 0.5%) of domestic land line, druknet and post-paid mobile revenue on adhoc basis.
12. Price Difference of Material Gain account shows Nu. 1,132,471.82 of Income and Price Difference of Material Loss account show Nu. 2,939,071.39 of expense which is related to Material Module of SAP for which details are not available.
13. Miscellaneous Income includes refund of Nu. 25,092,447 from Ericsson being excess billing pertaining to the previous years.
14. Out of the total CSR expenditure, an amount of Nu. 3,403,601.87 was incurred for procurement of certain materials, which was donated to Royal Academy of Bhutan, Paro.
15. Income Tax assessment of the company has been completed by the Department of Revenue & Customs up to the year 2012.
16. Consumption of service connection given to various offices of the company in Bhutan and the VVIP connections amounting to Nu. 4,472,401 (Previous Year Nu. 5,407,895.50) have not been considered as income as well as expenditure.
17. Consumption of BT Contact Center and Data Center of Nu. 14,875,340.32 (Previous Year Nu. Nil) have not been considered as income as well as expenditure.
18. From the Profit after Tax, Nu. 490,806,576.43 (95%) (Previous Year Nu. 337,011,129.62 i.e 66.85%) to be declared as a Dividend and Nu. Nil (0%) (Previous Year Nu. 65,536,943.68 i.e. 13%) is to be transferred to Group Investment Reserve.
19. Provision for Taxation:-

Particulars	2015	2014
Current tax on:-		
Operating Profit	234,819,443	222,288,830
Comprehensive Income	254,784	(357,468)
Total Tax Payable	235,074,227	221,931,362
Less:-		
Advance Tax Paid	81,173,950	112,985,634
TDS	781,295	1,004,564
<b>Net Tax Payable</b>	<b>153,118,982</b>	<b>107,941,164</b>



20. In our opinion the management, all the assets other than Fixed Assets and non – current investments have a value on realisations in the ordinary course of business otherwise stated, at least equal to the amount at which they are stated.
21. Certain debit and credit balance lying in the accounts are subjects to confirmation thereof.
22. The current reporting period is 01.01.2015 to 31.12.2015 (Previous reporting period is 01.01.2014 to 31.12.2014).
23. The Previous year figures are rearranged/regrouped/recasted wherever necessary to conform to this year’s classification.

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As per our report of even date.

for **KASG & Co.**

Chartered Accountants

(Firm Reg. No. 002228C)



**CA. Raj Kumar Agarwal**

Partner

M. No. 073063

Place: Kolkata

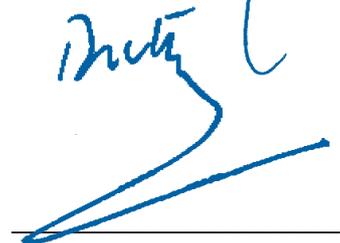
Date: 16.03.2016

for and on behalf of Board of Directors

**Bhutan Telecom Limited**



**Chairman**



**Chief Executive Officer**



**BHUTAN TELECOM LIMITED**  
**THIMPHU, BHUTAN**  
**RATIO ANALYSIS FOR THE PERIOD ENDED 31st DECEMBER 2015**

<b>1. LIQUIDITY</b>	<b>2015</b>	<b>2014</b>
A. Current Ratio	1.41:1	1.67:1
B. Quick Ratio:	1.28:1	1.49:1
Quick Assets/Quick Liabilities		
C. Accounts Receivable Period	07.49 days	29.19 days
365*Accounts receivable/operating Income		
D. Working Capital to Sales	7.96%	38.89%
Current Assets-Current Liabilities/Operating Income		
<b>2. SOLVENCY:</b>		
A. Term Debt to Total Fixed Assets	11.05%	7.04%
Long term Debt/Total Fixed Asset-Net		
B. Debt Equity Ratio:	0.11:1	0.069:1
Debt/(Capital Fund+Reserve & Surplus)		
<b>3. PROFITABILITY:</b>		
A. Return on Capital Employed:		
a) PBT/Capital Employed	18.04%	18.44%
b) PAT/Capital Employed	12.44%	12.54%
Capital Employed=Equity Capital + Loan Fund		
B. Return on Equity:	13.89%	13.41%
Profit After Tax/Total Equity		
Total Equity= Capital + Reserve & Surplus		
C. Return on Sales	28.00%	29.14%
PBT/Operating Income		
D. Employee Cost to Gross Income	12.62%	35.94%
Total Employee Expenses/Operating Income		
E. Profit per Employee:	0.70 million	0.66 million
PAT/Total no. of Employees		

