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BHUTAN TELECOM LTD.

Always there for you

dhi Company

ANNUAL REPORT 2017

BHUTAN TELECOM LIMITED

Always there for you

dhi Company

Annual Report (2017)

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The year in review

Rapid technological advancements in the telecommunications industry had a greater impact on the telecom service providers across the globe in 2017. India, one of the largest economy with predominant voice users, saw an unprecedented growth in internet penetration, driven by the heavily discounted 4G LTE tariff, which had a positive impact on the society, while forcing many service providers out of the market. In the same line, the telecommunications service providers across the globe, faced challenges in the form of declining Average Revenue Per User and profits because of cut throat competition, changing industry dynamics and also because of the increasing investment with very low Return on Investment. The most talked about subject in 2017 was the internet of things, Artificial Intelligence and the need for 5G to meet the future data requirements. The industry also saw challenges from the large scale cyber threats, security breaches and the acquisition of smaller players by the global players with economies of scale.

In keeping with the global trend and realizing the important role of the telecom sector in the economy, Bhutan Telecom (BT) rolled out 4G LTE data service in twenty Dzongkhags and satellite towns across the country in 2017. With the deployment of 4G LTE, BT achieved another milestone in its 54 years' service to the nation, data usage saw an unprecedented growth and the revenue from data surpassed revenue from voice service for the first time. The growth in 4G LTE data usage could be attributed to the technological trend, downward revision of data tariff by more than three folds and also the wider deployment of the 4G LTE data services. BT continued to provide affordable internet connectivity to homes and offices, the tariffs were reduced by more than 50 percent and BT is still looking at ways of consolidating the services to best serve the needs of the people and the country.

Since the launch of B-Wallet service by BT in 2012 with just 2,000 users, the financial sector of the country saw a very rapid transformation thereon. BT continues to play an important role in the mobile financial ecosystem with more than 40,000 registered B-Wallet users as of 2017 and providing support to the integrated banking apps of the financial institutions in the country. In line with the corporate belief to diversify products and services to meet the changing needs of its customers, both individual and enterprise. BT successfully deployed the in-house ERP solution in one of the DHI owned company, successfully built and deployed Fleet Management System and the Document Management System within BT on trial, to be deployed in other companies in 2018. In order to fulfill the goals and plans in meeting the customer's requirements, BT has already initiated the works to upgrade its international bandwidth by 20 Gbps. Upon completing the upgrades, the internet capacity of BT can meet any demand for internet bandwidth. The bandwidth network topology is also designed for resiliency, 10 Gbps for each International gateway in Phuentsholing and Gelephu.

It's not even a year, implementing 4G LTE and now the operators across the globe are already discussing and unleashing the powers of 5G technology. The life cycle of technology becoming shorter because of rapid advancement of technology is one of the major challenges faced by the company. BT invested over Nu 1.26 billion in 2017 and majority of the investment was on the enhancement of the mobile network services. Now with the short lifecycle of the technology, it is very uncertain when the company will have to invest heavily again in a very new technology altogether. Another major challenge, BT faced was the inadequate occupancy for the BT tier III data center and the Microsoft cloud services which had to be stopped due to competition. BT is still struggling to find adequate occupancy for its data center and piloting cloud services, with the hope for rapid advancement in internet of things and digital era in the region.

The Corporate Strategic Plan developed with the guidance of the board will be guiding BT in 2018. BT will be looking forward to becoming pioneers of customer service excellence, operational excellence and innovation excellence in its pursuit of becoming the Company of Choice. In order to promote and practice best work ethics by inculcating a sense of positive attitude in all the employees to deliver greater value to the valued customers, BT would continue to develop human capacities and capabilities through continual learning programs and trainings. In the larger interest of the country and taking advantage of the wide reach, BT will be implementing mobile financial services with the goal to bank the unbanked citizens of the country.

I would like to thank all our valued customers for being with us and providing us with the platform to grow and improve, in this rapidly advancing industry. I also take this privilege to thank the DHI and the BT board for all the guidance and support in closing the year 2017 successfully. I am also thankful to all the employees of the company for their unwavering support in delivering great customer value and also surpassing the targets for the year 2017. I on behalf of the employees of the company and on my own behalf, would like to rededicate our services to the Tsa-Wa-Sum.

Yours Sincerely,

Karma Jurme

Chief Executive Officer.

1 Company Profile

Mission statement

"We are the providers of innovative and reliable ICT services, keeping Bhutan connected."

Vision statement

"To be the company of choice."

1.1 Values

Team work: We believe and commit to have a platform for employees to work together in the best interest of the company. We are a team, sharing unique talents and skills to achieve a common goal of the company. We help each other succeed.

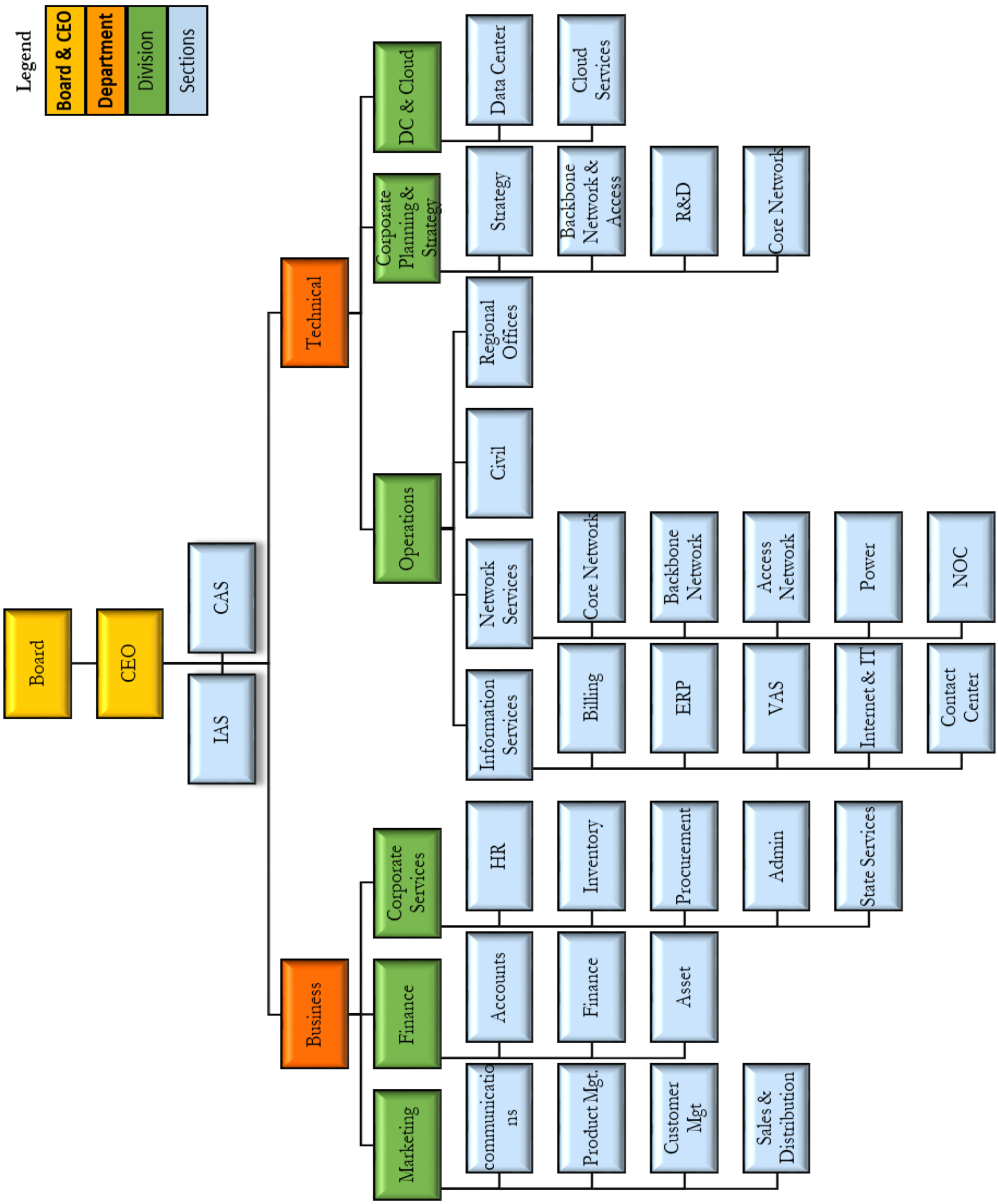
Integrity: We believe and commit to practice high ethical business standard in all business transactions including handling customers, suppliers and company information. We value in conducting our business with honesty, transparency and highest level of corporate ethics.

Growth: We believe and commit to create an enabling environment for employees to come up with new innovative ideas, which will contribute to the employees and the company's growth. To continuously develop human capacities and capabilities through education and training of employees.

Excellence: We believe and commit to strive for the highest possible standards while conducting business with continuous improvement, constantly seeking solutions to problems. To deliver quality services to meet customer expectations (external) and exerting efforts to obtain feedback from customers to understand their needs and wants.

Responsiveness: We believe and commit to respond swiftly to the fast changing market environment and requirements/feedbacks of customers. We should be able to anticipate emerging needs of the customers and market dynamics.

1.2 Organizational Chart

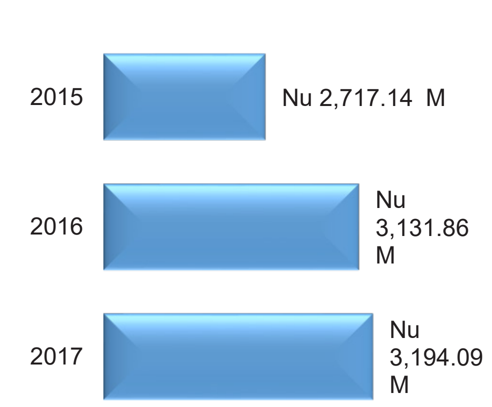


1.3 WTD Celebration

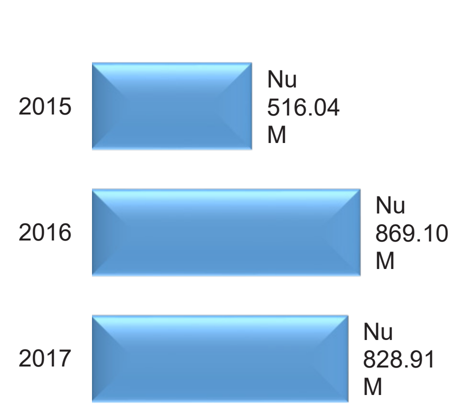
Just like every year, BT observed the World Telecommunication & Information Society Day with the rest of the world. The theme for 2017 was "Big Data for Big Impact." The day is observed mainly to celebrate the achievements and successes of BT by bringing together all BT family members and also to recognize and reward high performing employees who had excelled in their work performance and corporate values.

As part of the BT day celebration, the company has officially launched 4G services in all other Dzongkhags which are not covered in the first phase. BT has already launched 4G services in Thimphu, Phuntsholing, Paro, Punakha and Wangdi Phodrang in 2016.

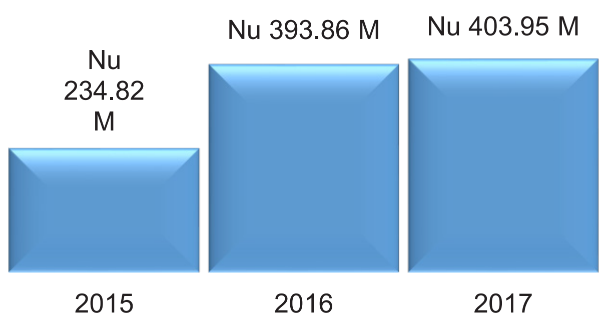
Revenue in Million Nu



PAT in Million Nu



Corporate Income Tax in Million Nu



Capital Spending in Million Nu

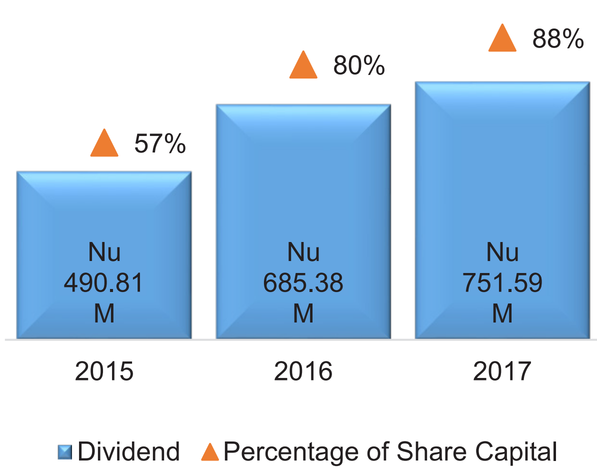
Nu. 1,266.01 M

Capital Expenditure in 2017 alone.

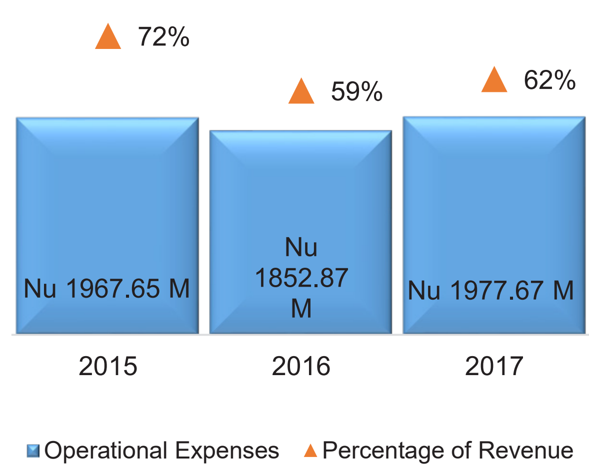
NU 3,172.89 M

Total Capital expenditure (2015 – 2017).

Dividend in Million Nu



Operational Expenditure in Million Nu



2 Board Directors

Mr. Tenzin Dhendup has a Master of Science in Aquatic Biology from Auburn University, US. He has more than 38 years of work experience in the field of Agriculture and Forestry. He served as the Secretary in the Ministry of Agriculture and Forests. He is the Chairman of BT Board and serves as independent, non-executive director on BT Board.

Dr. Damber S. Kharka has a Masters in Economics from UNB, Canada and a PhD in Finance from Haryana School of Business. He has more than 29 Years of work experience in the field of Finance, Corporate Governance, Corporate Capacity Development and Management disciplines. He is currently serving as the Director, Corporate Performance Division, DHI. He serves as non-independent, non-executive director on BT Board.

Mr. Dechen Dorji has a Masters in Environmental Management from Yale University, US. He has more than 23 Years of work experience in the field of environment management, fund raising, innovative financing and sustainable development. He is currently serving as the Country Representative for global WWF in Bhutan. He serves as independent, non-executive director on BT Board.

Mr. Jigme Tenzing has a Masters in Information and Computer Science from University of Oregon, US. He has more than 15 Years of work experience in the field of strategic planning and Computer Science and Information Technology. He is currently serving as the Chief, Application Division under Department of Information Technology and Telecom. He serves as independent, non-executive director on BT Board.

Mrs. Leki Wangmo has a Master of Business Administration from Australian National University. She has more than 14 years of work experience in the field of Finance, Investments and Business Developments. She is currently serving as the Director, Investments, National Pension and Provident Fund. She serves as independent, non-executive director on BT Board

Mr. Pasang Dorji has a Master of Public Policy from Australian National University. He has more than 21 years of work experience in the field of planning and public policy. He is currently serving as the Executive Secretary, Thimphu City Corporation. He serves as independent, non-executive director on BT Board.

Mr. Karma Jurme has a Masters in Human Resources Management from Curtin University in Australia. He has more than 27 years of work experience in the field of Administration and Human Resource Management. He is the Chief Executive Officer for Bhutan Telecom Ltd. He serves as non-independent, executive director on BT Board.

3 Management Team

Top Row (left to right): Director, Business Dept. | Chief Executive Officer | Director, Technical Dept.
Front Row (left to right): GM, Marketing | GM, Corporate Service | GM, Operations | GM, Finance | GM, Corporate Planning | GM, DC & Cloud

Mr. Karma Jurme is the Chief Executive Officer and he has more than 27 years of work experience in the field of administration and Human Resource Management. He holds a Masters in Human Resources Management from Curtin University in Australia.

Mr. Chimmi Dorji is the Director, Business Department. He has more than 25 years of work experience in the field of finance and management, and holds ACCA from United Kingdom and Master of Business Administration from University of Delhi.

Mr. Karma Tshewang is the Director, Technical Department. He has more than 21 years of work experience in the field of management and telecommunications, and holds a Bachelor's Degree in Electrical Engineering from Penn State University in USA.

Mr. Sangay Wangdi is the General Manager, Finance and Accounts Division. He has more than 15 years of work experience in the field of Marketing and Finance, and holds a Master of Business Administration from Southern Cross University, Australia.

Mr. Jichen Thinley is the General Manager, Corporate Planning and Strategy Division. He has more than 28 years of work experience in the field of internet technology and telecommunications.

Mr. Penjore is the General Manager, Marketing Division. He has more than 16 years of work experience in the field of power systems, projects and marketing, and holds a Master of Business Administration from Monash University in Australia.

Mr. Jambay Sither is the General Manager, Operations Division. He has more than 26 years of work experience in the field of telecommunications and holds a Masters in Technology in Mobile Communication and Networking Technology from West Bengal University of Technology.

Mr. Dawa Sonam is the General Manager, DC & Cloud Division. He has served as the IT Head, DHI prior to his current appointment and holds a Master in Information Technology from Mudorch University in Australia.

Mr. Phuntsho is the General Manager, Corporate Services Division. He has more than 15 years of work experience in the field of administration and human resource management, and holds a Masters in Human Resource Planning and Development from Institute of Applied Manpower Research, India.

4 Directors' Report

Introduction

On behalf of the Board of Directors' of Bhutan Telecom Limited, I am pleased to report that the year 2017 has been a year of significant progress for Bhutan Telecom Limited. I am privileged to present the Directors' Report – 2017 covering operational performance, audited financial statements, audit observations/recommendations, corporate governance, corporate social responsibility, and challenges and way forward for 2018.

Operational highlights

The company continued to give top priority on the technological front, undertook many activities to improve the telecommunications services and also to stay abreast with the technological trend. Some of the notable operational performance and achievements are highlighted below.

Some major expansion works were carried out in 2017 on the company's mobile network. The new Core and IN (Intelligent Network) for Thimphu was commissioned on 25th July 2017 and the DR (Disaster Recovery) components in Kanglung on 25th August 2017. The primary and the DR cores are designed to work in pool, ensuring undisrupted service in the events of major failures with either Core. On the Mobile Radio Access network upgrade/expansion, seventy 4G LTE (Long Term Evolution) nodes covering five towns of Thimphu, Phuentsholing, Punakha and Wangdue was completed and put on air by January 2017, and additional 75 LTE nodes covering all the remaining Dzongkhags and satellite towns were put on air by June 2017. Further, 10 densifying LTE nodes were installed in Thimphu to improve coverage in the core areas.

In addition to the deployment of LTE nodes, twenty two 3G nodes were installed and put on air by the end of November 2017 across all four Regions and thirty five 3G 3rd Carriers were added across the network by end of December 2017, to enhance voice and data services. In addition to 3G and LTE deployment and expansion, a total of twenty 2G BTSs (Base Transceiver Station) were installed and put on air across all the 4 regions to provide better voice service. Transmission equipment in the form of IP radio and PTN – DWDM (Packet Transport Network – Dense Wavelength Division Multiplexing) were installed to enhance the capacities of both the backbone and the access transmission backhauls. To meet the ever-growing demand for data bandwidth, current international bandwidth was upgraded from 6.2 Gigabit to 20 Gigabit, 10 Gigabit each from its two international gateways at Phuentsholing and Gelephu.

As envisioned by the DHI and the Board to build in-house capacity, the company successfully built and deployed ERP (Enterprise Resource Planning) for Construction Development Corporation Limited. The ERP was developed by forming an ERP section from the already existing staff and did not recruit any additional expertise. The company also developed a fleet management application with the goals to minimize the costs associated with vehicle investment, to improve efficiency and reduce the cost of maintaining vehicles. The system with the primary feature of maintaining fleet records, fleet and driver scheduling, SMS and Email notifications was successfully deployed in Bhutan Telecom. Further, the in-house team developed a land management software for DHI, which would help DHI oversee effective implementation of DHI land policy, supervise land management including acquisition, transfer and leasing of land.

The customer satisfaction index for 2017 improved from 3.49 in 2016 to 3.79 in 2017. As part of recommendation of customer satisfaction 2016, the complaint handling process was reviewed and revised to meet the customers' expectations, drastic reduction in tariff was made for fixed broadband, leased line and mobile data to make data services affordable to the customers. Feedback machines were also installed in Thimphu Counters to gauge customer feedbacks at the point of customer interaction. The company's active prepaid mobile customers increased from 380,390 in 2016 to 390,335 at the end of 2017 and fixed line customers increased from 21,081 in 2016 to 21,364 in 2017. Leased line Internet subscriptions increased from 581 in 2016 to 598 at the end of 2017. The company had 15,323 broadband Internet subscriptions at the end of 2017.

The company implemented the Performance Management System (PMS) guidelines in line with the policy direction from DHI, in February 2017. All employees' performance appraisal, management and reward are carried out in line with the approved PMS guideline. The company placed importance in developing its human resources; 118 employees attended ex-country trainings, 137 employees attended ex-country workshops/seminars/conference, 579 employees attended in-country development programs and another 231 employees attended other in-country Human Resource Development events like workshops and conference. At the end of 2017, the company had a total of 657 employees, which includes 581 regular employees, eight contract employees, sixty ESPs and eight local caretakers.

Financial position and key financial performance highlights

The objective of adopting the BAS (Bhutanese Accounting Standards) was to bring higher credibility and uniformity in the reporting of financial statements of DHI and its group of companies. The BAS Phase-I consisted of 18 Standards to be implemented from 2013, the BAS Phase –II consisted of 8 Standards to be implemented from 2016 and the BAS Phase-III has 17 Standards to be implemented from 2018 Based on the decision of the DHI and its group of companies, Bhutan Telecom Limited (BTL) achieved a major milestone in accounting by early adoption of all the standards of BAS from the financial year 2017.

Financial highlights for 2017:

Revenue

Nu 3.19b

7.72%

1.99%

Expenditure

Nu 1.97b

6.74%

The Revenue of the company marked a marginal growth of **1.99%** against the 2016 revenue and this could be attributed to the abnormal and notional gain recorded in 2016. The Revenue for 2016 included notional revenue of Nu. 166.48 million; Nu 32.09 million from Sundry debtor's adjustments and another Nu 134.39 million against Danida loan adjustment. The actual revenue growth in 2017, without considering the notional revenue recorded in 2016, stands at **7.72%**

Cash from Operations

Nu 1.47b

Growth of 5.76%

PBT

Nu 1,216.42m

4.89%

PAT

Nu 828.91m

18.01%

4.63%

The PBT and PAT decreased compared to 2016 and this could be attributed to the impact of the abnormal and notional revenues recognized in 2016. The growth in PAT excluding the notional adjustments stands at **18.01%**.

Capex

Nu 1.26b

Invested in 2017, major investment was made on improving the mobile network of the company.

Although PBT and PAT have shown decrease by about 4% compared to last year but it may be reminded that last year BTL had notional income of over 164 million. If we account for it then the PAT has grown up by 18% compared to last year.

Asset

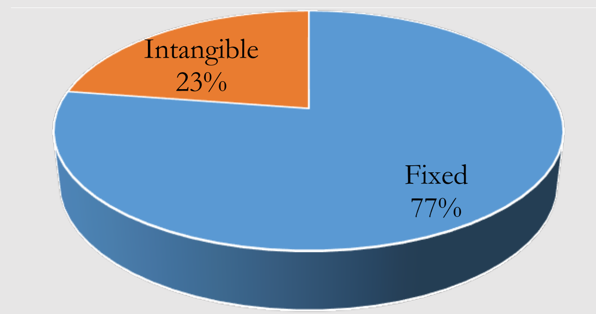
Fixed Assets **Nu 3.72b**

▲ 13.83%

Intangible Assets **Nu 1.09b**

▲ 35.69%

The overall percentage increase in fixed and intangible asset is 18.13% from 2016



Liquidity

2016	2017
Current Ratio (1.18:1)	Current Ratio (0.92:1)
Quick Ratio (0.69:1)	Quick Ratio (0.84:1)

The liquidity ratios like current ratio and Quick ratio were also impacted due to the adoption of IFRS, whereby there is a change in provisioning of bad debts, and also due to the closure of the Group Investment Reserve (GIR) by paying Nu 313 million to the shareholder in December, reducing the cash balance and thus the current assets.

Audit Issues

The Company was audited by statutory auditors, KASG & CO. Chartered Accountants based in Kolkata, India. There are audit observations in the Auditors' Report and past recommendations made by the auditors are being implemented and followed through. However, the auditors have made the following two suggestions:

a. Concerted efforts should be taken by BTL Management with BSCS Personnel to prepare the age wise analysis of Debtors for all the three lines of services (fixed line, ISP/DSL and Mobile), so that it can help the Management in deciding its recovery policy and take appropriate decision regarding impairment loss of the same.

b. Physical Verification of the Fixed Assets is a must, so that it can be properly taken care of, properly managed and best use of it can be taken. The unusable fixed assets should be discarded and sold off, so that the precious money may not be involved on those assets. Further, it is a legal requirement as per Companies Act of Bhutan to do the same.

Board's recommendation of Dividend

The dividend for 2017 to the shareholder (DHI) is recommended at 70%of the profit after tax which amounts to Nu.580 Million

Corporate governance

The company is generally compliant with the provisions of the Corporate Governance Code and Ownership Policy developed and introduced by its owner – the Druk Holding & Investments Limited (DHI), the Companies Act, and other statutory requirements. All members of the board are identified and appointed by DHI with subsequent endorsement in the general meetings. The DHI organizes and conducts orientation programme for the new board members to prepare them on the roles and responsibilities of the board.

At the end of 2017, the company's board comprised of seven directors, including the Chief Executive Officer. The board had ten board meetings, one general meeting and a Board retreat for formulating the corporate strategic plan for the company. The company had three board committees in place – Board Audit Committee, Board HR Committee, and Board Tender Committee. Audit Committee held three meetings, HR Committee held eleven meetings and Tender Committee held one meeting in 2017.

Corporate Social Responsibility

In line with the corporate belief to act responsibly in upholding the principle of balanced economic development through the extension of telecommunication services to rural and remote areas of the country, the company continued to provide services even to non-profitable and challenging areas as a social mandate. A prime example was the establishment of terrestrial radio link for Lunana *through very high-altitude stations* at Dochula (3,120 Mtrs), Lusigang (3,753 Mtrs) in Wangdue Phodrang, Kechela (4,934 Mtrs, also referred to as Thochuting by locals) and Lunana (4053 mtrs), causing great challenges to the project team from BT. Despite all these challenges in the form of transportation of logistics, freezing weather conditions and a huge cost, Bhutan Telecom celebrated achievement of another milestone in its 54 years' service to the Tsa-Wa-Sum, while successfully putting through the link on 16th of November 2017. Further the company contributed Nu 1.12 million as part of Corporate Social Responsibility initiative, to various social causes.

Challenges and way forward.

Retaining skilled and experienced employees, is one of the major challenges that most companies in the country are facing and it needs to be addressed in a holistic manner. In order to address this issue, the management with the guidance of the board will be developing a comprehensive HR Master Plan in 2018, which would cover recruitment, development and succession plans. Key factors that would be considered are the past attrition rate, future superannuation figures and the skills gap analysis of the current manpower.

In line with the global trend, it is very challenging to meet the ever-growing demand for mobile data services. As a result of increasing demand for data usage, the revenue from the voice services was overtaken by the revenue of data services in 2017. However for BT, this also presents as a huge opportunity for growth and expansion. In order to capitalize on the ever-increasing demand for data services, the board based on the trend and potential for data growth in the near future approved the budget to expand 4G LTE and 3G services in 2018, to meet the expectations of the customers. The company will be spending Nu 29.87 million for expanding 4G LTE services and further Nu 61.11 million would be used for expanding 3G services across the country. With this activity, the accessibility and quality of the mobile services would be enhanced across the country.

The other major challenge that the Company may face is the consolidation of all the Internet bandwidths for the government offices, since government offices are the major customers for Internet leased line. Yet another challenge that BT has been facing is in terms of inadequate occupancy for its tier III design certified data center. Based on the board's directives, the company will be addressing these challenges with guidance and support from the shareholder.

Acknowledgements

As always, our foremost gratitude goes to the company's valued customers for their continued loyalty and support. In spite of some shortcomings, the company has continued to receive the cooperation and support from its valued customers. The company had made major investments in 2017 to address the problems and improve the customer experience. With the improvements being made in the service quality and the hard work put in by everyone associated with the company, we have no doubt that our valued customers will continue to remain with us.

The company's shareholder, Druk Holding & Investments (DHI), has guided the company throughout 2017 in overcoming the challenges. The company has been able to undertake many major projects only with the unwavering support and guidance from the DHI. The board and management of the company would like to thank DHI for the same. We also like to put on record our sincere thanks to all the other stakeholders for whatever support we received during the year.

Lastly, the board would like to thank the management and employees of the company for working hard and achieving a lot of success in 2017. The board looks forward to similar efforts and success in 2018.

On behalf of the Board of Directors;

(Tenzin Dhendup)

CHAIRMAN

5 Corporate Governance Report

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

5.1 Board of Directors

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. The BT Board Comprised of Seven Directors, including the Chief Executive Officer. Necessary disclosures about each Board Director is provided below:

Name:	Address	Category	Appointment (present term)	Term	Directorship in other companies
Mr. Tenzin Dhendup (Chairman)	Former Secretary, MoAF	Independent Non-Executive	14 /03/2016	2nd	Druk Holding & Investments.
Dr. Damber S. Kharka	Director, CPD, DHI	Non-Independent Non-Executive	14/03/2016	2nd	State Mining Corporation Ltd
Mr. Dechen Dorji	Country representative, WWF Bhutan	Independent Non-Executive	12/07/2016	1st	RSPN (Chairman) |Bhutan Philanthropy Ventures|Lhaksam| WWF Living Himalaya Initiative.
Mr. Jigme Tenzing	Chief, Application Division, DITT, MoIC	Independent Non-Executive	14/03/2016	1st	None
Mrs. Leki Wangmo	Director, National Pension & Provident Fund	Independent Non-Executive	14/03/2016	1st	Penden Cement Authority Ltd. (Board Director)
Mr. Pasang Dorji	Executive Secretary, Thimphu Thromde	Independent Non-Executive	14/03/2016	1st	None
Mr. Karma Jurme (from 1st September 2017)	CEO, Bhutan Telecom	Non-Independent Executive	01/09/2016	1st	None

5.2 Board Meetings

A total of ten Board Meetings were held in 2017. The meetings were held as frequently as required and gap between any two meetings never exceed three months as required by the Companies Act of Bhutan 2016. Board Meetings in 2017 were held on the following dates:

1. Tuesday, 3 January 2017 (125th Board Meeting)
2. Friday, 17 February 2017 (126th Board Meeting)
3. Wednesday, 3 May 2017 (127th Board Meeting)
4. Tuesday, 27 June 2017 (128th Board Meeting)
5. Tuesday,1 August 2017 (129th Board Meeting)
6. Thursday 10 August 2017 (130th Board Meeting)
7. Monday, August 28 2017 (131st Board Meeting)
8. Friday,6 October 2017 (132nd Board Meeting)
9. Thursday 26th October 2017 (133rd Board Meeting)
10. Monday 13th November 2017 (134th Board Meeting)

Meeting Numbers:	125th	126th	127th	128th	129th	130th	131st	132nd	133rd	134th	AGM	Total
Mr. Tenzin Dhendup	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	10
Dr. Damber S. Kharka	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11
Mr. Dechen Dorji		✓	✓	✓	✓	✓	✓					6
Mr. Jigme Tenzing		✓	✓	✓		✓	✓		✓		✓	7
Mrs. Leki Wangmo	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11
Mr. Pasang Dorji	✓	✓	✓	✓		✓		✓	✓	✓	✓	9
Mr. Karma Jurme								✓	✓	✓		3

Mr. Tshewang Gyeltshen served on BT Board for Part of 2016 until 1st August 2017. Mr. Chimmi Dorji served on the BT Board for a period of one month, from 1st August to 31st August 2017.

Meeting Numbers:	125th	126th	127th	128th	129th	130th	131st	132nd	133rd	134th	AGM	Total
Mr. Tshewang Gyeltshen (Former CEO)	✓	✓	✓		✓						✓	**5**
Mr. Chimmi Dorji (Officiating CEO)					✓		✓					**2**

The calendar for the Board Meetings during the entire year is proposed at the beginning of the year. The calendar is reviewed and the date for the next Board Meeting is confirmed in every Board Meeting. All the Board Meetings in 2017 were held at the Conference Hall of the Company's

Headquarters in Chubachu, 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, this timeline is not able to be met on rare occasions when the Board Meeting is called on short notice and/or when papers take time to finalize because of various reasons.

The following Board Committees are in place:

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

Board Audit Committee (BAC):

The Board Audit Committee was established to, inter alia; monitor the internal control system and internal audit activities. The Committee held three meetings in 2017 on the following dates.

1. 22nd BAC Meeting | 23rd June
2. 23rd BAC Meeting | 3rd November
3. 24th BAC Meeting | 19th December

Meeting Numbers	22nd	23rd	24th	Total
Mrs. Leki Wangmo (Chairperson)	✓	✓	✓	**3**
Mr. Dechen Dorji	✓	✓	✓	**3**
Mr. Kelzang Chophel (Secretary)	✓	✓	✓	**3**

Board Tender Committee:

The Board Tender Committee was established to make decision and approve works/ procurements which are beyond the management's authority. The Committee held one meeting in 2017 on 8th December 2017.

Meeting Numbers	12th	Total
Mr. Damber S. Kharka (Chairperson)	✓	**1**
Mr. Jigme Tenzing	✓	**1**
Mr. Karma Jurme	✓	**1**
Mr. Chimmi Dorji (Secretary)	✓	**1**

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 eight meetings in 2017 on the following dates.

1. 22nd BHRC Meeting | 8th May
2. 23rd BHRC Meeting | 26th June
3. 24th BHRC Meeting | 30th June
4. 25th BHRC Meeting | 18th July
5. 26th BHRC Meeting | 21st August
6. 27th BHRC Meeting | 20th September
7. 28th BHRC Meeting | 16th October
8. 29th BHRC Meeting | 30th November

Meeting Numbers	22nd	23rd	24th	25th	26th	27th	28th	29th	Total
Mr. Pasang Dorji (Chairperson)	✓	✓	✓	✓	✓	✓	✓	✓	8
Mr. Tenzin Dhendup	✓	✓	✓	✓	✓	✓	✓	✓	8
Dr. Damber S. Kharka	✓	✓	✓	✓	✓	✓	✓	✓	8
Mr. Karma Jurme						✓	✓	✓	3
Mr. Chimmi Dorji (Secretary)				✓	✓				2
Mr. Phuntsho (Secretary)							✓	✓	2
Mr. Sonam Phuntsho (Interim Secretary)						✓			1

5.3 Board Remuneration

Transactions:	Amount in Nu			
	2017		2016	
	DSA	Sitting Fee	DSA	Sitting Fee
Mr. Tenzin Dhendup	131,000.75	124,000.00	220,767.34	88,000.00
Dr. Damber S. Kharka	129,135.75	168,000.00	87,311.50	160,000.00
Mr. Pasang Dorji	97,742.30	136,000.00	53,504.00	100,000.00
Mr. Dechen Dorji	97,410.10	84,000.00		44,000.00
Mrs. Leki Wangmo		132,000.00	230,500.02	60,000.00
Mr. Jigme Tenzing		84,000.00	53,504.00	72,000.00
Total	**455,288.90**	**728,000.00**	**645,586.86**	**524,000.00**

Name	Particulars	2017	2016
Mr. Tshewang Gyeltshen (Former)	Salary	974,400.00	1,438,400.00
	Leave travel concession	10,000.00	15,000.00
	Bonus and PBVA	552,388.24	405,500.00
	Contribution to superannuation fund	73,920.00	109,120.00
	Sitting fess	68,000.00	152,000.00
	Leave encashment	183,400.00	
Mr. Karma Jurme (Present)	Salary	576,000.00	
	Leave travel concession	15,000.00	
	Bonus and PBVA	-	
	Contribution to superannuation fund	35,200.00	
	Sitting fess	48,000.00	
	Leave encashment	-	
	Total	**2,536,308.24**	**2,120,020.00**

5.4 Annual General Meeting

The 15th Annual General Meeting was held on 19th March 2018 in the Bhutan Telecom Conference hall and attended by the Shareholder, Board Directors and the key members of the management team.

6 Independent Auditors Report

To

The Shareholders of

Bhutan Telecom Limited

Opinion

We have audited the financial statements of **Bhutan Telecom Limited** (the Company), comprising the statement of financial position as at 31st December, 2017 and the statement of comprehensive income, statement of Changes in Equity and statement of cash flow for the year then ended and notes to financial statements, including a summary of the significant accounting policies.

In our opinion, the accompanying financial statements gives a true and fair view of the financial position of the Company as at 31st December, 2017 and its financial performance and its cash flows for the year then ended in accordance with Bhutanese Accounting Standards (BAS).

Basis for Opinion

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

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Chartered Accountants

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statement

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

Report on Other Legal and Regulatory Requirements

As required by Section 266 of the Companies Act of Bhutan, 2016 (the Minimum Audit Examination and Reporting Requirements) we enclose in the Annexure a Statement on the matters specified therein to the extent applicable.

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As required by Section 265 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 purpose of our audit.

ii) In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of those books, proper returns adequate for the purposes of our audit have been received from the branches not visited by us.

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 Bhutanese Accounting Standards and are in agreement with the books of accounts and returns.

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 Bhutan 2016.

for KASG & Co.
Chartered Accountants
(Firm Reg. No. 002228C)

KASG & CO. Kolkata Chartered Accountants

CA. Raj Kumar Agarwal
Partner
M. No. 073063

Place: **Thimphu**
Date: **09th February, 2018.**

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

MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENTS

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, no Physical Verification of Property, Plant & Equipment has been conducted at any place during the year.

2. ***None of the fixed assets has 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 not observed on such verification.

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 7.5% secured, non-convertible redeemable bonds of 1000 each redeemable at par in full on 15thjuly 2020 which is secured by hypothecation of Fixed Assets/ Plant & Machinery of the company. The terms of the said bonds are prima facie not prejudicial to the interest of the Company.

8. The Company has not availed any loan from other companies, firms or other parties and/or from the companies under the same management. The point no. 7 of Part II of Schedule XIV of The Companies Act of Bhutan 2000 is not applicable.

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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. 8 & 9 of Part II of Schedule XIV of The Companies Act 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 accumulation 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.

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, equipment's 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 inventories will be disposed through open auction in the year 2018.

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 2017. Provision for Corporate Income Tax is adequate and necessary adjustments have been

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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. There is no undisputed statutory dues pending during the year.

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 labor 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.

Kolkata Chartered Accountants

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.

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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 main system at Thimphu and 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 Thimphu.

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 31st December, 2017 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 Bhutan, 2016 except regarding physical verification of Fixed Assets.

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Kolkata
Chartered Accountants

4. Adherence of Laws, Rules & Regulations:

Audit of the Company is governed by The Companies Act of Bhutan, 2016 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 2017.

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for KASG & Co.
Chartered Accountants
(Firm Reg. No. 002228C)

KASG & CO. * Chartered Accountants * Kolkata

CA. Raj Kumar Agarwal
Partner
M. No. 073063

Place: **Thimphu**
Date: **09th February, 2018.**

8 Statement of Financial Position for the year ended 31st December, 2017

Amount in Nu.

Particulars	Note no.	As at 31st December 2017	As at 31st December 2016
I. ASSETS :			
(a) Non-current assets			
Property, plant and equipment	2(a)	3,723,329,874.37	3,271,044,130.97
Intangible assets	2(b)	1,087,506,398.48	801,481,387.77
Capital work-in-progress	2(c)	15,077,014.66	191,736,666.62
Investment in associate	3	92,308,400.00	92,308,400.00
Investments	4	124,734,293.09	60,357,597.17
Deferred tax assets (net)	5	9,659,868.50	-
Other non-current asset	6	12,950,000.00	25,900,000.00
Total non-current assets		**5,065,565,849.10**	**4,442,828,182.53**
(b) Current assets			
Inventories	7	107,008,946.13	172,894,075.65
Trade receivables	8	131,277,802.84	130,871,143.62
Cash and bank balances	9	172,043,085.68	249,870,824.85
Other receivables	10	852,829.56	1,518,479.71
Other current asset	11	19,072,940.31	38,587,482.48
Total current assets		**430,255,604.52**	**593,742,006.31**
TOTAL ASSETS		**5,495,821,453.62**	**5,036,570,188.84**
II. EQUITY AND LIABILITIES :			
(a) Shareholders Fund			
Equity share capital	12	854,082,000.00	854,082,000.00
Retained earnings & reserves	13	3,370,263,346.44	3,229,146,589.11
Total shareholders fund		**4,224,345,346.44**	**4,083,228,589.11**
(b) Non-current liabilities			
Deferred government grants	14	88,166,156.74	89,608,076.08
Long term borrowings	15	648,615,398.01	300,000,000.00
Deferre tax liability (net)	16	-	6,783,501.83
Long term provision	17	67,340,966.40	54,164,193.08
Total non-current liabilities		**804,122,521.15**	**450,555,770.99**
(c) Current liabilities			
Short term borrowings	18	79,636,472.99	-
Trade and other payables	19	95,009,736.71	56,111,935.61
Short term provision	20	219,557,051.29	267,388,960.29
Other current liabilities	21	73,150,325.04	179,284,932.84
Total current liabilities		**467,353,586.03**	**502,785,828.74**
Total liabilities (b+c)		**1,271,476,107.18**	**953,341,599.73**
TOTAL EQUITY & LIABILITIES		**5,495,821,453.62**	**5,036,570,188.84**
Summary of significant accounting policies	1	0.00	-

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)

KASG & CO. Kolkata Chartered Accountants

CA. Raj Kumar Agarwal
Partner
M. No. 073063
Place: Thimphu
Date: 09/02/2018

for and on behalf of board of directors

Chairman

Chief Executive Officer

9 Statement of Comprehensive Income for the year ended on 31st December, 2017

Amount in Nu.

Particulars	Note no.	As at 31st December 2017	As at 31st December 2016
I. Income :			
Revenue from operations:			
Domestic	22	2,996,912,419.62	2,811,193,414.65
International	23	27,335,040.88	40,300,577.89
Other operating income	24	150,019,263.11	258,514,399.62
Gain on forex fluctuations		19,819,798.86	21,846,955.08
Total revenue		**3,194,086,522.47**	**3,131,855,347.24**
II. Expenditure:			
Stores and spares parts	25	59,904,615.38	60,886,233.92
Employees' remuneration and benefits	26	328,428,074.68	313,442,822.09
Repair & maintenance	27	193,182,263.19	182,833,263.97
Administrative and general expenses	28	516,284,420.59	443,298,681.44
International payments	29	193,866,488.52	185,081,304.95
Depreciation of property, plant & equipment	30	460,260,721.83	491,838,629.64
Depreciation and amortization	31	207,605,538.00	149,765,755.00
Loss on forex fluctuations		18,138,661.11	25,730,068.12
Total expenditures		**1,977,670,783.30**	**1,852,876,759.13**
Profit before tax		**1,216,415,739.17**	**1,278,978,588.11**
III. Add/(Less): Tax expenses :	32		
Previous tax			7,062,128.47
Current tax		403,952,707.54	393,857,779.75
Deferred income tax		(16,443,370.33)	8,954,645.83
Total tax expense		**387,509,337.21**	**409,874,554.05**
Profit after tax for the year		**828,906,401.96**	**869,104,034.06**
IV. Other comprehensive income			
Actuarial (gains)/losses on defined benefit plans		46,380.00	6,042,078.00
Income tax relating to component for other comprehensive Income			
Other comprehensive income, net of tax		46,380.00	6,042,078.00
Total comprehensive income for the year		**828,860,021.96**	**863,061,956.06**
Earnings Per Share	33	**970.52**	**1,017.59**
Summary of significant accounting policies	1		

For KASG & Co.
Chartered accountants
(Firm Reg. No. 002228C)

KASG & CO. Kolkata Chartered Accountants

CA Raj Kumar Agarwal
Partner
M. No. 073063
Place: Thimphu
Date: 09/02/2018

for and on behalf of board of directors

Chairman

Chief Executive Officer

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

10 Statement of Cash Flow for the year ended 31st December, 2017

Amount in Nu.

Particulars	2017		2016	
Cash Flow from operating activities				
Net profit before tax	1,232,812,729.50		1,263,981,864.28	
Write-off of loan to Income	-		(134,590,512.71)	
Add/Less: Net Addition in Provision (Current &Non-Current)	(41,438,637.51)		141,597,673.90	
Add/Less: Gain on sale of Property Plant and Equipment	-		-	
Add/Less: Foreign Exchange Loss/(Gain)				
Net profit before tax and after adjustment of provisions		**1,191,374,091.99**		**1,270,989,025.47**
Adjustment for				
Depreciation during the year	667,866,259.83		641,604,384.64	
Interest Paid	35,135,206.24		23,342,168.92	
Interest Received	(6,795,680.27)	696,205,785.80	(6,537,084.97)	658,409,468.59
Net profit from operating activities before working capital changes		**1,887,579,877.79**		**1,929,398,494.06**
(Increase)/Decrease in Inventories	65,885,129.52		(103,923,020.39)	
(Increase)/Decrease in trade receivables	(406,659.22)		(77,663,787.67)	
(Increase)/Decrease in other receivables	665,650.15		17,690,050.14	
(Increase)/Decrease in other current asset	19,514,542.17		2,863,874.26	
(Increase)/Decrease in deferred tax asset	(9,659,868.50)			
(Increase)/Decrease in investment	(64,376,695.92)		(47,050,000.00)	
(Increase)/Decrease in other non-current asset	12,950,000.00			
Increase/(Decrease) in other trade payables	38,897,801.10		(36,061,733.42)	
Increase/(Decrease) in other current liabilitis	(23,638,560.66)	39,831,338.64	(85,333,528.36)	(329,478,145.44)
Cash Generated from operating activities		**1,927,411,216.43**		**1,599,920,348.62**
Income Tax Paid		(452,461,096.54)		(298,391,586.39)
Net cash flow from operating activities		**1,474,950,119.89**		**1,301,528,762.23**
Cash flow from investing activities				
Payment for property plant and equipments	(949,217,983.71)		(678,327,161.20)	
Payment for intangible assets	(500,250,728.71)		(303,614,771.63)	
Sale of property plant and equipments including gain				
Payment for capital work in progress	176,659,651.96		(33,994,610.81)	
Interest Received	6,795,680.27		6,179,487.80	
Investment in fixed deposits	-		200,000,000.00	
Margin //money provided	-		9,561,887.22	
Net cash used in investing activities		**(1,266,013,380.19)**		**(800,195,168.62)**

Cash flow from financing activities				
Term loan (long term borrowings)	348,615,398.01		(94,636,502.00)	
Short term borrowings	79,636,472.99			
Receipt of capital grant from BICMA	5,500,000.00		44,264,941.45	
Payment of dividend	(685,381,143.63)		(490,806,576.42)	
Interest paid on bond	(35,135,206.24)		(23,342,168.92)	
Net cash used in financing activities		**(286,764,478.87)**		**(564,520,305.89)**
Increase/(Decrease) in cash & cash equivalents		**(77,827,739.17)**		**(63,186,712.28)**
Opening Cash & Bank Balances	249,870,824.85		313,057,537.13	
Closing Cash & Bank Balances	172,043,085.68		249,870,824.85	
Increase/(Decrease) in cash & cash equivalents		**(77,827,739.17)**		**(63,186,712.28)**
		0.00		(0.00)

Reconciliation of cash and cash equivalent with statement of financial position	**2017**	**2016**
Cash on hand	358,313.00	218,154.69
Balances with Banks in current accounts	171,684,772.68	249,652,670.16
Fixed deposits placed for a period less than 3 months	-	-
Cash and cash equivalents	**172,043,085.68**	**249,870,824.85**
Other B\bank balances		
Cash and cash equivalents as per statement of financial position	**172,043,085.68**	**249,870,824.85**

This is the statement of cash flow referred to in our report of even date.

For KASG & Co.
Chartered Accountants
(Firm Reg. No. 002228C)

KASG & CO. Kolkata Chartered Accountants

CA. Raj Kumar Agarwal
Partner
M. No. 073063
Place: Thimphu
Date: 09/02/2018

for and on behalf of board of directors

Chairman

Chief Executive Officer

11 Statement of Changes in Equity for the year ended 31st December, 2017

Amount in Nu.

Particulars	Equity share Capital	Retained Earnings	Group Investment Reserve	Total Equity
Balance at 1st January 2016	854,082,000.00	2,455,144,505.47	405,489,602.00	3,714,716,107.47
Changes in equity for 2016	-	-	-	-
Comprehensive Income for the year	-	863,061,956.06	-	863,061,956.06
Dividend for FY 2015	-	(490,806,576.42)	-	(490,806,576.42)
Free hold land transferred to DHI	-	(3,742,898.00)		(3,742,898.00)
Balance at 31st December 2016	**854,082,000.00**	**2,823,656,987.11**	**405,489,602.00**	**4,083,228,589.11**
Changes in equity for 2017	-	-	-	-
Comprehensive Income for the year	-	828,860,021.96	-	828,860,021.96
Dividend for the year	-	(372,199,941.63)	(313,181,202.00)	(685,381,143.63)
Free hold land transferred to DHI	-	(2,362,121.00)	-	(2,362,121.00)
Balance at 31st December 2017	**854,082,000.00**	**3,277,954,946.44**	**92,308,400.00**	**4,224,345,346.44**

For KASG & Co.
Chartered Accountants
(Firm Reg. No. 002228C)

KASG & CO. Kolkata Chartered Accountants

CA. Raj Kumar Agarwal
Partner
M. No. 073063
Place: Thimphu
Date: 09/02/2018

for and on behalf of board of directors

Chairman

Chief Executive Officer

The useful lives applied are as follows:

12 Notes forming part of the Financial Statements for the year ended 31st December 2017

Note "2 (a)" : Property, Plant & Equipments :

Amount in Nu.

Particulars	Gross Block				Accumulated Depreciation				Net Block	
	01.01.2017	Addition	Adjustment	31.12.2017	01.01.2017	Addition	Adjustment	31.12.2017	31.12.2017	01.01.2017
Land	101,361,199.31	-	2,362,121.00	98,999,078.31				-	98,999,078.31	101,361,199.31
Buildings	591,538,272.56	36,562,456.07		628,100,728.63	128,940,477.40	23,747,894.00		152,688,371.40	475,412,357.23	462,597,795.16
Tele. equipments	5,469,478,253.06	737,163,876		6,206,642,129.14	3,877,131,938.18	295,134,100.41		4,172,266,038.59	2,034,376,090.55	1,592,346,314.88
Office equipments	89,612,657.38	7,742,011.93		97,354,669.31	64,254,913.94	7,676,797.00		71,931,710.94	25,422,958.37	25,357,743.44
Power system & cables	1,772,106,410.82	160,404,304.98		1,932,510,715.80	719,700,972.20	160,365,368.00		880,066,340.20	1,052,444,375.60	1,052,405,438.62
Furniture & fixtures	18,289,879.10	1,155,784.65		19,445,663.75	10,731,059.73	1,554,334.00		12,285,393.73	7,160,270.02	7,558,819.37
Vehicles	69,109,391.50	6,189,550.00		75,298,941.50	39,692,571.31	6,091,625.90		45,784,197.21	29,514,744.29	29,416,820.19
Total (A)	**8,111,496,063.73**	**949,217,983.71**	**2,362,121.00**	**9,058,351,926.44**	**4,840,451,932.76**	**494,570,119.31**	**-**	**5,335,022,052.07**	**3,723,329,874.37**	**3,271,044,130.97**
Previous year (A)	7,431,533,694.24	683,705,267.49	3,742,898.00	8,111,496,063.73	4,305,641,631.56	534,810,301.20	-	4,840,451,932.76	3,271,044,130.97	3,125,892,062.05
Note "2 (b)" : Intangibile assets :										
Software applications	**1,068,859,555.49**	**500,250,728.71**	**-**	**1,569,110,284.20**	**267,378,167.72**	**214,225,718.00**		**481,603,885.72**	**1,087,506,398.48**	**801,481,387.77**
Previous year	765,244,783.86	303,614,771.63	-	1,068,859,555.49	116,452,909.72	150,925,258.00		267,378,167.72	801,481,387.77	648,791,874.14
Note "2 (c)" : Capital work in progress :										
Capital work-in-progress	191,736,666.62	(176,659,651.96)		15,077,014.66					15,077,014.66	191,736,666.62
Previous year	157,742,055.81	33,994,610.81		191,736,666.62					191,736,666.62	157,742,055.81

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Asset type	Useful life
1. Land	NA
2. Building	
a. Permanent structure	50 years
b. Semi-permanent structure	15 years
c. Temporary structure	5 years
3. Tele-equipment	
a. Tower	30 years
b. Rest	7 years
4. Power systems & cable	
a. Air conditioner	5 years
b. Rest	10 years
5. Furniture	10 years
6. Office equipment	5 years
7. Vehicle	5 years
8. Software application	5 years

For KASG & Co.
Chartered Accountants
(Firm Reg. No. 002228C)

KASG & CO. ★ Kolkata ★ Chartered Accountants

CA. Raj Kumar Agarwal
Partner
M. No. 073063
Place: Thimphu
Date: 09/02/2018

for and on behalf of board of directors

Chairman

Chief Executive Officer

BHUTAN TELECOM LIMITED

Notes forming part of the Financial Statements for the year ended 31st December 2017

Amount in Nu.

Particulars	As at 31st December 2017	As at 31st December 2016
Note "3" : Investment in associate:		
Investment in Equity Shares, Unquoted		
Investment in the form of Share-TTPL	92,308,400.00	92,308,400.00
(923084 number of equity shares of face value of Nu 100)		
	92,308,400.00	**92,308,400.00**
Note "4" : Investments:		
Accrued income non-current asset	4,734,293.09	357,597.17
Bond redemption fund	120,000,000.00	60,000,000.00
	124,734,293.09	**60,357,597.17**
Note "5" : Deferred tax asset(net):		
Deferred tax asset-non current	9,659,868.50	-
	9,659,868.50	**-**
Note "6" : Other non-current asset:		
Prepaid expense - non current	12,950,000.00	25,900,000.00
	12,950,000.00	**25,900,000.00**
Note "7": Inventories :		
Inventory - Vehicle Spares	1,556,308.30	1,311,797.72
Inventory - Office Equipment Spares	2,839,123.16	3,976,964.99
Inventory - Equipment Spares	24,658,606.86	15,096,085.66
Inventory - General Item	1,157,671.80	3,046,578.39
Inventory - Consumables	1,618,707.42	527,466.50
Inventory - Printing and Stationaries	1,660,931.61	1,468,903.68
Inventory - Capital Goods	24,776,136.89	98,425,875.57
COGS - Trading Goods	48,741,460.09	49,040,403.14
Total Inventories	**107,008,946.13**	**172,894,075.65**
Note "8": Trade receivables :		
Sundry debtors - domestic current	153,563,028.42	149,588,596.47
Impairment of trade receivables	(29,601,486.74)	(25,319,333.88)
	123,961,541.68	**124,269,262.59**
Sundry debtors - International current	7,316,261.16	6,601,881.03
	131,277,802.84	**130,871,143.62**

KASG & CO. Kolkata Chartered Accountants

Note "9": Cash and bank balances :		
Cash and cash equivalents		
Cash on hand in regions & exchanges	358,313.00	218,154.69
(As certified by the management)		
Cash at banks		
BNB GIR Current Account	-	4,056,647.13
BNB Disbursement Bank Account	10,282,531.44	(65,556,335.47)
BNB Depository Works Account	9,958,456.78	77,953,991.49
BOB Current Account	3,251,102.16	18,592,068.32
BNB Foreign Currency Account	22,969,046.04	10,226,935.14
BDBL Revenue Account	999,514.30	12,346,404.29
BNB Insurance Account	26,450,209.94	22,101,033.27
BOB Disbursement Account	70,212,068.31	137,183,505.64
BNB Main Revenue Account	1,000.00	1,000.00
Bank Balances in Regions & Exchanges	27,560,843.71	32,747,420.35
Cash at bank	**171,684,772.68**	**249,652,670.16**
Total cash and bank balances	**172,043,085.68**	**249,870,824.85**
Note "10": Other receivables:		
Security Deposit – Others	788,565.21	1,454,215.36
Other Receivables - Current	64,264.35	64,264.35
	852,829.56	**1,518,479.71**
Note "11": Other current assets :		
Income accrued but not Due	2,007,812.90	-
Advance to Suppliers - Current	1,351,425.15	22,578,344.84
Advance to Others - Current	1,343,767.17	970,378.19
Advance to Staff, Personal Expenses- Current	-	9,130.81
Advance to Staff, Office Expenses - Current	1,141,817.29	499,408.09
Prepaid Expense - Current	13,220,095.80	14,528,648.35
TDS on Others	8,022.00	1,572.20
	19,072,940.31	**38,587,482.48**

KASG & CO.
Kolkata
Chartered Accountants

BHUTAN TELECOM LIMITED

Notes forming part of the Financial Statements for the year ended 31st December 2017

Amount in Nu.

Particulars	**As at 31st December 2017**	**As at 31st December 2016**
Note "12" : Share capital :		
Equity share capital		
Authorized :		
1,500,000 (Previous Year 1,500,000) Equity Shares of Nu. 1,000 each	**1,500,000,000**	**1,500,000,000**
Issued, subscribed and paid up :		
854,082 (previous Year 854,082) Equity Shares of Nu.1,000 each	854,082,000.00	854,082,000.00
Total issued, subscribed and fully paid-up	**854,082,000.00**	**854,082,000.00**

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, 2017, dividend Nu: 751,592,160 to be declared (previous year 685,381,143.63).

ii. Shares held by the holding company

Name of Shareholder	**As at 31st December 2017**		**As at 31st December 2016**	
	No. of Shares held	**% of total holding**	**No. of Shares held**	**% of total holding**
Druk Holdings & Investment Limited	854,082.00	100.00	854,082.00	100.00
Total	**854,082.00**	**100.00**	**854,082.00**	**100.00**

iii Reconciliation of number of shares

Particulars	**As at 31st December 2017**		**As at 31st December 2016**	
	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	854,082.00	854,082,000.00
Shares issued during the year	-	-	-	-
Shares bought back during the year	-	-	-	-
Shares outstanding at the end of the year	**854,082**	**854,082,000**	**854,082.00**	**854,082,000.00**

KASG & CO. Kolkata Chartered Accountants

BHUTAN TELECOM LIMITED

Notes forming part of the Financial Statements for the year ended 31^{st} December 2017

Note "13" : Retained earnings & reserves:

Particulars	**As at 31^{st} December 2017**	**As at 31^{st} December 2016**
a) Group investment reserve		
Balance as per the last financial statements	405,489,602.00	405,489,602.00
Add: Transferred to dividend	(313,181,202.00)	
Closing balances	**92,308,400.00**	**405,489,602.00**
b) Retained earnings		
Balance as per last financial statements	2,823,656,987.11	2,455,144,505.47
Add: profit/loss during the year	828,860,021.96	863,061,956.06
Less: dividend paid	(372,199,941.63)	(490,806,576.42)
Less: Transferred to land	(2,362,121.00)	(3,742,898.00)
Closing balances	**3,277,954,946.44**	**2,823,656,987.11**
Total retained earnings & reserves (a+b)	**3,370,263,346.44**	**3,229,146,589.11**
Note "14" : Deferred government grants non-current:		
a) Grant from RGOB		
At the beginning of year	2,109,648.76	2,219,648.76
Less: Transferred to RGOB- Current	(110,000.00)	(110,000.00)
	1,999,648.76	**2,109,648.76**
b) Grant from RGOB-BICMA for GSM		
At the beginning of year	77,356,866.46	87,110,723.93
Add : Received during the year	5,500,000.00	29,267,797.45
Less: Transferred to RGOB- Current	(3,190,594.21)	(39,021,654.92)
	79,666,272.25	**77,356,866.46**
c) Grant from GOI for B Mobile		
At the beginning of year	1,402,620.13	3,002,483.77
Less: Transferred to GOI- Current	(1,402,620.13)	(1,599,863.64)
	-	**1,402,620.13**
d) Grant from others-JICA		
At the beginning of year	8,738,940.73	7,326,005.43
Received during the year		3,403,351.29
Less: Transferred to JICA- Current	(2,238,705.00)	(1,990,415.99)
	6,500,235.73	**8,738,940.73**
Deferred government grants (a to e)	**88,166,156.74**	**89,608,076.08**
Less: Transferred to Current Maturity Grant		
Total Deferred government grants	**88,166,156.74**	**89,608,076.08**
Note "15": Long term borrowings:		
a) Term Loan-BOB	**348,615,398.01**	**-**
b) Corporate Bond - Bank of Bhutan	**300,000,000.00**	**300,000,000.00**
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 hypothecation of Fixed Assets/ Plant & Machinery of the company.		
Total (a+b)	**648,615,398.01**	**300,000,000.00**

SG & CO. ★ Kolkata ★ Chartered Accountants

BHUTAN TELECOM LIMITED

Notes forming part of the Financial Statements for the year ended 31st December 2017

Amount in Nu.

Particulars	As at 31st December 2017	As at 31st December 2016
Note "16" : Deferred tax liability(net)		
Deferred Tax Liability-NC	-	6,783,501.83
	-	**6,783,501.83**
Note "17" : Long term provision :		
Provision for Leave Encashment-NC	40,890,756.46	32,157,939.46
Provision for Insurance of Assets-NC	26,450,209.94	22,006,253.62
	67,340,966.40	**54,164,193.08**
Note "18" : Short term borrowings:		
Term Loan Current Liabilities	79,636,472.99	-
	79,636,472.99	**-**
Note "19" : Trade and other payables:		
Sundry creditors		
Sundry Creditors - Domestic	10,344,040.91	18,116,064.00
Sundry Creditors - DHI Intra Company	757,224.86	11,066.00
Sundry Creditors - International	60,216,830.73	19,314,341.52
Other payables		
Expense Accrued	12,302,580.94	4,746,575.34
Stale Cheques	18,303.00	12,941.00
Sundry Creditors - Employees	56,661.00	50,911.00
Security Deposits - Customer	3,140,000.00	3,120,000.00
Security Deposits – Vendor	8,174,095.27	10,740,036.75
	95,009,736.71	**56,111,935.61**
Note "20" : Short term provision:		
Income Tax Payable	207,138,914.29	255,647,303.29
Provision for Leave Encashment	12,297,387.00	11,620,907.00
Provision for Audit Fees	120,750.00	120,750.00
Provision for Insurance of Assets	-	-
	219,557,051.29	**267,388,960.29**

KASG & CO. Kolkata Chartered Accountants

BHUTAN TELECOM LIMITED

Notes forming part of the Financial Statements for the year ended 31st December 2017

Amount in Nu.

Particulars	As at 31st December 2017	As at 31st December 2016
Note "21" : Other current liabilities:		
a) Deferred government grants- current:		
a) Grant from RGOB		
At the beginning of year	110,000.00	110,000.00
Add; Transferred from RGOB-non-current	110,000.00	110,000.00
Less: Transferred to statement of comprehensive income	(110,000.00)	(110,000.00)
	110,000.00	**110,000.00**
b) Grant from RGOB-BICMA for GSM		
At the beginning of year	52,830,496.92	39,021,654.92
Add: Received during the year		14,997,144.00
Add; Transferred from RGOB-non-current	3,190,594.21	39,021,654.92
Less: Transferred to statement of comprehensive income	(36,981,008.80)	(40,209,956.92)
	19,040,082.33	**52,830,496.92**
c) Grant from GOI for B Mobile		
At the beginning of year	1,599,863.64	1,599,863.64
Add; Transferred from GOI-non-current	1,402,620.13	1,599,863.64
Less: Transferred to statement of comprehensive income	(1,599,863.68)	(1,599,863.64)
	1,402,620.09	**1,599,863.64**
d) Grant from Others-JICA		
At the beginning of year	2,238,704.99	484,888.00
Add: Received during the year		1,974,755.00
Add; Transferred from JICA-non-current	2,238,705.00	1,990,415.99
Less: Transferred to statement of comprehensive income	(2,238,705.00)	(2,211,354.00)
	2,238,704.99	**2,238,704.99**
Total deferred government grants- current (a to d)	**22,791,407.41**	**56,779,065.55**
b) Other liabilities		
Tax Deducted at Source (TDS)	22,838.59	265,162.03
Tax on Telecom Service Payable (ST)	11,897,099.15	14,767,967.22
Advances from Customer	136,130.85	136,130.85
Advances from Customer - Deposit Work	8,077,248.74	86,925,389.50
Advance from Postpaid Customer	8,280,947.31	-
Liability for Unearned Income	21,190,098.99	20,411,217.69
Other Deductions	754,554.00	
	73,150,325.04	**179,284,932.84**

KASG & CO. Kolkata Chartered Accountants

BHUTAN TELECOM LIMITED

Notes forming part of the Financial Statements for the year ended 31st December 2017

Amount in Nu.

Particulars	As at 31st December 2017	As at 31st December 2016
Note "22": Revenue - Domestic :		
Telephone Service	93,473,507.96	100,730,673.99
Miscellaneous Income Fixed Line	1,577,869.17	2,025,459.15
Mobile Sim Cards	14,132,400.00	15,520,998.00
Mobile Prepaid Recharge Cards	973,029,183.89	1,194,762,853.63
Mobile Postpaid Services	170,440,843.56	164,693,271.14
Eload Mobile	1,276,445,402.44	847,551,880.04
Income from IN and VAS	3,981,172.73	3,734,174.71
Miscellaneous Income Mobile	2,838,952.02	9,020,076.66
Sale of Mobile Data Card	1,841,400.00	1,529,400.00
Broadband Postpaid	55,092,313.45	69,346,379.83
Broadband Prepaid	40,751,124.21	53,198,442.97
Internet Leaseline	220,503,488.51	206,287,844.90
Income from Domain Name Registration	551,537.43	63,687.49
Income from IPLC National	787,632.00	787,632.00
Miscellaneous Income Druknet	4,076,257.13	3,834,487.02
Sale of Internet Modem	2,781,955.00	6,577,056.08
Broadband Recharge Card	11,926,334.20	19,626,623.80
Eload Broadband	42,085.00	18,848.00
Contact Center Revenue	10,681,053.54	9,460,216.85
Income from Cloud Service	676,368.44	9,533,468.10
Income from Interconnect	92,139,660.09	92,889,940.29
Income from Data Center	19,141,878.85	-
	2,996,912,419.62	**2,811,193,414.65**
Note "23" : Revenue - International :		
International ISD	13,183,013.44	8,566,775.89
Income from International Roaming	6,952,814.50	23,912,695.30
Income from IN & VAS-International	2,235,731.20	1,148,303.70
Income from IPLC – International	3,709,852.62	5,116,881.43
Income from Domain Name - International	912,110.32	1,140,913.03
Income from Leaseline - International	341,518.80	415,008.54
	27,335,040.88	**40,300,577.89**

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Kolkata
Chartered Accountants

BHUTAN TELECOM LIMITED

Notes forming part of the Financial Statements for the year ended 31st December 2017

Amount in Nu.

Particulars	As at 31st December 2017	As at 31st December 2016
Note "24" : Other operating income :		
Income from House Rent	3,235,108.80	2,659,178.22
Income from Hire Charges	33,480.00	752,307.00
Income from BT Guide	40,150.00	492,443.20
Income from BSecure	9,679,066.60	5,394,022.08
Income from One Stop Shop	4,755,112.22	2,079,928.00
Income from Thuraya Services	1,007,984.36	841,655.21
Income from sale of CPE and Equipments	115,215.00	1,168,773.85
Fines	5,546,761.20	3,991,048.49
Income from Depository Works	115,721,647.17	83,922,967.88
Income from Sale of Tender Documents	-	1,800.00
Price Difference of Material - Gain	-	852,207.81
Physical Verification on Inventory - Gain	639,269.60	149,899.74
Discount Received	-	10,755,499.37
Rounding Difference - Gain	25.84	205.93
Miscellaneous Income	2,194,278.11	138,915,377.87
Interest from Fixed Deposits	6,795,680.27	6,537,084.97
Revaluation of Material - Gain	255,483.94	-
	150,019,263.11	**258,514,399.62**
Gain on Forex Fluctuation	19,819,798.86	21,846,955.08
	19,819,798.86	**21,846,955.08**
Note "25" : Stores and spares parts :		
Consumption of Vehicle Spares	1,143,691.38	3,180,602.04
Consumption of Office Equipment Spares	1,849,800.46	2,526,250.59
Consumption of Equipment Spares	7,121,920.07	14,416,355.40
Consumption of General Item	2,380,756.64	1,702,085.38
Consumables	902,763.70	1,296,482.55
Consumption of Printing and Stationaries	1,535,694.66	2,026,021.86
Consumption of Trading Goods	1,532,345.59	1,538,480.87
COGS of Trading Goods	43,437,642.88	34,199,955.23
Consumption of Civil Materials	-	-
	59,904,615.38	**60,886,233.92**

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BHUTAN TELECOM LIMITED

Notes forming part of the Financial Statements for the year ended 31st December 2017

Amount in Nu.

Particulars	As at 31st December 2017	As at 31st December 2016
Note "26" : Employees' remuneration and benefits :		
Basic Pay	146,185,822.93	141,613,981.34
Wages	53,150.00	152,200.00
Allowances	41,132,426.45	38,571,857.27
Leave Travel Concession	8,291,686.53	8,937,072.15
Bonus	44,096,955.80	45,448,323.51
Medical Expenses	155,720.00	206,312.00
Uniform and Livery Expenses	1,596,306.00	744,428.00
Staff Welfare Expenses	181,322.00	144,707.00
Training - In Country	9,404,003.50	9,024,508.75
Training - Ex Country	15,887,439.27	9,898,542.59
Meeting and Seminar	10,556,358.24	10,314,181.90
BT Day and Development Program expense.	2,045,594.00	-
Transfer Grant Expenses	3,215,356.36	3,837,024.58
Pilgrimage Expenses	1,021,019.60	523,427.00
Leave Encashment	20,137,312.00	20,731,374.00
Provident Fund Contribution	16,005,004.00	14,932,312.00
Gratuity	8,462,598.00	8,362,570.00
	328,428,074.68	**313,442,822.09**
Note "27" : Repairs and maintenance :		
R&M Power – Service	870,688.95	755,243.92
Generator Running Expenses	2,223,976.64	2,972,146.15
R&M Generator Set – Service	166,699.60	133,701.06
R&M Plant and Machinery – Service	807,050.89	1,030,099.32
R&M Plant and Machinery – AMC	155,124,236.58	153,931,014.43
R&M Building – Service	3,978,900.58	1,274,223.82
R&M Office Equipment – Service	386,381.94	298,068.26
R&M Furniture & Fixture – Service	-	50,875.00
R&M Office Equipment – AMC	642,850.00	494,500.00
R&M Cables and Accessories - Services	576,445.57	324,297.00
R&M Software Application – AMC	11,276,652.31	10,777,754.56
Vehicle Running Expense – POL	8,800,476.65	8,172,776.25
R&M Vehicles – Services	5,732,541.48	2,618,564.20
R&M Power – AMC	2,595,362.00	-
	193,182,263.19	**182,833,263.97**

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BHUTAN TELECOM LIMITED

Notes forming part of the Financial Statements for the year ended 31st December 2017

Amount in Nu.

Particulars	As at 31st December 2017	As at 31st December 2016
Note "28" : Administrative and general expenses :		
Deposit Work Expense	92,852,139.57	67,672,953.97
Business Promotion	1,642,030.00	2,422,898.95
Directors Fees	932,000.00	740,000.00
Brand & Management Fees	19,435,675.45	6,510,290.29
Fees and Subscriptions – National	57,890,723.22	54,786,507.88
Printing and Stationary	25,050.00	109,680.00
Advertisement	1,784,265.68	1,887,439.25
Communication (Fax, Mail, Post)	629,781.90	809,405.20
Office Maintenance	528,384.42	702,448.33
Water and Sewerage	140,697.57	132,520.74
Rent	5,193,443.08	5,443,188.18
Fines & Penalty	303,093.23	661,932.17
Travel – Foreign	716,427.83	1,432,598.39
Travel – Local	12,482,798.50	10,873,111.73
Travel - Maintenance & Project	3,271,293.00	4,485,738.00
Rates and Taxes	1,296,578.14	790,845.65
Custom Clearing Charges	-	-
Registration and Filing Fees/Survey	658,481.21	531,939.13
General Insurance	540,103.87	13,044,392.09
Expense on Interconnect Settlement	74,353,660.97	69,572,803.58
Commission	144,197,990.28	132,742,346.24
Electricity	34,268,183.30	27,178,158.08
Entertainment	4,288,484.80	4,501,296.15
Carriage Outward	591,383.00	870,120.67
Carriage Inward Expense	-	145,543.74
Books, Magazines and Newspapers	27,928.00	7,591.00
Corporate Social Responsibility	1,121,837.00	1,200,000.00
Donation	855,000.00	366,000.00
Price Difference of Material - Loss	1,752,965.57	746,023.42
Physical Verification of Inventory - Loss	831,015.83	126,455.97
Loss/Scrapping/Retirement of Inventory	1,803,796.30	4,643.58
Rounding Difference - Loss	107.70	5.64
Misc. Expenses	472,357.01	352,852.04
Professional Charges	3,016,887.15	2,033,788.00
Audit Expenses	502,821.00	415,345.00
Hospitality	992,484.00	-
Interest on Loans	35,135,206.24	23,342,168.92
Bank Charges	2,188,983.53	1,628,253.33
Travel - Deposit Work	-	-
Insurance on Telecom Equipment	5,051,116.38	-
Revaluation of Material - Loss	-	2,146,753.60
Bad and Doubtful Debts	4,388,495.86	2,759,892.53
Audit Fees	120,750.00	120,750.00
	516,284,420.59	**443,298,681.44**

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Notes forming part of the Financial Statements for the year ended 31st December 2017

Amount in Nu.

Particulars	As at 31st December 2017	As at 31st December 2016
Note "29" : International payments :		
Fees and Subscriptions - International	3,838,815.69	7,388,041.69
Satellite Utilization Charges	2,743,527.77	3,233,841.50
Service fee for IPLC	101,431,600.94	107,412,086.40
International Traffic Settlement, Voice	60,738,380.12	38,133,709.59
Internet Port Charges, IP Transit	6,179,348.57	9,250,984.98
International Roaming	18,153,528.63	18,862,381.29
GTS Settlement	-	-
GMPCS Services	781,286.80	800,259.50
	193,866,488.52	**185,081,304.95**
Note "30" : Depreciation of PPE:		
Depreciation – Building	23,747,894.00	19,655,533.00
Depreciation - Tele Equipment	289,880,555.41	353,284,382.20
Depreciation - Office Equipment	7,676,797.00	6,115,382.00
Depreciation - Furniture and Fixtures	1,554,334.00	1,396,722.00
Depreciation - Power System	125,424,502.00	114,985,600.00
Depreciation - Cable and Accessories	34,940,866.00	28,232,929.00
Depreciation – Vehicle	6,091,625.90	6,241,182.00
Depreciation - Tools and Spare Parts	5,253,545.00	4,898,571.00
Depreciation - Capital Grants	(34,309,397.48)	(42,971,671.56)
	460,260,721.83	**491,838,629.64**
Note "31" : Amortization of intangible asset:		
Amortization of Software	214,225,718.00	150,925,258.00
Depreciation - Capital Grants	(6,620,180.00)	(1,159,503.00)
	207,605,538.00	**149,765,755.00**
Loss on Forex Fluctuation	18,138,661.11	25,730,068.12
Unrealized Loss on Forex Fluctuation	-	-
	18,138,661.11	**25,730,068.12**
Note "32" : Tax expense:		
Deferred Tax Income	(16,443,370.33)	-
Deferred Tax Expense	-	8,954,645.83
Corporate Income Tax Paid	403,952,707.54	400,919,908.22
	387,509,337.21	**409,874,554.05**
Actuarial G/L Post Employment Benefit Obligations	46,380.00	6,042,078.00
	46,380.00	**6,042,078.00**
Note "33" : Earnings per share :		
Profit available for equity shareholders	828,906,401.96	869,104,034.06
Weighted number of equity shares outstanding	854,082.00	854,082.00
Nominal value of equity shares	1,000.00	1,000.00
Basic & diluted earnings per share	**970.52**	**1,017.59**
No. of Employee as on 31.12.17	660.00	
Profit After tax	828.91	
Earning per employee	1.26	

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Note: "34" Fair value measurements:

Financial instruments by category

Particulars	As at December 31, 2017			As at December 31, 2016		
	FVPL	FVOCI	Amortized cost	FVPL	FVOCI	Amortized cost
Financial assets						
Bond redemption reserve-NC			120,000,000.00			60,000,000.00
Accrued income-NC			4,734,293.09			357,597.17
Trade receivables-C			131,277,802.84			130,871,143.62
Cash and cash equivalent-C			172,043,085.68			249,870,824.85
Security deposit-C			788,565.21			1,454,215.36
Income accrued but not Due-C			2,007,812.90			-
Other Receivables-C			64,264.35			64,264.35
Total financial assets	-	-	**430,915,824.07**	-	-	**442,618,045.35**
Financial liabilities						
Loan from Danida-NC			-			-
Term loan-NC			348,615,398.01			-
Corporate bond-NC			300,000,000.00			300,000,000.00
Term loan-C			79,636,472.99			-
Trade payables-C			71,318,096.50			37,441,471.52
Expense accrued-C			12,302,580.94			4,746,575.34
Sundry creditors - employees-C			56,661.00			50,911.00
Stale cheques-C			18,303.00			12,941.00
Security deposits-C			11,314,095.27			13,860,036.75
Total financial liabilities	-	-	**823,261,607.71**	-	-	**356,111,935.61**

(i) Fair value hierarchy

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

Level 1: Level 1 hierarchy includes financial instruments measured using quoted prices.

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

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

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

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(ii) Valuation technique used to determine fair value

Specific valuation techniques used to value financial instruments include:
(i) discounted cash flow analysis

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

Particulars	December 31, 2017		December 31, 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Bond redemption reserve	120,000,000.00	120,000,000.00	60,000,000.00	60,000,000.00
Accrued income-NC	4,734,293.09	4,734,293.09	357,597.17	357,597.17
Total financial assets	**124,734,293.09**	**124,734,293.09**	**60,357,597.17**	**60,357,597.17**
Financial liabilities				
Loan from Danida-NC			-	-
Corporate bond-NC	300,000,000.00	300,000,000.00	300,000,000.00	300,000,000.00
Term loan-NC	348,615,398.01	348,615,398.01		
Term loan-C	79,636,472.99	79,636,472.99		
Total financial liabilities	**728,251,871.00**	**728,251,871.00**	**300,000,000.00**	**300,000,000.00**

The carrying amounts of sundry debtor, cash and bank balances, trade receivables, interest accrued, security deposit, other receivables, trade payables and other payables are considered to be the same as their fair values, due to their short-term nature.

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

Significant estimates

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Company uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. For details of the key assumptions used and the impact of changes to these assumptions see (ii) above.

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Note: "35" Financial risk management:

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

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

Risk	Exposure arising from	Measurement	Management
Credit risk	Cash and cash equivalents, trade receivables, financial assets measured at amortized cost.	Aging analysis	Diversification of bank deposits, customer base and credit limits
Liquidity risk	Trade payables and other financial liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities
Market risk – foreign exchange	Recognized financial assets and liabilities not denominated in Ngultrum (Nu.)	Cash flow forecasting Sensitivity analysis	Diversification of liability
Market risk – interest rate	Long-term borrowings at variable rates	Sensitivity analysis	Portfolio of loan contains fixed interest loans from financial institutions

(A) Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions and other financial instruments.

Credit risk arises from cash and cash equivalents, investments carried at amortized cost and deposits with banks and financial institutions, as well as credit exposures to wholesale customers including outstanding receivables.

(i) Credit risk management

Credit risk from balances with banks and financial institutions is managed by the Company's finance department. Currently the Company has investment in fixed deposit which are made only with approved counterparties in accordance with the Company's policy.

Apart from cash and cash equivalent, company's majority of the financial assets are in the form of trade receivables only. Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. As significant portion of the company's sale is in cash (all prepaid services), total trade receivables outstanding at the reporting date are also not significant in comparison of the company's total revenue. These trade receivables are non-interest bearing and are generally on credit term of 30-60 days. The Company regularly monitors its outstanding customer receivables.

Company categorized its trade receivables mainly into two categories, due from international customers and from domestic customers. In case of international debtors, there is no history of default and delay risk. Further, as per the arrangement and company's policy in case of majority of the international customers, receivables balances are settled on regular interval. Therefore, considering the forward looking approach management believes that the credit risk in case of international customers is not significant and no loss allowance is required to be provided.

In case of domestic trade receivables, company have history of delay in recovery as well as default in recovery. However, as per the company policy, in case of delay in recovery, company billed and recover delay charges for the delay period. Accordingly, company is not exposed to delay risk. For default risk, company based on history, past trends and forwarding looking approach provides for loss allowance following expected credit loss method.

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(ii) Reconciliation of loss allowance provision – Trade receivables

Loss allowance on December 31, 2015	**27,995,153.19**
Changes in loss allowance	
	2,675,819.31
Loss allowance on December 31, 2016	**25,319,333.88**
	4,282,152.86
Loss allowance on December 31, 2017	**29,601,486.74**

The gross carrying amount of trade receivables is Nu. 131,277,802.84 December 2017, and Nu: 130,871,144 December 31, 2016

(B) Liquidity risk

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

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. The company is exposed to significant liquidity risk apart from general financial liabilities such as trade payables, etc., during the financial year 2015, company has also borrowed 300 million through bond for a tenure of 5 years which is payable after 5 years. Further, as per the terms and conditions of the bond, company is required to create a bond redemption reserve every year to repay the bond at maturity. In 2017, company also borrow 45 million term loan for a tenure of 5 year to finance the LTE project 2017. Management monitors rolling forecasts of the Company's liquidity position and cash and cash equivalents on the basis of expected cash flows. This is generally performed in accordance with practice and limits set by the Company.

(i) Maturities of financial liabilities

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

a) all non-derivative financial liabilities, and

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Contractual maturities of financial liabilities:

Particulars	Less than 1 year	More than 1 years	Total
December 31, 2017			
Non-derivatives			
Corporate bond	22,500,000.00	339,375,000.00	361,875,000.00
Term loan	79,636,472.99	348,615,398.01	428,251,871.00
Trade payables	71,318,096.50	-	71,318,096.50
Expense accrued	12,302,580.94	-	12,302,580.94
Sundry creditors - employees	56,661.00		56,661.00
Stale cheques	18,303.00	-	18,303.00
Security deposits	11,314,095.27	-	11,314,095.27
Total non-derivative liabilities	**197,146,209.70**	**687,990,398.01**	**885,136,607.71**
December 31, 2016			
Non-derivatives			
Corporate bond	22,500,000.00	361,875,000.00	384,375,000.00
Trade payables	37,441,471.52	-	37,441,471.52
Expense accrued	4,746,575.34	-	4,746,575.34
Sundry creditors - employees	50,911.00		50,911.00
Stale cheques	12,941.00	-	12,941.00
Security deposits	13,860,036.75	-	13,860,036.75
Total non-derivative liabilities	**78,611,935.61**	**361,875,000.00**	**440,486,935.61**

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(C) Market risk

(i) Foreign currency risk

Foreign Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The company does not operate internationally, however, expose to the foreign currency risk due to receivable/payable denominated in foreign currency for the various transactions such as interconnect agreement with foreign operators, and providing network services to the foreign operator's customers, etc. Foreign currency risk, is closely monitored by the Management to decide on the requirement of hedging. The position of foreign currency exposure to the Company as at the end of the year expressed in Nu. are as follows:

(Values in Nu.)

	December 31, 2017	December 31, 2016
	USD	USD
Financial assets	43,283.86	5,536,701.90
Financial liabilities	12,347.78	2,936,942.78
Net exposure to foreign currency risk	**30,936.08**	**2,599,759.12**

	December 31, 2017	December 31, 2016
	Euro	Euro
Financial assets	-	1,030,179.13
Financial liabilities	-	-
Net exposure to foreign currency risk	**-**	**1,030,179.13**

	December 31, 2017	December 31, 2016
	INR	INR
Financial assets	-	-
Financial liabilities	3,453,769.14	17,840,438.53
Net exposure to foreign currency risk	**(3,453,769.14)**	**(17,840,438.53)**

Sensitivity

The sensitivity of profit or loss to changes in the exchange rates arises mainly from foreign currency denominated financial instruments.

	Impact on profit before tax	
	December 31, 2017	December 31, 2016
USD sensitivity		
Nu. depreciate by 5% (2016: 5%)	1,546.80	129,987.96
Nu. appreciate by 5% (2016: 5%)	(1,546.80)	(129,987.96)
EURO sensitivity		
Nu. depreciate by 5% (2016: 5%)	-	51,508.96
Nu. appreciate by 5% (2016: 5%)	-	(51,508.96)

** Holding all other variables constant*

As value of Nu. is constantly equal to the INR, company is not exposed to any foreign currency risk relating to amount receivables/payable in INR.

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(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates. As company does not have any variable rate borrowing outstanding or investment, company is not exposed to significant interest rate risk.

(iii) Price risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or by factors affecting all similar financial instruments traded in the market. As the company does not have any investment in listed securities which are exposed to price risk, company is not exposed to significant price risk.

Note: "36" Capital management

(a) Risk management

The company's objectives when managing capital are to

i. safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and

ii. Maintain an optimal capital structure to reduce the cost of capital.

The Company is formed as a wholly owned subsidiary of Druk Holding & Investments Limited (DHI). Company manages the share capital issued and subscribed along with shareholder's fund appearing in the financial statement as capital of the company.

(b) Dividends

	December 31, 2017	December 31, 2016
Final dividend for the year	751,592,160.00	685,381,143.63

Note: 37 Transition to IFRS

These are the Company's financial statements prepared in accordance with complete IFRSs.

The accounting policies set out in "significant accounting policies" have been applied in preparing the financial statements for the year ended 31 December, 2017 and the comparative information presented in these financial statements for the year ended 31 December, 2016.

A. Exemptions and exceptions availed

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

A.1 IFRS mandatory exceptions

A.1.1 Estimates

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

IFRS estimates as at 1 January 2015 are consistent with the estimates as at the same date made in conformity with previous GAAP.

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Adjustments made due to IFRS Phase III implementation

1. Revenue recognition for Deposit Contracts

Company execute various nature of contracts which are classified as deposit contracts. Under such contracts, company is required to provide goods and services to the customer and procure material from its vendor independently. In other words, company execute the contracts independently and caries risk and rewards from the contracts. Under previous standards, revenue from such contracts were recognised on net basis (net profit/loss from the contract).Under IFRS, revenue from such contracts is required to be recognised on gross basis with corresponding expense as the company is acting as principal under the contract and not as an agent. Accordingly, necessary adjustment has been made under IFRS.

2. Revenue recognition from revenue sharing agreements

Company execute certain contracts where company provides IVR platforms, etc., to the third parties. Under such contracts, company agreed to share total revenue received by the company with third party in agreed ratio. Under previous standards such revenue was recognized by the company on gross basis with corresponding expense for the amount to be shared with the third party. However, under IFRS revenue from such contracts should be recognized by the company on net basis as a portion of the total revenue received by the company under the contract is received by the company on behalf of third party. Therefore, to that extent revenue should not be recognized by the company.

3. Interest income on fixed deposits

Company has investment in fixed deposits. Interest on majority of the fixed deposits hold by the company is earned on simple interest rate basis and received at the time of maturity (no compounding of the interest is recognised). Under previous GAAP company was recognising interest income on the fixed deposit on the basis of contractual rate. Under IFRS, such fixed deposits should be classified as financial assets measured at amortised cost and interest income should be recognised on effective interest basis.

4. Fair valuation of security deposits

Under the previous GAAP, interest free lease security deposits assets (that are refundable in cash on completion of the contract term) are recorded at their transaction value. Under IFRS, all financial assets are required to be recognized at fair value at initial recognition and subsequently at amortized cost. Accordingly, The company has fair valued these security deposits under IFRS. Difference between the fair value and transaction value of the security deposit has been recognized as prepaid rent.

Under the previous GAAP, security deposits liability (that are refundable in cash on completion of the contract term) are recorded at their transaction value. Under IFRS, these financial liabilities are required to be recognized at fair value at initial recognition and subsequently at amortized cost. Accordingly, The company has fair valued these security deposits under IFRS. Difference between the fair value and transaction value of the security deposit has been recognized as advance rent.

5. Cash Discount

Under the previous GAAP, all the discount allowed for sale of mobile handset, b-secure equipment, bulk sms etc. to the customer has been shown as Discount Allowed separately under operating expense, however since it a cash discount allowed for the purchase of items, same has been set off against the revenue which are booked on gross basis.

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Note "38: Notes to accounts

1. **Related party disclosure**

As identified by the management and in accordance with the Bhutanese Accounting Standard -24 following are the list of related parties

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

i. **Parent and subsidiary:**

Nature of relationship	Name of entity	Acronym used
Holding Company	Druk Holding & Investment Ltd.	DHI
Subsidiary Company	Thimphu Tech Park Limited	TTPL

ii. **Key management personnel**

Position	Name	Remarks
Chairperson	Mr. Tenzin Dhendup	Present
Director	Dr. Damber S. Kharka	Present
Director	Mr. Pasang Dorji	Present
Director	Mrs. Leki Wangmo	Present
Director	Mr. Jigme Tenzing	Present
Director	Mr. Dechen Dorji	Present
Chief executive officer	Mr. Tshewang Gyeltshen	Former
Chief executive officer	Mr. Karma Jurme	Present

iii. **Entities under common control**

Nature of relationship	Name of entity	Acronym used
Subsidiary of holding company	Bhutan Power Corporation Ltd.	BPC
Subsidiary of holding company	Drukair Corporation Ltd.	DACL
Subsidiary of holding company	Druk Green Power Corporation Ltd.	DGPC
Subsidiary of holding company	Dungsam Cement Corporation Ltd.	DCCL
Subsidiary of holding company	Natural Resource Development Corporation Ltd.	NRDCL
Subsidiary of holding company	Construction Development Corporation Ltd.	CDCL
Subsidiary of holding company	Wood Craft Center Ltd.	WCCL
Subsidiary of holding company	State Mining Corporation Ltd.	SMCL
Subsidiary of holding company	Koufuku International Private Ltd.	KIPL
Controlled company of holding company	Bank of Bhutan Ltd.	BOBL
Controlled company of holding company	Dungsam Polymers Ltd.	DPL
Controlled company of holding company	State Trading Corporation of Bhutan Ltd.	STCBL
Linked company of holding company	Bhutan Board Product Ltd.	BBPL
Linked company of holding company	Penden Cement Authority Ltd.	PCAL

a) Transactions with related parties during the year:

i. DSA and sitting fee:

Transactions:	Amount in Nu			
	2017		2016	
	DSA	Sitting Fee	DSA	Sitting Fee
Mr. Tenzin Dhendup	131,000.75	124,000.00	220,767.34	88,000.00
Dr. Damber S. Kharka	129,135.75	168,000.00	87,311.50	160,000.00
Mr. Pasang Dorji	97,742.30	136,000.00	53,504.00	100,000.00
Mr. Dechen Dorji	97,410.10	84,000.00		44,000.00
Mrs. Leki Wangmo		132,000.00	230,500.02	60,000.00
Mr. Jigme Tenzing		84,000.00	53,504.00	72,000.00
Mr. Sangay Khandu		16,000.00		
Mr. Karma Y. Raydi		16,000.00		
Mr. KezangLotey		4,000.00		
Mr. Nim Dorji		4,000.00		
Mr. Pema Chewang		16,000.00		
Mrs. Yangchen Dolkar Dorji		4,000.00		
Mr. Chimmi Dorji		28,000.00		
Mr. Phuntsho Tobgay				16,000.00
Mr. Minjur Dorji			13,750.00	24,000.00
Mr. Gyeltshen				24,000.00
Total	**455,288.90**	**816,000.00**	**659,336.86**	**588,000.00**

ii. Chief Executive Officer's remuneration:

Name	Particulars	2017	2016
Mr. Tshewang Gyeltshen	Salary	974,400.00	1,438,400.00
(Former)	Leave travel concession	10,000.00	15,000.00
	Bonus and PBVA	552,388.24	405,500.00
	Contribution to superannuation fund	73,920.00	109,120.00
	Sitting fess	68,000.00	152,000.00
	Leave encashment	183,400.00	
Mr. Karma Jurme	Salary	576,000.00	
(Present)	Leave travel concession	15,000.00	
	Bonus and PBVA	-	
	Contribution to superannuation fund	35,200.00	
	Sitting fess	48,000.00	
	Leave encashment	-	
	Total	**2,536,308.24**	**2,120,020.00**

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iii. Intergroup transaction with the DOC companies:

GCOA	GCOA Ledger	Entity	Inter CO ID	2017.DEC	Amount
4107010514	Communication and ICT revenue from DHI Group companies	BTL	I_DACL	2017.DEC	(7,493,105.86)
2103010302	Intragroup trade payables	BTL	I_DACL	2017.DEC	(178,082.00)
1109010102	Intragroup trade receivables	BTL	I_DACL	2017.DEC	626,108.00
3109010614	Flight tickets and other services purchased from DACL	BTL	I_DACL	2017.DEC	4,414,889.00
4107010514	Communication and ICT revenue from DHI Group companies	BTL	I_KIL	2017.DEC	(142,433.77)
1207010017	Investment in Shares of Thimphu TechPark Limited	BTL	I_TTPL	2017.DEC	92,308,400.00
2103010302	Intragroup trade payables	BTL	I_TTPL	2017.DEC	(13,396.94)
1109010102	Intragroup trade receivables	BTL	I_TTPL	2017.DEC	464,459.00
4107010514	Communication and ICT revenue from DHI Group companies	BTL	I_TTPL	2017.DEC	(5,928,617.28)
3109010616	Rental Expenses paid to DHI Group Companies	BTL	I_TTPL	2017.DEC	157,270.31
2503010008	Intragroup Dividends relating to current year	BTL	I_DI01	2017.DEC	(372,199,941.63)
2503010008	Intragroup Dividends relating to current year	BTL	I_DI01	2017.DEC	(313,181,202.00)
3109010617	Inter group Brand management Fees	BTL	I_DI01	2017.DEC	19,435,675.45
2501010001	Equity Shares held by DHI	BTL	I_DI01	2017.DEC	(854,082,000.00)
4107010514	Communication and ICT revenue from DHI Group companies	BTL	I_DI01	2017.DEC	(1,484,925.05)
1109010102	Intragroup trade receivables	BTL	I_DI01	2017.DEC	113,924.00
4116010008	Other Communication Services Related Operating Revenue	BTL	I_DI01	2017.DEC	(148,032.00)
4107010514	Communication and ICT revenue from DHI Group companies	BTL	I_BBPL	2017.DEC	(567,637.40)
1213030001	Furniture, fixtures, computers and office equipment	BTL	I_BBPL	2017.DEC	410,621.30
4107010514	Communication and ICT revenue from DHI Group companies	BTL	I_DG01	2017.DEC	(2,706,783.79)
1109010102	Intragroup trade receivables	BTL	I_DG01	2017.DEC	3,338,411.95
4107010524	Inter Group Miscellaneous Income	BTL	I_DG01	2017.DEC	(90,000.00)
3109010616	Rental Expenses paid to DHI Group Companies	BTL	I_DG01	2017.DEC	16,155.00
4107010508	Service Revenue from DHI Group companies	BTL	I_DG01	2017.DEC	(7,994,786.49)
4107010524	Inter Group Miscellaneous Income	BTL	I_DG01	2017.DEC	(106,214.00)
4107010514	Communication and ICT revenue from DHI Group companies	BTL	I_DG01	2017.DEC	(128,441.28)
1109010102	Intragroup trade receivables	BTL	I_DC01	2017.DEC	231,327.00
4107010514	Communication and ICT revenue from DHI Group companies	BTL	I_DC01	2017.DEC	(2,919,172.24)
4107010514	Communication and ICT revenue from DHI Group companies	BTL	I_WCC	2017.DEC	(266,496.00)
1213030001	Furniture, fixtures, computers and office equipment	BTL	I_WCC	2017.DEC	189,005.00
3109010043	Intragroup Miscellaneous Expenses	BTL	I_WCC	2017.DEC	8,150.00
1109010102	Intragroup trade receivables	BTL	I_WCC	2017.DEC	23,480.00
4107010514	Communication and ICT revenue from DHI Group companies	BTL	I_CDCL	2017.DEC	(1,502,988.65)
4108010021	Intragroup Consulting Income	BTL	I_CDCL	2017.DEC	(3,000,000.00)
1109010102	Intragroup trade receivables	BTL	I_CDCL	2017.DEC	1,500,000.00
4107010524	Intergroup Miscellaneous Income	BTL	I_CDCL	2017.DEC	(19,885.00)
3107010013	Running & Maintenance Of Others-Intergroup	BTL	I_CDCL	2017.DEC	188,298.26

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GCOA	GCOA Ledger	Entity	Inter CO ID	2017.DEC	Amount
2103010302	Intragroup trade payables	BTL	I_CDCL	2017.DEC	(18,829.83)
4107010514	Communication and ICT revenue from DHI Group companies	BTL	I_SMCL	2017.DEC	(820,005.94)
4107010514	Communication and ICT revenue from DHI Group companies	BTL	I_THEL	2017.DEC	(1,394,979.68)
1213030001	Furniture, fixtures, computers and office equipment	BTL	I_STCBL	2017.DEC	160,015.00
1213050001	Vehicles	BTL	I_STCBL	2017.DEC	4,600,000.00
4107010514	Communication and ICT revenue from DHI Group companies	BTL	I_STCBL	2017.DEC	(1,182,171.01)
3109010043	Intragroup Miscellaneous Expenses	BTL	I_STCBL	2017.DEC	3,580.00
3107010012	Running & Maintenance Of Vehicle-Intergroup	BTL	I_STCBL	2017.DEC	1,291,273.12
4107010514	Communication and ICT revenue from DHI Group companies	BTL	I_DH01	2017.DEC	(511,093.73)
1109010102	Intragroup trade receivables	BTL	I_DH01	2017.DEC	81,502.00
1101020103	Balances with BOBL	BTL	I_BOBL	2017.DEC	82,972,511.33
2204030001	Intra corporate deposits	BTL	I_BOBL	2017.DEC	(300,000,000.00)
3110010607	Interest on intra group bonds	BTL	I_BOBL	2017.DEC	22,500,000.00
2103040002	Intergroup Accrued expenses	BTL	I_BOBL	2017.DEC	(4,746,575.34)
2204050401	Borrowings from BoBL - noncurrent	BTL	I_BOBL	2017.DEC	(428,251,871.00)
3110010602	Interest on loans from BoBL	BTL	I_BOBL	2017.DEC	12,635,206.24
1213020001	Plant and Machinery	BTL	I_BOBL	2017.DEC	5,139,727.00
2103040002	Intergroup Accrued expenses	BTL	I_BOBL	2017.DEC	(7,556,005.60)
3109010044	Intragroup Commission and Brokerage fees	BTL	I_BOBL	2017.DEC	19,145,314.98
4107010514	Communication and ICT revenue from DHI Group companies	BTL	I_BOBL	2017.DEC	(17,071,169.53)
4107010521	Rental Income from Group Companies	BTL	I_BOBL	2017.DEC	(48,000.00)
4107010524	Intergroup Miscellaneous Income	BTL	I_BOBL	2017.DEC	(30,000.00)
4107010522	Intragroup Commission and Brokerage Income	BTL	I_BOBL	2017.DEC	(2,307,303.00)
2106010005	Intergroup Advance	BTL	I_BOBL	2017.DEC	(517,500.00)
4108010014	Income from Deposit Works	BTL	I_BOBL	2017.DEC	(559,010.00)
4107010514	Communication and ICT revenue from DHI Group companies	BTL	I_DP01	2017.DEC	(570,075.00)
1109010102	Intragroup trade receivables	BTL	I_DP01	2017.DEC	118,113.00
3109010627	Electricity Charges - paid to DHI Group companies	BTL	I_BPC	2017.DEC	34,268,183.30
4107010514	Communication and ICT revenue from DHI Group companies	BTL	I_BPC	2017.DEC	(4,976,170.53)
3109010616	Rental Expenses paid to DHI Group Companies	BTL	I_BPC	2017.DEC	370,394.31
1213040001	Cables and Power System	BTL	I_BPC	2017.DEC	10,226,326.15
1213040001	Cables and Power System	BTL	I_BPC	2017.DEC	241,766.49
3109010043	Intragroup Miscellaneous Expenses	BTL	I_BPC	2017.DEC	44,402.00
4108010014	Income from Deposit Works	BTL	I_BPC	2017.DEC	(5,267,649.90)
4107010514	Communication and ICT revenue from DHI Group companies	BTL	I_NRDCL	2017.DEC	(1,612,447.13)
3109010043	Intragroup Miscellaneous Expenses	BTL	I_NRDCL	2017.DEC	13,000.00
1109010102	Intragroup trade receivables	BTL	I_NRDCL	2017.DEC	417,061.40
1109010102	Intragroup trade receivables	BTL	I_PCAL	2017.DEC	34,420.00
4107010514	Communication and ICT revenue from DHI Group companies	BTL	I_PCAL	2017.DEC	(289,258.38)

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2. Employee's benefit disclosures as per BAS 19

a) Gratuity scheme:

SECTION II – DISCLOSURES

A. ACCOUNTING EXHIBITS *Nu:*

A1. Change in defined benefit obligation (DBO)	31-Dec-17	30-Dec-16
DBO at the beginning of the current period	122,702,952.00	116,130,447.00
Current service cost	7,886,412.00	7,291,985.00
Past service cost	-	-
Interest cost	9,450,528.00	8,786,371.00
Benefits paid by the plan	(9,142,709.00)	(12,601,629.00)
Benefits paid by the employer	-	-
Actuarial (gains)/losses due to plan experience	(2,523,025.00)	(1,085,727.00)
Actuarial (gains)/losses due to change in demographic assumptions	-	-
Actuarial (gains)/losses due to change in financial assumptions	4,181,505.00	4,181,505.00
DBO at the end of the current period	**132,555,663.00**	**122,702,952.00**

A2. Change in fair value of plan assets	31-Dec-17	30-Dec-16
Fair Value of Assets at the beginning of current period	108,298,304.00	89,365,843.00
Contributions paid into the plan	14,404,648.00	26,764,604.00
Expected return on the plan assets	8,874,342.00	7,715,786.00
Benefits paid by the plan	(9,142,709.00)	(12,601,629.00)
Return on plan assets greater or (less) than discount rate	1,612,100.00	(2,946,300.00)
Fair Value of assets at the end of the current the period	**124,046,685.00**	**108,298,304.00**

A3. Income statement	31-Dec-17	30-Dec-16
Current service cost	7,886,412.00	7,291,985.00
Past service cost	-	-
Net interest cost on net DB liability/(asset)	576,186.00	1,070,585.00
Net cost for the year recognized in income statement	**8,462,598.00**	**8,362,570.00**

A4. Other comprehensive income (OCI)	31-Dec-17	30-Dec-16
Actuarial (gains)/losses due to liability experience	(2,523,025.00)	(1,085,727.00)
Actuarial (gains)/losses due to liability assumption changes	4,181,505.00	4,181,505.00
Return on plan assets (greater)or less than discount rate	(1,612,100.00)	2,946,300.00
Re-measurement (gains)/losses recognized in OCI	**46,380.00**	**6,042,078.00**

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A5. Defined benefit cost	31-Dec-17	30-Dec-16
Current service cost	7,886,412.00	7,291,985.00
Past service cost	-	-
Net interest cost on net DB liability/(asset)	576,186.00	1,070,585.00
Re-measurement (gains)/losses recognized in OCI	46,380.00	6,042,078.00
Total Defined Benefit Cost	**8,508,978.00**	**14,404,648.00**

A6. Development of net financial position	31-Dec-17	30-Dec-16
Defined benefit obligation	(132,555,663.00)	(122,702,952.00)
Fair value of plan assets	124,046,685.00	108,298,304.00
Funded status - (deficit)/surplus	(8,508,978.00)	(14,404,648.00)
Net defined benefit asset/(liability)	**(8,508,978.00)**	**(14,404,648.00)**

A7. Reconciliation of net financial position	31-Dec-17	30-Dec-16
Net defined benefit liability/(asset) at the beginning of current period	14,404,648.00	26,764,604.00
Amount recognized in the income statement	8,462,598.00	8,362,570.00
Amount recognized in the OCI	46,380.00	6,042,078.00
Contributions paid into the plan	(14,404,648.00)	(26,764,604.00)
Benefits paid by employer	-	-
Net defined benefit liability/(asset) at the end of current period	**8,508,978.00**	**14,404,648.00**

A8. Expected benefit payments for the year ending	*in Nu.*
31-Dec-18	20,336,615.00
31-Dec-19	18,009,709.00
31-Dec-20	18,166,480.00
31-Dec-21	18,035,043.00
31-Dec-22	22,433,338.00
December 31, 2023 to December 31, 2027	125,736,807.00

A9. Estimated term of liability (Years)	10.89

A10. Scheme Asset Allocation	Amount	Percentage
Corporate Bond	15,847,192	13.00%
Gratuity Scheme	106,812,027	86.00%
Cash at Bank	1,387,466	1.00%
Total	**124,046,685**	**100.00%**

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A.11 Sensitivity Analyses

In Nu.

1. Discount Rate	Defined Benefit Obligation	Net Effect on DBO
Base Discount Rate of 8%	132,555,663.00	-
Discount rate of 8.5% (+0.5%)	128,326,681.00	(4,228,982.00)
Discount rate of 7.5% (-0.5%)	137,045,223.00	4,489,560.00
2. Salary Escalation Rate		
Base Salary Escalation Rate of 8%	132,555,663.00	-
Salary Escalation Rate of 9% (+1%)	137,036,176.00	4,480,513.00
Salary Escalation Rate of 7% (-1%)	127,829,290.00	(4,726,373.00)
3. Attrition Rate		
Base Attrition Rate of 5%	132,555,663.00	-
Attrition Rate of 6% (+1%)	131,919,019.00	(636,644.00)
Attrition Rate of 4% (-1%)	133,156,628.00	600,965.00

B. SCHEME DESCRIPTIONS

B.1 Gratuity Scheme Benefits as at 31 December 2017.

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.
6. **Benefit Formula**: Monthly Basic Salary at the time of exit X Eligible service rendered till the time of exit rounded to the nearest integer.

C. ACTUARIAL ASSUMPTIONS

C.1 Summary of Actuarial Assumptions

	31-Dec-17	31-Dec-16
Discount Rates	8.00%	8.50%
Salary Escalation Rates	8.00%	8.00%
Employee Turnover Rates	5.00%	5.00%
Mortality Rates	100% of IALM (2006-08)	100% of IALM (2006-08)

C.2 Rationale for choosing actuarial assumptions

1. Discount rate for this valuation is based on Yield to Maturity (YTM) available on high quality Government issued Corporate Bonds and Deposit Rates of similar terms.
2. Salary escalation assumption has been based on the past experiences of the Company as well as overall long-term salary growth rates after taking into consideration expected earnings inflation, performance and seniority related increases.

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3. Employee turnover rates are set based on the Company's experience and expected long-term future employee turnover within the Company.
4. The scheme does not have sufficient experience (data) in respect of past mortality claims so scheme-specific mortality rates could not be estimated. However, based on professional judgment, 100% of IAL Mortality Table (2006-08) would be appropriate for assessment of liability in respect of death benefits.
5. As per the provisions of BAS 19, selection of appropriate assumptions is responsibility of the Company. We have advised that the suitability of assumptions is responsibility of the Company.
6. We believe that assumptions taken in this report fall within the range of possible assumptions that are appropriate for this valuation. Other values of assumption parameters could have been reasonable as well and would have produced different results.

b) Leave encashment:

SECTION II – DISCLOSURES

A. ACCOUNTING EXHIBITS *In Ngultrums*

A1. Change in defined benefit obligation (DBO)	31-Dec-17	30-Dec-16
DBO at the beginning of the current period	9,110,467.00	7,827,266.00
Current service cost	244,816.00	1,283,201.00
Past service cost	-	-
Interest cost	703,939.00	590,926.00
Benefits paid by the plan		
Benefits paid by the employer	(622,466.00)	(881,373.00)
Actuarial (gains)/losses due to plan experience	(81,473.00)	(97,812.00)
Actuarial (gains)/losses due to change in demographic assumptions	-	-
Actuarial (gains)/losses due to change in financial assumptions	-	388,259.00
DBO at the end of the current period	**9,355,283.00**	**9,110,467.00**

A2. Income statement	31-Dec-17	30-Dec-16
Current service cost	244,816.00	1,283,201.00
Past service cost	-	-
Net interest cost on net DB liability/(asset)	703,939.00	590,926.00
Re-measurement (gains)/losses	(81,473.00)	290,447.00
Net cost for the year recognised in income statement	**867,282.00**	**2,164,574.00**

A3. Development of net financial position	31-Dec-17	30-Dec-16
Defined benefit obligation	(9,355,283.00)	(9,110,467.00)
Fair value of plan assets	-	-
Funded status - (deficit)/surplus	(9,355,283.00)	(9,110,467.00)
Net defined benefit asset/(liability)	**(9,355,283.00)**	**(9,110,467.00)**

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A4. Reconciliation of net financial position	31-Dec-17	30-Dec-16
Net defined benefit liability/(asset) at the beginning of current period	9,110,467.00	7,827,266.00
Amount recognized in the income statement	867,282.00	2,164,574.00
Contributions paid into the plan	-	-
Benefits paid by employer	(622,466.00)	(881,373.00)
Net defined benefit liability/(asset) at the end of current period	**9,355,283.00**	**9,110,467.00**

A5. Expected benefit payments for the year ending	*in Nu.*
31-Dec-17	718,154.00
31-Dec-18	730,892.00
31-Dec-19	700,309.00
31-Dec-20	717,688.00
31-Dec-21	775,688.00
December 31, 2022 to December 31, 2026	**4,333,453.00**

A6. Estimated term of liability (Years)	10.31

A7. Sensitivity Analyses **In Nu.**

1. Discount Rate	Defined Benefit Obligation	Net Effect on DBO
Base Discount Rate of 8%	9,355,283	-
Discount rate of 8.5% (+0.5%)	8,940,340	(414,943)
Discount rate of 7.5% (-0.5%)	9,804,012	448,729
2. Salary Escalation Rate		
Base Salary Escalation Rate of 8%	9,355,283	-
Salary Escalation Rate of 9% (+1%)	10,331,586	976,303
Salary Escalation Rate of 7% (-1%)	8,506,149	(849,134)
3. Attrition Rate		
Base Attrition Rate of 5%	9,355,283	-
Attrition Rate of 6% (+1%)	9,349,738	(5,545)
Attrition Rate of 4% (-1%)	9,366,345	11,062

B. SCHEME DESCRIPTIONS

B.1 Leave Scheme Benefits as at 31 December 2017.

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.

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5. **Benefit Formula**: Monthly Basic Salary at the time of exit X Accrued earned leave.

C. ACTUARIAL ASSUMPTIONS

C. 1 Summary of Actuarial Assumptions

	31-Dec-17	31-Dec-16
Discount Rates	8.00%	8.50%
Salary Escalation Rates	8.00%	8.00%
Employee Turnover Rates	5.00%	5.00%
Mortality Rates	100% of IALM (2006-08)	100% of IALM (2006-08)

C.2 Rationale for choosing actuarial assumptions

1. Discount rate for this valuation is based on Yield to Maturity (YTM) available on high quality Government issued Corporate Bonds and Deposit Rates of similar terms.
2. Salary escalation assumption has been based on the past experiences of the Company as well as overall long-term salary growth rates after taking into consideration expected earnings inflation, performance and seniority related increases.
3. Employee turnover rates are set based on the Company's experience and expected long-term future employee turnover within the Company.
4. The scheme does not have sufficient experience (data) in respect of past mortality claims so scheme-specific mortality rates could not be estimated. However, based on professional judgment, 100% of IAL Mortality Table (2006-08) would be appropriate for assessment of liability in respect of death benefits.
5. As per the provisions of BAS 19, selection of appropriate assumptions is responsibility of the Company. We have advised that the suitability of assumptions is responsibility of the Company.
6. We believe that assumptions taken in this report fall within the range of possible assumptions that are appropriate for this valuation. Other values of assumption parameters could have been reasonable as well and would have produced different results.

3. Provisions and Contingent Liabilities:

a) Capital Commitments :

Particulars	2017	2016
Amount of contract remaining to be executed on Capital Accounts but not provided (Net of Advances)	62,500,000.00	81,035,058.77

b) Provisions:

Particular	2017		2016	
	Leave Encashment	Bad Debts	Leave Encashment	Bad Debts
Opening	43,778,846.00	25,319,333.62	33,499,252.00	27,995,152.93
Addition	9,355,283.00	4,388,495.86	9,110,467.00	2,759,892.53
Addition	12,297,387.00		11,620,907.00	
Utilized	10,728,015.00	106,343.00	10,451,780.00	5,435,711.84
Closing	**54,703,501.00**	**29,601,486.48**	**43,778,846.00**	**25,319,333.62**

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4. Land vested in the company is subject to confirmation and verification by the National Land Commission out of which some are still pending for the registration. As per the approved DHI land policy and implementation guidelines, the second phase of land transfer from DOC's to DHI has been completed for the 9 (nine), previous 6(six) dzongkhags in Eastern, Western and Central region in 2017 vide DHI letter no: DHI/DOI/PIU/Lands/2017/654 dated 8thNovember 2017. In view of the above, 23 (twenty three) numbers of Free Hold Land costing Nu: 2,362,121.00 has been transferred from BTL to DHI as on 31.12.17 vide document no: 520002000
5. Depreciation on Property, Plant and Equipment acquired through grants amounting to Nu.40, 929577.48(Previous year Nu. 44,131,174.56) have been adjusted by way of transfer of equal amount from Statement of Comprehensive Income.
6. During the year, company has received an additional grant of Nu. 5,500,000.00 (Previous Year Nu.44, 264,941.45) from Bhutan Information and Communication & Media Authority (BICMA) as towards Rural GSM Project-Lunana terrestrial microwave link.
7. GSM License fee payable to BICMA for 15 years is Nu. 777,000,000.00, out of which Nu. 505,050,000.00 (Previous Year Nu. 453,250,000.00) has been incurred up to 31st December, 2017.
8. Under the General Insurance, an amount of Nu: 4,443,956.32 has been debited for the self-insurance of asset and credit to the provision for insurance of asset as on 31stDecember 2017 vide document no: 2100050127 previous years Nu: 12,584,718.83 from 2014-2016.
9. As per BFRS 9, Impairment of Trade Receivables, the debtors as on 31st December 2017 has been impaired with the following schedules amounting to Nu. 29,707,829.74

Impairment of Trade Receivables

Particulars	0-3 Months	3-6 Months	6-9 Months	9-12 Months	More Than a YEAR
Impairment percentage	**5.00**	**20.00**	**30.00**	**60.00**	**100.00**

10. Expenses on revenue sharing-national amounting to Nu: 9,733,173.25 is netted off against revenue from mobile services since the amount was collected on behalf of third parties for providing IVR platform. The same expenses were booked under general and admin expenses and the revenue was recognized on gross basis in the past year.
11. During the year company received total amount of Nu: 115,721,647.17 for various deposit contract (deposit work) from other agencies. Of this Nu: 92,852,139.57 (excluding the deployment of manpower cost) has incurred to complete the work and earned net income of Nu: 22,869,507.60, which has been booked on gross basis, previously had been booked on net basis.
12. Expense on discount allowed amounted to Nu: 2,969,089.97 against the sale of mobile handset, b-secure equipment, bulk sms and data card was netted off against the revenue booked on gross basis, as it was a cash discount provided to customer.

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13. Consumption of BT contact center and Data center services amounting to Nu.16, 654,776.00 was neither considered in the accounts as income nor as expenditure.
14. Fine & Penalties includes Nu. 280,593.23 as penalty charged on settlement of taxes due for the assessment year 2014 and 2015. Fines of Nu 22,500 has been paid to BICMA for using the frequency which was beyond the approved frequencies.
15. Investment equivalent to provision of Leave encashment amounting to Nu 40,890,756.46 and provision of insurance amounting to Nu 26,450,289.94 should be made, so that liabilities on these accounts can be met from those investments, as & when they arise.
16. Cheque dishonoured of customer amounting to Nu 205,128.00 in western region, Thimphu is still due for recovering as on 31st December, 2017.
17. A case of Claim filed by KNI contractor claiming Nu 2,229,744.00, which is pending with the court of law.
18. From the Profit after Tax, Nu. 751,592,160.00 (Previous year Nu.685,381,143.63 (including Nu. 313,181,202.00 against the Group Investment Reserve) is declared as dividend.

19. Provision for Taxation

Particulars	**2017**	**2016**
Current tax on:		
Operating Profit	403,952,707.54	393,857,779.75
Comprehensive income		
Total tax payable	**403,952,707.54**	**393,857,779.75**
Less:		
Advance tax paid	194,153,376.67	135,984,613.31
Tax deducted at source	2,660,416.58	2,225,863.15
Net tax payable	**207,138,914.29**	**255,647,303.29**

20. In the opinion of the management, all the assets other than Fixed Assets and non – current investments have a value on realizations in the ordinary course of business otherwise stated, at least equal to the amount at which they are stated.

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13 Ratio Analysis for the year ended 31st December 2017

	2017	2016
1. LIQUIDITY		
A. Current Ratio	0.92:1	1.18:1
B. Quick Ratio:	0.69:1	0.84:1
Quick Assets/Quick Liabilities		
C. Accounts Receivable Period	38.11 Days	30.26 days
365/Accounts receivable turnover		
D. Working Capital to Sales	0.89%	5.21%
Average Current Assets-Average Current Liabilities/Net sales		
2. SOLVENCY:		
A. Term Debt to Total Fixed Assets	13.44%	7.04%
Long term Debt/Total Fixed Asset-Net		
B. Debt Equity Ratio:	0.15:1	0.07:1
Debt/(Capital Fund+Reserve & Surplus)		
3. PROFITABILITY:		
A. Return on Capital Employed:		
a) PBT/Capital Employed	24.96%	29.17%
b) PAT/Capital Employed	17.01%	19.68%
Capital Employed=Equity Capital + Loan Fund		
B. Return on Equity:	19.62%	21.13%
Profit After Tax/Total Equity		
Total Equity= Capital + Reserve & Surplus		
C. Return on Sales	40.22%	44.85%
PBT/Operating Income		
D. Employee Cost to Gross Income	10.86%	10.98%
Total Employee Expenses/Operating Income		
E. Profit per Employee:	1.26 million	1.34 million
PAT/Total no. of Employees		

For KASG & Co.
Chartered Accountants
(Firm Reg. No. 002228C)

KASG & CO. Kolkata Chartered Accountants

CA. Raj Kumar Agarwal
Partner
M. No. 073063
Place: Thimphu
Date: 09/02/2018

for and on behalf of board of directors

Chairman

Chief Executive Officer

Note No- 1 Significant accounting policies of Bhutan Telecom Limited

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 like landline service, mobile service, internet and other allied services. The holding company is Druk Holding and Investments Limited.

1. **Compliance with International Financial Reporting Standards (IFRS):**

   a) The 'Accounting and Auditing Standards Board of Bhutan' (AASBB), has decided to adopt International Financial Reporting Standards (IFRS) in phase manner with minor changes. The company in compliance with the Companies Act of Kingdom of Bhutan has decided to adopt all the applicable Standards. The financial statements for 2017 have been prepared in accordance with all the applicable IFRS standard issued by AASBB and other applicable laws such as Companies Act of the Kingdom of Bhutan, 2016.
   Hence 2017 financial statements are the first financial statements of the company in full compliance with complete IFRSs as early adoption to all the standard as agreed in DHI group policies.
   The preparation of financial statements is in conformity with IFRS that requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies.

   b) The Financial statements have been prepared on a going concern basis in accrual system of accounting.

   c) Employee retirement benefits are valued on an actuarial basis which better reflects the estimated liability in the notes to accounts under actuarial report on defined benefit obligation.

2. **Use of estimates:**

   The preparation of financial statements in conformity with IFRS 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, impairment of trade receivables, future obligations in respect of retirement benefit plans etc. The differences between the actual results and the estimates are recognised in the year in which results are known/materialised.

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3. Revenue recognition:

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

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

Revenue from providing services is recognised in the accounting period in which the services are rendered.

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

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

a) Post-paid calls are recognized on the basis of metered calls in monthly cycles as generated through central billing system except for 281 for landline connection for BT office all over the country, 26 VVIP connections in Thimphu and Phuentsholing, 225 landlines and 623 post-paid connections for employees with certain ceiling as per service rule w.e.f. 1st March 2006.
b) ISP bills are booked monthly on the basis of usage times and include revenue on account of start-up kits.
c) All fixed network leased lines (international, local and domestic) are billed.
d) Income from sale of recharge voucher is recognized on the basis of usage by subscribers.
e) Sale of instruments including satellite phones are billed on delivery basis.
f) All other miscellaneous incomes are booked in the accounts only when collection is made.

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4. Property plant & equipment:

a) 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.

b) Leasehold land

The company has several plots of land on 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 statement of comprehensive income from year to year till the conclusion of the lease period.

c) Deprecation

i. Deprecation 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.

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ii. Estimated useful life of Assets applied is as follows:

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

d) Capital work in progress:

i. Work, which is still in progress relating to civil construction, is accounted for under capital work-in-progress after settling the project system in SAP on monthly basis

ii. 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 capitalized along with that asset.

iii. Capitalization of work-in-progress has been done on the basis of completion certificate issued by the concerned authority.

5. Intangible assets:

a) Software

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

b) Amortization

These costs are amortized over their estimated useful lives of 5 years.

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

6. Borrowing cost:

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

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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:

a) Grants relating to the period prior to 30th June 2000 are not identifiable and as such merged with the deferred government grants.

b) 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.

c) 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:

a) Actuarial valuation of gratuity liability has been made and equivalent amount has been transferred to gratuity trust fund maintained with RICBL.

b) Bonus are accounted for on cash basis and is dependent on the reported profit subject to approval of the Board of Directors.

c) Leave encashment liability is accounted for on the basis of actuarial valuation

9. Current & deferred income tax:

The tax expense for the period comprises current and deferred tax. Tax is recognised in the comprehensive income statement, except to the extent that it relates to items recognised in other comprehensive income. In this cases, 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.

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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 tax 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. Provision & contingent liabilities:

a) 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.
b) A contingent liability is only disclosed in the notes to the account if an outflow of resources embodying economic benefits is possible.
c) Contingent assets are neither recognized, nor disclosed
d) Provisions & contingent liabilities are reviewed at each balance sheet date

11. Foreign currency translation:

a) 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 recorded at the spot rate at balance date.
b) 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.

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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 service, mobile service, data center and cloud service and internet service. Further as the company's share are not listed with any stock exchange market, the provision of IFRS-8 – Operating segments is not applicable to the company.

14. Investments & other financial assets:

a) Initial measurement:

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

b) Classification and subsequent measurement:

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

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

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

i. Financial assets measured at amortized cost:

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

a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows; and

b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

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

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ii. Financial instruments measured at fair value through other comprehensive income:

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

a) the objective of the business model is achieved by both collecting contractual cash flows and selling financial assets; and

b) the asset's contractual cash flow represent SPPI.

Financial instruments included within FVTOCI category are measured initially as well as at each reporting period at fair value. Fair value movements are recognized in other comprehensive income (OCI). Currently, the company does not have any asset classified under this category.

iii. Financial instruments measured at fair value through profit and loss:

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

c) Impairment of financial assets:

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

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

d) De-recognition of financial assets:

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

i. The rights to receive cash flows from the asset have been transferred, or

ii. The company retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.

When the company has transferred an asset, it evaluates whether it has substantially transferred all risks and rewards of ownership of the financial asset. In such cases, the financial asset is derecognized. When the company has not transferred substantially all the risks and rewards of ownership of a financial asset, the financial asset is not derecognised.

When the company has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is derecognised if the entity has not retained control of the financial asset. When the entity retains control of the financial asset, the asset is continued to be recognized to the extent of continuing involvement in the asset.

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e) Income recognition:

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

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

15. Financial liabilities:

a) Initial recognition and measurement:

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

b) Subsequent measurement:

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

i. Financial Liabilities at fair value through profit or loss:

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

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

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

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

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ii. Borrowings:

Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates. Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Where there is a breach of a material provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand on the reporting date, the entity classify the liability as current, if the lender does not agreed not to demand payment as a consequence of the breach before reporting date.

iii. Trade and other payables:

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

c) De-recognition:

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

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

Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined

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in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less cumulative amortisation, where appropriate.

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

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

16. Offsetting financial instrument:

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

17. Cash & 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.

18. Trade & 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.

19. Trade & 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.

20. Earnings 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.

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Printed at Bhutan Printing Solutions