

BHUTAN TELECOM LIMITED



Always there for you

ANNUAL REPORT- 2013
13th Issue



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VISION

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

MISSION STATEMENT

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

CORPORATE BELIEFS AND ETHICS

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

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



BOARD OF DIRECTORS REPORT

On behalf of the Board of Directors, I am pleased to report the annual performance of Bhutan Telecom Limited (BT) for the financial year 2013. The members of the Board acknowledge the hard work, dedication and cooperation of the staff and management for completion of the planned activities for the past year and ending the year with reasonable success. This report contains the operational performance along with achievements, audited financial statements, new initiatives undertaken, human resources, corporate social responsibility, challenges and broad outlook for 2014.

Operational Performance & Achievements

Being in the forefront of providing information and telecommunications services, the company continues to provide services even in non-profitable areas as a social mandate. The company took major steps on the technological front and carried out many activities to extend and improve services. The following are the notable operational performance achievements:

The east-west SDH (Synchronous Digital Hierarchy) radio transmission backbone was replaced by IP Hybrid radio with 500 Mbps capacity between Thimphu and Yotola, and 250 Mbps on the Yotola – Kanglung, Yotola – Zhemgang, Yotola – Trongsa, and Yongla Gompa – Pemagatshel links. The network was commissioned in December 2013 and is fully integrated with the East-West STM-64 SDH transmission systems running on the OPGW fiber network. In addition to carrying some of the circuits on a regular basis, this IP radio will take over circuits running on the fiber backbone in case of fiber damages.

With the objective to replace the obsolete legacy switches deployed in the early 90's, a soft switch with triple play functions (Voice, Data, and Video) was installed and commissioned. This soft switch, with the initial capacity of 50K subscribers, will also be able to provide value added services like IP PBZX, CLI, and IPTV, among many other features. 22 exchanges are currently parented/linked to this new Soft Switch at Thimphu.

The international bandwidth for internet services was upgraded to 5.3 Gbps thereby exceeding a Gigabit capacity for the first time in BT's history. This established at least 2.5 Gbps internet connectivity through each of the two International Gateways – Phuentsholing and Gelephu. A 10 Gbps internet backbone link was created between the International Gateway Phuentsholing and Thimphu through implementation of a futuristic technology – Dense Wavelength Division Multiplexing (DWDM). These upgrades have enhanced reliability and improvement in internet service.

By setting up campus Wi-Fi in 6 locations for the first time, students in these colleges were provided access to fast internet service through a paid subscription.

During the year, 13 Fiber-to-the-Cabinet (FTTC) in Thimphu and 3 in Paro were added in addition to deploying the first one in Punakha. A good number of buildings in Thimphu were connected with Fiber-to-the-Building (FTTB) networks.

In 2013, 3G services were extended to Punakha, Wangdue, Haa, Trongsa, Bumthang, Monggar, Tsirang, Trashigang, Samtse, Taktse (Mangdechhu project site), and Punatshangchhu project area. Node Bs were also expanded in Thimphu, Paro and Phuentsholing to improve the 3G capacity. 3G services are now available in 14 Dzongkhags with 112,119 registered users.

The company launched 4G or LTE (Long Term Evolution) in October 2013 at two sites in Thimphu on a



trial basis for fast mobile data services. 2G GSM services were extended to many new areas to improve the overall mobile coverage throughout the country. Further, the company also implemented Universal Service Fund Project to extend mobile services to eight remote locations under different Dzongkhags. B-wallet service was made available to more customers by providing the service in partnership with Bank of Bhutan in addition to Bhutan National Bank.

During the year, a major study on restructuring the company was carried out. In addition, the Service Rules and Regulations, and Procurement manuals (work, goods and consulting services) were reviewed. The procurement manuals will become effective from 1st April 2014. Further, in order to facilitate implementation of SAP as well as to comply with the Bhutanese Accounting Standards, Delegation of Power and Useful Life of Assets were reviewed in the financial manual and will come into force from 1st April 2014.

Audit Reports

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

Financial Performance

In spite of the increasing competition and a flattening market, the company's operating income for 2013 was Nu 2,328.43 million as against Nu 2,209.34 million in 2012. This is an increase of Nu 119.09 million or 5.4%. While the Profit Before Tax in 2012 was Nu 863.19 million, it is Nu 654.89 million in 2013 which is a decrease of about 24%. The company's Profit After Tax for 2013 is Nu 406.71 million as against Nu 576.46 million in 2012, which is a decrease of about 29%. The profits of the company are down from the previous year mainly due to significant increase in depreciation, actuarial valuation of gratuity and leave encashment, and unfavourable foreign exchange fluctuations.

The total operating expenditure for the company increased by about 20% to Nu 1,675 million in 2013 from Nu 1,402 million (as restated) in 2012, including depreciation and bad debt provisions.

Net fixed assets of the company stands at Nu 3,097.79 million as against Nu 2,936.76 million at the end of 2012. The current assets and advances have decreased from Nu 1,084.83 million (as restated) in 2012 to Nu 979.58 million in 2013 mainly due to decrease in long-term loans and advances and cash and bank balances. Total current liabilities have increased to Nu 412.70 million from Nu 366.89 million (as restated) in 2012.

Dividend

The dividend for 2013 to the shareholder (DHI) is agreed at 53.11% of the profit after tax which amounts to Nu 216 million.

Reserve and Surplus

An amount of Nu 109 million is going into the GIR fund and the balance amount of Nu 81.35 million to company's Reserve and Surplus.



Human Resource Development and Management

Because knowledge and skills are an integral aspect of providing and maintaining reliable services, the company continued to accord high priority to development of its human resource. Therefore, the company had a budget of Nu 46 million to provide necessary training to its employees through which a total of 531 employees have benefitted. Out of this, 218 employees were trained in-country and 183 employees were provided training outside the country. 130 employees attended various HR events outside the country.

To meet the increasing manpower requirement, the company recruited a total of 63 employees with various qualifications and skills. A total of 31 employees got separated from the company for various reasons.

Corporate Social Responsibility

As part of its Corporate Social Responsibility, the company undertook and successfully completed the Phase III of the Rural GSM Project. Mobile services were provided to remote and unprofitable areas through installation of Base Transceiver Stations (BTS) in 8 rural sites in 7 Dzongkhags. The company received a subsidy ranging from 50% to 100% for the 8 sites amounting to Nu 39.58 million from the Royal Government of Bhutan administered by BICMA.

The company made donations to various organisations like the RENEW, Tarayana Foundation, Thimphu Thromde, Dechenphodrang Shedra, Sherubtse College, etc for activities carried out by them for social causes. The company also contributed Nu 100,000 for 2nd 'Move for Health' initiative.

Challenges & Outlook

The company continues to face numerous challenges in its operation.

On the mobile side, the company faces immense challenge in land acquisition as various agencies are involved in granting the numerous clearances. Due to the very lengthy land acquisition process, sometimes the company is not able to implement its projects on time. This problem is compounded by the difficult terrain and far-flung sites the company has to go to for provision of services. The company faces great difficulty in transportation of heavy batteries and equipment to such hostile sites.

Maintaining uninterrupted mobile services in the rural areas is another challenge that the company has to tackle. It is extremely difficult and costly for the company to restore the network whenever outages take place in such places for various reasons.

The company is often overwhelmed with requests from villages and gewogs to improve mobile coverage in their remote areas. Because such areas are not financially viable, it becomes a constant challenge for the company to balance its social and commercial mandates.

The demand for mobile data is going to be on the increase as more and more people use social media and various mobile applications. The disruptive applications provided by the OTT (over-the-top) players such as Google, Facebook, etc. are going to impact the revenues from traditional voice services. As such the Company would need to be proactive and innovative in packaging its services. With the government's vision to make all offices paperless, there would be immense demand for network reliability and faster connectivity.



Despite the challenges, the outlook for the coming year looks good. The implementation of the restructuring exercise is expected to result in efficiency gains and enhancing accountability for offering better services and improved customer service. It is hoped that the goal of becoming a market-led, financially-driven organization will see the company responding to both the customer needs and commercial mandates.

Exchanges in the East will be migrated to the new Soft Switch which will enable opportunities to provide value-added-services to more customers. The data centre to be built in Phuentsholing is expected to not only cater to the demand within the country but attract some clients from outside the country.
Acknowledgement

The company's Board of Directors highly values and appreciates the support and patronage of the customers without which the company will not be able to make any meaningful progress. In spite of falling short on some of the financial targets, the Board would like to acknowledge the hard work, sincerity, dedication and best efforts being made by the management and staff of the company. The Board would like to urge both the management and the staff to work even harder and tackle every challenge that is encountered to achieve higher goals and standards.

The Board of Directors assures the company's management and staff its continued support and guidance in their pursuit of greater success through provision of reliable, affordable and efficient infocomm services to our valued customers.

Lastly, we wish the management and staff of the company a successful 2014.

TashiDelek!

On behalf of the Board of Directors,

(Tenzing Yonten)
Chairman



CHIEF EXECUTIVE OFFICER'S REPORT

I am pleased to make this report pertaining to the performance of Bhutan Telecom Limited (BT) in 2013. A brief mention of the outlook for 2014 is also made towards the end of this report.

BT's total revenue of Nu 2,328.4 million in 2013 is an increase of 5.4% or Nu 119 million compared to 2012 revenue. In spite of the hard work and concerted efforts put in by the staff and management, the company fell short on its profit-after-tax target and expectations due to numerous unfavourable factors like adverse foreign exchange fluctuation (Nu 77 million), substantial increase in depreciation (Nu 622 million), actuarial valuation of gratuity (Nu 29.1 million), and leave encashment (Nu 22.2 million). However, it is noteworthy to mention that BT still managed to make a significant profit after tax to the tune of Nu 406.7 million. Further, in addition to its commercial mandate, BT takes its social mandate very seriously because of which various services are provided even in unprofitable areas. This might also be having some impact on the overall profitability of the Company.

BT carried out numerous activities in 2013 all aimed at expanding and improving the InfoComm services in the country. A few of the most noteworthy activities are mentioned below:

- The international bandwidth for internet services was upgraded to 5.3 Gbps thereby surpassing a Gigabit capacity for the first time. A 10 Gbps internet backbone link was established between the International Gateway in Phuentsholing and Thimphu through implementation of a technology called Dense Wavelength Division Multiplexing (DWDM). These activities have brought enhancement in reliability and improvement in access for BT's internet customers.
- For the first time, BT set up campus Wi-Fi internet in 6 college campuses which enable the students to have faster internet access.
- 13 Fibre-to-the-Cabinet (FTTC) in Thimphu and 3 in Paro were added and a number of buildings in Thimphu were connected with Fibre-to-the-Building (FTTB) networks to provide a better quality of broadband internet service.
- 3G services were made available in Punakha, Wangdue, Haa, Trongsa, Bumthang, Monggar, Tsirang, Trashigang, and Samtse, thereby bringing 3G services to fourteen Dzongkhags by the end of 2013. Further, 3G capacity enhancement activities were carried out in Thimphu, Paro and Phuentsholing.
- Recognizing that data is the future and there would be a lot of demand for high-speed mobile broadband, 4G (LTE) service was launched by BT at two sites in Thimphu on a trial basis.
- BT successfully completed the 3rd phase of the Rural GSM Project to extend mobile services to eight remote and unprofitable locations.
- The East-West SDH (synchronous Digital Hierarchy) radio transmission backbone was replaced by IP Hybrid radio which, while carrying some of the circuits on a regular basis, will take over circuit running on the fibre backbone when the fibre link is down.



- Soft switch with triple play functions (voice, data and video) was installed to replace the obsolete legacy switches deployed in the early 90s. 22 exchanges were parented to the soft switch by the end of 2013.

In 2014, a data centre in Phuentsholing will be established to not only meet the demands within the country, but also to attract international clients. More exchanges, especially in the eastern part of the country, will be connected to the soft switch in Thimphu through which value added services can be made available to increased number of customers. It is hoped that this will greatly help in the government's efforts to harness the potential of ICT for development. The completion of the SAP implementation by the third quarter of the year will bring about significant improvement in the workflow processes and achieve quick turn-around times for customer services. In addition, the revised and updated Service Manual is expected to institute a strong mechanism to identify, recruit and more importantly, retain talent in critical positions whereas the newly adopted Performance Management System is expected to foster a culture of competitive, performance-oriented system that encourages high performance.

The organizational restructuring exercise for BT will be implemented before the end of 2014 to bring increased efficiency in the overall functioning of the Company and to provide better customer service. The objective of this exercise is to make BT a market-led, financially-driven organization in order to fulfil its mandates of being a profitable Company. Other than these, numerous activities will be undertaken in 2014 and substantial investments made to provide improved, reliable and affordable InfoComm services in the country. All of these will define a forward-thinking, longer-term strategy to stay ahead of competition and serve customers well. I would like to take this opportunity to express, on behalf of the management of BT, our appreciation and gratitude to the company's Board and our owner, DHI, for their unfailing encouragement, support and guidance. We would also like to put on record our sincere thanks to the government organizations for their support and cooperation.

Above all, BT would like to thank our valued customers for their patronage, trust and loyalty. We pledge to work hard towards providing better, reliable and affordable services so that BT is "Always there for you". We commit to serve you in your communication needs and welcome your feedback and suggestions to bring further enhancement in the quality of our services. Lastly, I urge all the staff in BT to continue to work hard as a dedicated team and with honesty and sincerity to take BT forward and to greater success. Most importantly, members in BT family should remember, at all times, BT's responsibility to the country, society, and the valued customers and strive to fulfil this sacred duty. Together, we can overcome any obstacle and surpass our targets.

Thank you.

Nidup Dorji
(Chief Executive Officer)



BOARD OF DIRECTORS



Tenzing Yonten
Director, Royal Thimphu college
Chairperson



Karma Tshering
Director, Department
of Renewable Energy
(MOEA)



Passang Dorji
Associate Director
Druk Holding &
Investment



Kezang
Managing Partner
of Info Age
Consulting



Gyeltshen
Collector
Department of
Revenue and
Customs

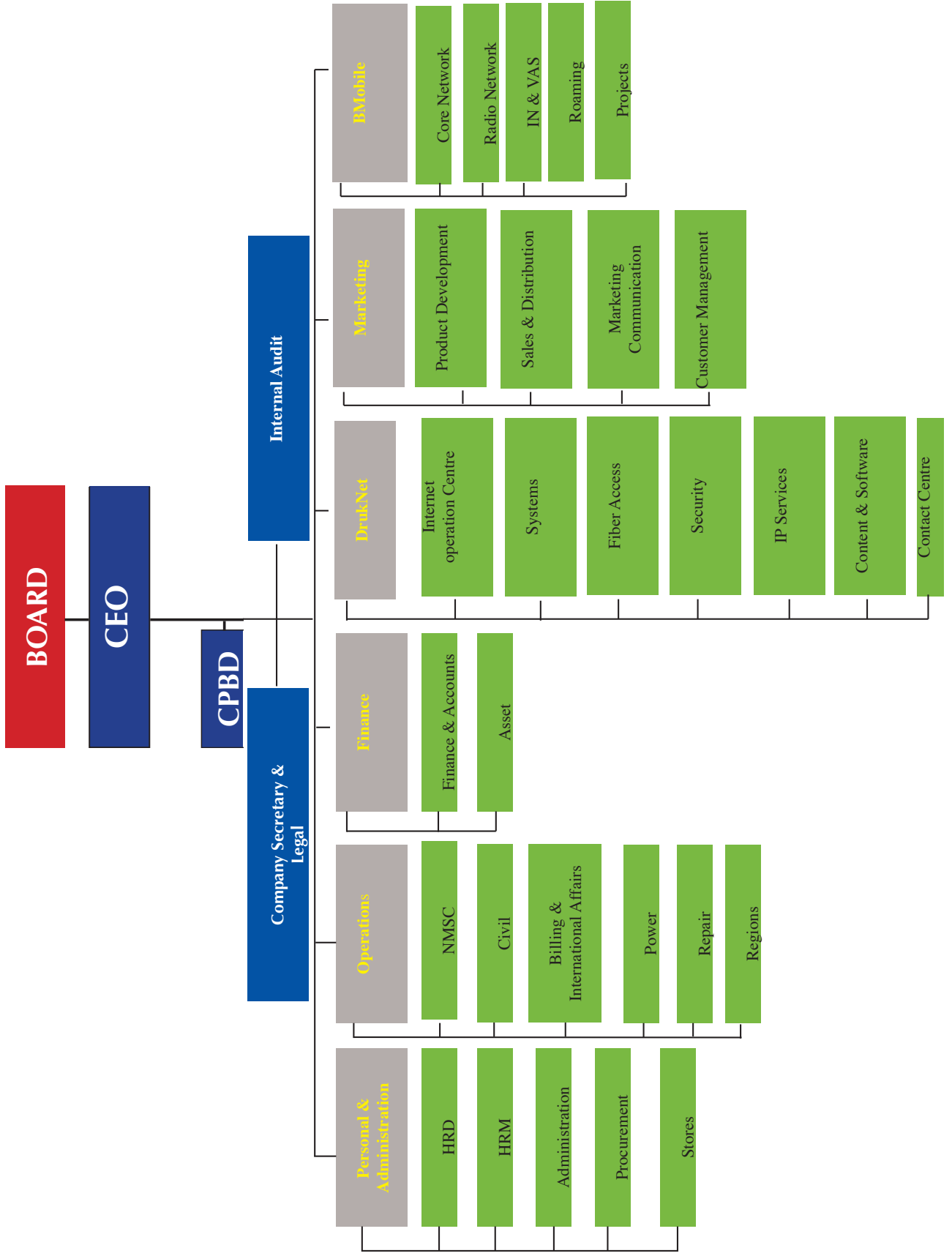


Peldon Tshering
Chief Environment
Officer
National Environ-
ment Commission



Nidup Dorji
Chief Executive
Officer
Bhutan Telecom
Ltd.

ORGANIZATIONAL CHART



PORTFOLIO OF PRODUCTS AND SERVICES



BHUTAN TELECOM CURRENTLY OFFERS THE FOLLOWING SERVICES:

Fixed line Telephone Services

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

DrukNet (Internet) Services

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





B-Mobile Services

1. Prepaid voice service
2. Postpaid voice service
3. Prepaid voice service for tourist (Tourist SIM)
4. B-Wallet
5. SMS service
6. International roaming
7. Call forwarding
8. Call waiting
9. Call hold



10. CLIR facility
11. Cell Broadcast Service
12. E-Billing with itemized details
13. Charo-Charo (for prepaid service)
14. Choose-Ur-Group (CUG)
15. E-Load
16. Paper recharge vouchers
17. 3G, GPRS & EDGE and Data Card
18. B-Tunes
19. 4G LTE
20. Happy Hours
21. Value Added Service like news, astrology, jokes, etc. (both IVR & SMS based)
22. Bulk SMS
23. Tele voting



AN OVERVIEW OF ACTIVITIES DURING 2013

Western Region:

(Cover Thimphu, Paro, Wangdue, Punakha, Gasa and Haa Dzongkhags)

Fixed Line Activities

- Replaced batteries 440 AH x 2 banks at lobesa exchange, 2 nos. starting batteries for Phobjikha and Jaregang
- Replaced 440AH, 48VDC x 2 banks for Satsham & Bondey and 24VDC x 1 bank for Drugyel BTS.
- Deployed 10 FTTC, 40 FTTB, 20 FTTH in and around Thimphu City for various services.
- Expansion of Ariel cable 10 pairs at Jamphel School Hatey
- Expansion of Ariel cable 20 pairs at Damthang officers colony and hatey village.
- Installed new DP box at Haa Dzongkhag.
- Layed UG secondary cables from cabinet to customer premises in new Bajo Town.

B-Mobile Activities

- Installed new BTS at Bjakap, Tebesa covering Begana village and improved coverage along Dochula-Thinleygang highway.
- Install new BTS at Nangseygonpa in Punakha, BTS at Wochu along Bondey-Chelella highway and Gasa.
- Replaced single pole at Jigmethang by three legged tower (20 mts).
- Installed 3G BTS with 2 sectors at Haa Exchange.

DrukNet (Internet) Activities

- Installed Leasedline at BNB and Imtrat and Point 2 Point at BOB
- Upgraded Broadband DSLM at Haa Exchange and Damthang Exchange.
- Installed FTTC for broadband at BPC, Jangsa
- Expansion of Ariel Cable 10 pairs Tag block MDF structure for Broadband expansion.



South Western Region:

(Covers Samtse and Chukha Dzongkhag)

Fixed line Activities

- Installed Mochu BTS Radio Link at Denchukha, Airmux200 Radio from Tala top-Lavana and Minilink-E, 2E1 Radio Link from Lavana-Popy Top for Getena BTS
- Replaced 50P OSP cables at Samtse NIE/Gurung Bastey area with 200P and 50P of 1.2KM at Peljorling School and Hospital Area and 1.5KM of 100P from sibsoo exchange for OSP network Resilience
- Replaced 100P Aerial Cables with 200P 900m Aerial Cables at Pasakha exchange for OSP Network Resilience
- Replaced 50P with 100P 1060m Aerial Cable at Toorsa and Karberatar area for OSP Network Resilience
- Laid Fiber to BTS at Gedu from Exchange
- Installed & commissioned 16.5 Kva F-G Wilson DG at Tala top and decommissioned old 12.5 Kva G-Set
- Completed Fiber connectivity between Samtse-Sibsoo and installed Optimux 134 16E1+Ethernet
- Commissioned MLTN Radio from Saurani-Chargare-Sibsoo Hops
- Installation of 2 HOP's of Minilink-CN (Capacity 16 E1) from Gedu to Tala top and Installation and testing of CN Link from Tala top to Rinchentse exchange

B-Mobile Activities

- Installed and commissioned 3G Node at College of Science of Technology at Rinchending, Phuentsholing, Chukha Dzongkhag
- Installed and commissioned 3G Node at Gedu Town Installed and commissioned low power BTS 2111V2 – 2+2+2 at Getena Gewog
- Installed and commissioned BTS 2216V2 with co-configuration 2+2 at Rangay Dara, Sibsoo GSM 900 and GSM 1800 BTS 2216V2 (8+8+8) at Dantak, Phuentsholing.
- Installed and commissioned GSM 900 BTS 2216V2 4+4+4 on RRCO area, Phuentsholing
- Installed and commissioned 3G Node B WCDMA 850MHZ at Samtse
- Migration of 3G Node B to 21mbps from 384kbps/7.2mbps at Exchange, Omchu, Town, YDF in Phuntsholing



- Replaced BTS 2206V2 with RBS 2216V2 at Central Hotel BTS
- Replacement of 2206 BTS (2+4+4) with 2216 V2 (2+2+4) at Tala top.

DrukNet (Internet) Activities

- Installed and commissioned SDH OMS 1654 STM16 and upgraded London LINX to STM4 from STM1
- Upgraded bandwidth of leased line of Druknet Enterprise customers (BPC, AWP, Samtse Dzongkhag office, CST, GCBS, RICBL(Gedu) and BDBL offices at Phuentsholing, Samtse, Sibsoo and Tshimasam
- Installed and commissioned 512Kbps lease line of AWP, Phuntsholing, new IPVPN circuit for CHPC DAM extension
- office and new IPVPN for BOBL ATM at CHPC colony
- Completed 100mbps Ethernet Handover through Optimux-134 for Sibsoo POP from Phuentsholing POP
- Installed Lease line 512Kbps of RMA clearing Agent, Phuntsholing
- IP STM1 IPLC + IP Port to Airtel POP Chennai through Airtel RA circuit established to India to share Bhutan-India domestic Internet traffic directly for faster access to the contents of the two countries
- Upgraded STM4 (622 Mbps link from Phuentsholing to London) to STM16 (2500 Mbps i.e. 2.5 Gbps). With STM1 (155.5 Mbps) for Hongkong gives international capacity to a massive total bandwidth of 3122 Mbps(i.e. 3.122 Gbps).
- Expansion of broadband with the dslam b1202(capacity 128) at Pasakha
- Installation of Wi-Fi Net work in GCBS campus and Local Area Network of IP-Phone at Phunthsoling exchange
- Commissioned Immigration VPN and P2P LL 2 mbps and STM 16 through NGN for Druknet Thimphu
- Commissioned 1mbps Lease line for Sat enterprise , Pling, 512 Kbps Lease line for Lhamozingkha Dungkhag



Eastern Region:

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

Fixed Line Activities

- Expansion of line capacity at Samdrupjongkhar Exchange CSN.
- With the help of Splicer from T/gang the fiber splicing done for wireless broad band.
- Freeing of subscribers cards (Tabash) in E10 Switch by shifting the subscribers to other unused ports.
- OSP Line maintenance at Khaling in the NHDC area (SJK-TGANG) high way.
- Extension of 400 meters of OSP line towards boys' dormitory of Sherubtse College.
- Expansion of OSP aerial cable at Yongphula by 100P, 1Km, from Wamrong Exchange towards bazaar area (till Sangmar) by 200P, 1000M, from Sangmari to Wamrong by 50P, 100 M and towards Dungkhag Office by 50P, 500M.
- 20P aerial cable reconnection and maintenance at Khaling, BHU side damaged by landslide.
- Replacement of 100P AERIAL OSP CABLE between bazaar area and CC Khaling and 50P aerial OSP 300m and 10Paerial OSP 300m at Handloom side from Bazaar area (TOTAL 600m)
- UG cable reconnection/maintenance towards Dzong side at Trashigang, that was damaged by construction
- 10P aerial OSP cable expansion/extension at T/gang, 1KM. 1000M OSP aerial cable expansion at Trashigang Hospital side from Trashigang Exchange and expansion at Rangjung Bazar area (300M) by 100P.
- Cable shifting at Khangma (700m, 30P AERIAL OSP CABLE) for road widening.
- E10 Switch version upgrade to R272.4.10.7.1/V3-BT.1 and software patch also was upgraded to CE108.1
- 30P AERIAL OSP cable dismantled at Wamrong and stringed at Lungzor, T/gang, 1KM.
- Replacement of 2 Nos. of 100P 0.45mm aerial OSP by 200P 0.6mm, 1km at Kanglung upper market-to college girls hostel.
- Maintenance of OFC cables and patch cord at Kanglung EXCHANGE and Khangma SUBSTATION.



- Fixed Line/Fixed Phone/Fixed Swicth traffic shifted to soft switch at Thimphu.

B-Mobile Activities

- Installation and commissioning of 3G Node-B.
- Sector –C addition to Muhung and Thangrong/Barkhopjor BTS.
- Replacement of faulty SCP-RP card in RBSC.
- CP memory expansion in RBSC from 4GB to 8GB, and AGM 316 to AGM 317 and subsequently to AGM 318.
- CP upgrade done in RBSC from BSS 08B to BSS G10 and then from BSS G10 to final BSS G11.
- Sector –C creation in Merak BTS for optimization and good coverage
- Integration of Kerong BTS, Samrang BTS and Yangmari BTS to RBSC making it total of 69 BTS catered in RBSC.
- Added 3 more E1 via NGN to GB interface (RBSC-SGSN) making a total of 7E1 in GB link.
- Converted 3 E1 (93 Circuits/ devices) fromRBL2 to RTGLT2 for GB connection.
- Muhung BTS Sector-C added and also for Yadi BTS we have successfully added sector-B.
- Kakaling BTS integrated to RBSC
- Added one STM1 via IP RADIO in A-interface, RBSC-MGW.

DrukNet (Internet) Activities

- Lease line 512 Mbps set up in Dungsam Polymer Limited , Nganglam and maintenance done at Wamrong BDFC
- POP Core router replaced at Kanglung with higher end processor VXR 7200 series with DrukNet team Thimphu
- Infrastructures installation at Sherubtse College and JNP Deothang for wireless broad band like main access point etc
- Mongar Dzongkhag lease line connected via optical fiber.
- New POP installed and commissioned at Yadi.



- Yadi and Samdrupcholing BDBPL VPN connection completed successfully.
- New pop set up at Yadi and Sakteng
- Installation of Campus Network at Sherubtse college and JNP college.
- Provisioned Wireless Broadband services at Doksum community
- Installation of IP phone at T-yangtse, Lhuentse and T-gang.
- IPVN commissioned at the following places.
- Sakteng , Werringla , Thrimshing , Yadi, S-choling (5 BDBL branches)
- Sakteng , Wamrong and P-gatshel (3 RICBL branches)
- Immigration S-Jongkhar
- Provisioned the VPN TO DRAMTSE BDBL Branch.
- Installed new Broad Band services at Yadi
- Set up New PoP at Doksum, BB connections were shifted to Local PoP.

Central Region:

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

Fixed Line Activities

- Expansion of OSP Network Sarpangtar and Replacement of aerial cable Sarpangtar and Bazaar: 100P- 528 mtrs, 50P- 1261 mtrs, 30P- 839 mtrs.
- OSP overhead cable span of 40 mtrs.(20 pair cable) located near Audit Office
- Expansion of OSP network at Dekiling town planning (Bumthang) and Domkhar, Chumey
- Installed & commissioned the Soft Switch with separate power system
- Diversion of CAN & underground cabling work done at Domestic Airport, Bumthang
- Battery Replaced at Gompong WLL station
- Installed and commissioned SAU in Tingtibi



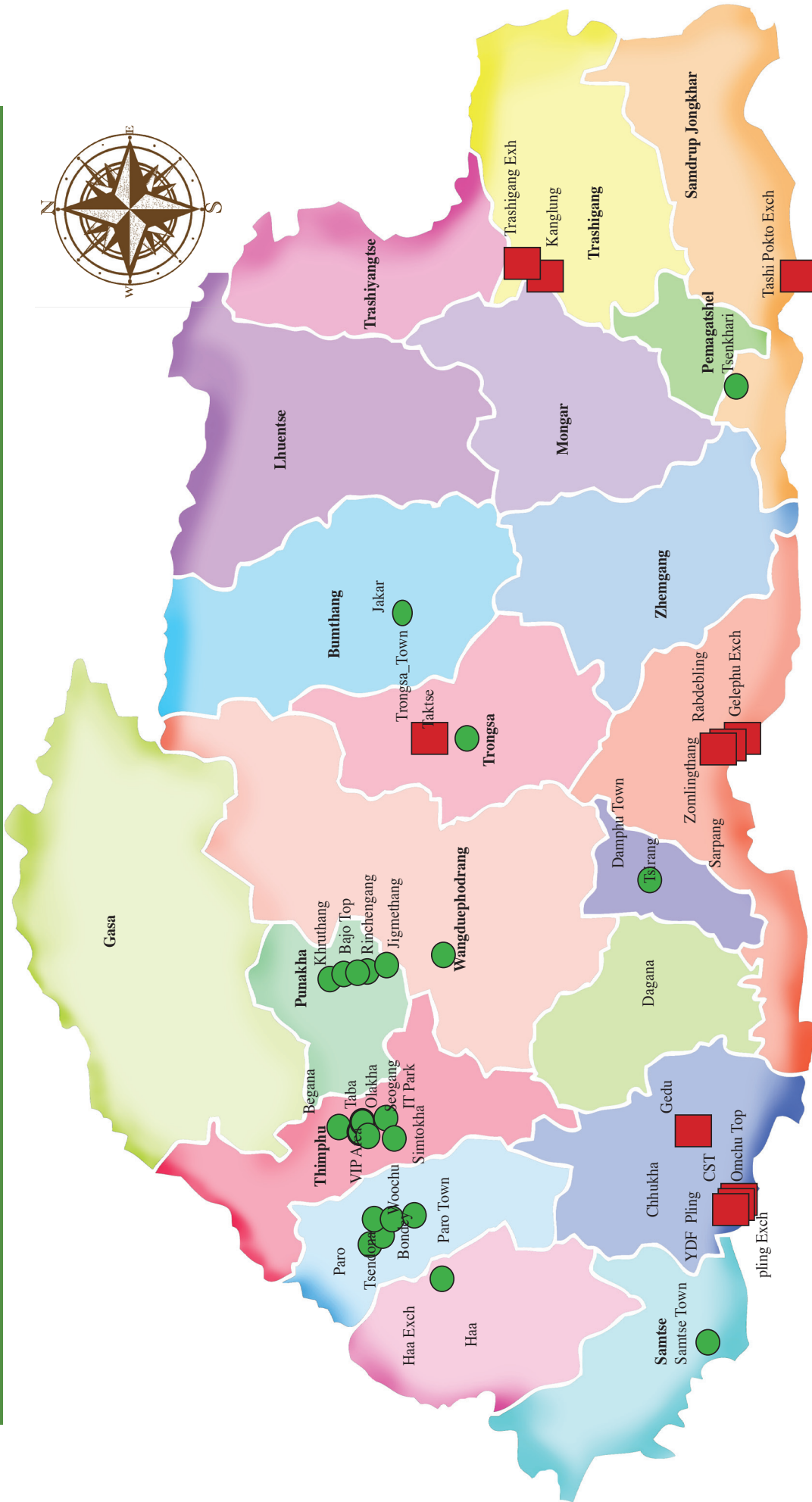
B-Mobile Activities

- Tinjurey BTS upgraded in NGN from mini-link
- New BTS installed at Khebisa (Configuration of 4+4+0)
- Installed TN minimilk at Dhajay top directional Kerabari (Kalikhola)
- Connected the commercial supply in two BTS site and one repeater station (Gairigoan BTS, Dhupidara BTS and Darachu repeater station)
- Stringing of fiber cable from Jog BTS to Main cabinet at Chamkhar for IP radio link.
- Installed & commissioned the NR 600 at Jog BTS for IP radio link and IP-Hybrid Radio
- 3G installed and commissioned at Gelephu Exchange, Namkhaling and Rabdeling wich covers the core town and extended town.
- BTS (2G) commissioned at Chuzegang, Gelephu and Tinjungey under Doban geog providing network coverage to Tirkhola, Phedi, Torkey, Bagdara, Tinjungey, Bichkhola, Maokhola, Ranikhop and Mochukhola.
- Upgraded Bhur BTS by 48 V RBS.
- Installed and commissioned the new BTS at Womling
- Construction of Semi -permanent DG shed in Tingtibi and Zhemgang

DrukNet (Internet) Activities

- POP upgraded to NGN
- Installed 24 lines DSLAM at Chumey

3G NETWORK COVERAGE MAP



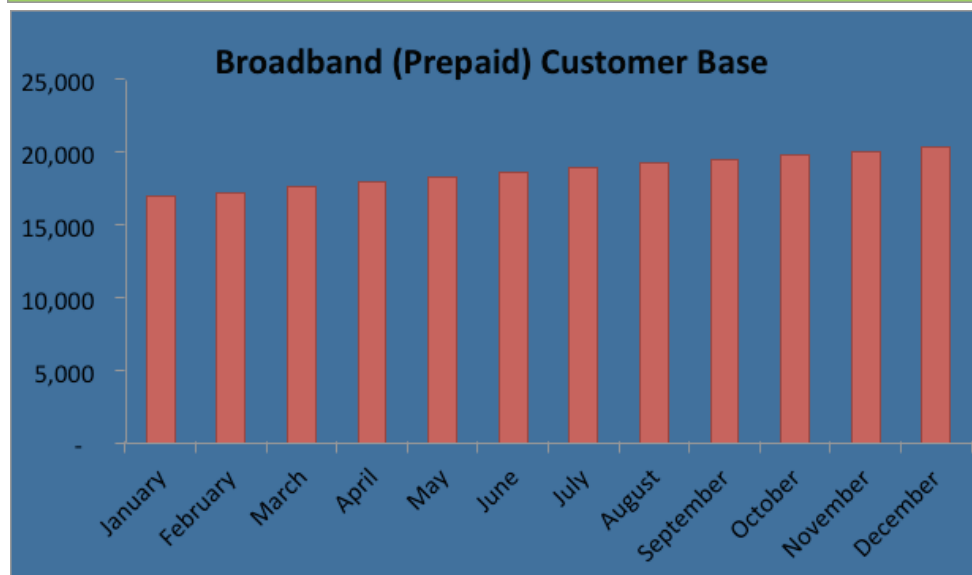
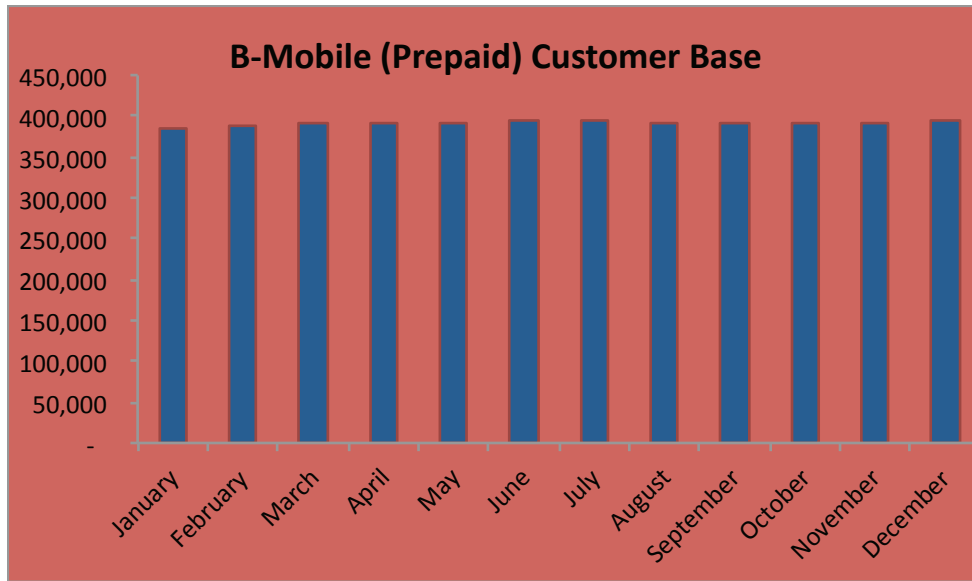
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SUBSCRIBER GROWTH CHARTS FOR 2013



**AUDITORS' REPORT & FINANCIAL STATEMENTS
(1st JANUARY- 31st DECEMBER 2013)**

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

1. We have audited the attached Statement of Financial Position of Bhutan Telecom Limited, Thimphu as at 31st December 2013 and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flow of the Company for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by section 75 of The Companies Act of the Kingdom of Bhutan, 2000 read with part II of Schedule XIV thereto (Minimum Audit Examination and Reporting requirements), we enclose in the Annexure a statement on the matters specified therein to the extent applicable.
4. Further, to our comments in the Annexure as referred above, and subject to :
 - *Granting of loan amounting to Nu 100,000,000 to DHI (Group holding Company) is not as per the Objects clause in the Articles of Incorporation of the Company.*
 - *Non classification of Sundry Debtors outstanding for a period exceeding six months and other debts which is required under Schedule - XIII A of The Companies Act of the Kingdom of Bhutan 2000.*
 - *Accounting of income on Broadband prepaid service on cash basis is in contravention to Accounting Policy. (Note No. 25 para 3(iv)).*
5. We report that:
 - Our examination was made in accordance with the generally accepted auditing standards and accordingly included such tests of accounting records and such other auditing procedures, as we considered appropriate for the purpose of our audit.
 - 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.





- In our opinion, proper books of account as required by the law have been kept by the Company, so far as it appears from our examination of those books.
- The Statement of Financial Position, Statement of Comprehensive Income, Statement of changes in Equity and the Statement of Cash Flow dealt with in this report are in agreement with the books of account and have been compiled on the basis of generally accepted accounting principles.
- In our opinion and to the best of our information and according to the explanations given to us, and subject to our comments in Para. 4 above, the said accounts give the information required by The Companies Act of the Kingdom of Bhutan, 2000, in the manner so required and give a true and fair view:
 1. In the case of Statement of Financial Position, of the Financial Position of the Company as at 31st December 2013,
 2. In the case of Statement of Comprehensive Income, of the profit of the Company for the year ended on that date; and
 3. In case of Statement of Cash Flow, of the cash flows for the year ended on that date.

6. We also draw attention to the following:

- The balances of Sundry Debtors, Foreign Receivables are subject to confirmation by the parties. Hence we
- are unable to express our opinion on the same.
- Depreciation is charged from the date of booking the asset in the accounts and not from the date when
- the asset is ready to use. Other expenses which are part of the cost of asset are capitalized as and when
- they are incurred and are subjected to depreciation from that very date irrespective of date of
- capitalization of the asset to which they relate.





Direct Expenses, incurred on purchase of stock-able items except Recharge vouchers and SIM Cards are not considered for valuing the stock at the year end. Taxes paid are booked under Rates and Taxes account and Freight inward is booked under Freight Account. Due to this the valuation of stock in hand is not correct.

Place: New Delhi



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

G.k. Agrawal
Partner
Membership No 081603
Date : 18/03/2014



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

1. The Company has maintained the Property, Plant & Equipment register up to 31.12.12. The Property, Plant & Equipment register for the year 2013 is under updation. The register is showing particulars relating to acquisition cost, location, depreciation and net value. However in that register the depreciation has been calculated on the replacement value whereas company is following historical cost basis for calculating depreciation and carrying value of Property, Plant & Equipment. The physical verification has been conducted as on 31.12.12. However the discrepancy if any has not been ascertained as the Property, Plant & Equipment register is not reconciled with the related financial records.
2. Land is carried at the revalued amount by Nu 55,353,466 on the basis of the Valuer report and the difference in book value has been credited to Equity as Revaluation Surplus. In all categories of asset except land, a very nominal surplus was found on revaluation. The surplus amounts not being material (less than 1%) are ignored and the said assets are carried forward in their cost less accumulated depreciation as per last account under previous GAAP and the said values are taken as fair value for adoption to BAS (vide :Paras 31 and 34 of BAS -16).
3. *Physical verification of inventories has been conducted only at the Central stores in Phuentsholing and Thimpu by a committee nominated by the management at quarterly intervals during the year. Physical verification of stores at other regions and exchanges has not been conducted.*
4. *Procedures followed for physical verification of inventories are not considered reasonable and adequate in relation to the size of the company and the nature of its business as the physical verification of stores at regions and exchanges has not been conducted.*
5. To the extent, physical verification of Inventory has been conducted, no material discrepancy was found on such verification.
6. On the basis of our examination of Inventory records except SIM cards & Recharge vouchers, we are of the opinion that the valuation is not fair and proper in accordance with the normally accepted accounting principles due to non inclusion of direct costs such as taxes/duties paid on purchases and freight thereon. The basis of valuation of inventories is same as in the preceding year.
7. The Company has availed an interest free loan from Danish Ministry of Foreign Affairs, Danish International Development Assistance (DANIDA) for Rural Telecommunication Network Project. The terms of the said loans are prima facie not prejudicial to the interest of the Company. As per the sanction terms of the said loan, Nu. 491,327,653 (Euro 5,752,577.60) is outstanding as on 31st December, 13.





8. The company has granted an unsecured loan of Nu. 100,000,000 (One Hundred Million) to Druk Holding and Investments Limited, the holding company. The loan is given at a simple rate of interest of 8% p.a. The loan is repayable on 31st May, 2014 along with interest.
9. Loan granted to Druk Holding and Investments Limited, the holding company is repayable on 31st May, 2014 and interest is payable after liquidation of loan.
10. The advances granted to officers/staffs are in keeping with the provision of service rules. However, Amounts are lying unadjusted in the account of various staff members given as advance for office expenses or as imprest and there are abnormal delays in settlement of these advances.
11. The Company generally has an established system of internal control to ensure completeness, accuracy and reliability of accounting records, for carrying out the business in an orderly and efficient manner, to safeguard the assets of the Company as well as to ensure adherence to the rules & regulations, systems and procedures.
12. As informed to us, there is a reasonable system of obtaining competitive bids/quotations from the vendors in respect of purchase of stores, plant & machinery, equipments and other assets commensurate with the size of the Company and nature of its business.
13. (a) As informed to us, there is no transaction for purchase and sale of goods and services made in pursuance of contracts on agreements entered into with the directors or any other parties related to directors or with the Company or firms in which the directors are directly or indirectly interested.

(b) The examination of records does not reveal any transaction entered into by the Company which is prejudicial to the interest of the company wherein the directors are directly or indirectly interested.
14. As explained to us, the unserviceable or damaged inventory of inventories is disposed off as and when ascertained and taken in accounts.
15. It has been explained that the Company has reasonable system of ascertaining and identifying point of occurrence of breakage/damages of stores, spares and capital goods while in transit, during loading/unloading in storage and during handling etc. so that responsibility could be fixed and compensation sought from those responsible.
16. The Company is a service oriented organization and not a manufacturing concern. Hence maintenance of records of production etc. is not applicable.
17. Reasonable records are maintained for disposal of realizable scraps.





18. According to the records, the Company is generally regular in depositing rates and taxes, duties etc. and other statutory dues with the appropriate authorities during the year 2013. Provision for Corporate Income Tax is adequate and necessary adjustments have been made to compute the amount of tax required to be paid under The Rules on the Income Tax Act of the Kingdom of Bhutan, 2001.
19. Undisputed amount of TDS amounting to Nu. 2,865,416 were payable as at the last day of the financial year ending on 31st December,2013.
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 has been no material loss/discrepancies of Inventory between physical and book balances during the year under review.
24. The Company is a service oriented organization and not a manufacturing concern and there is no system of allocating man hours utilized to the respective jobs etc.
25. System of authorization and internal control regarding issue of stores and allocation of materials and labour is not applicable for a service oriented Company.
26. System of price fixation taking into account the cost of production and market conditions is not applicable for a service oriented Company.
27. The credit sales policy and credit rating of customers is not applicable for the Company.
28. The Company has engaged some agents in connection with mobile service through appropriate screening. The agency commission structure is in keeping with the industry norms / market conditions.
29. The system of follow-up with debtors and other parties for recovery of outstanding amounts needs to be improved. Vigorous follow-up is necessary to realize the old debts.
30. The management of liquid resources particularly cash / bank is reasonably adequate considering the nature and size of the business. Funds are not lying idle in non-interest bearing accounts.





Interest Free Loan taken from DANIDA has been availed on account of genuine fund requirement for carrying out operational activities.

31. According to the information and explanations given to us and on the basis of examination of books and records on test check basis, the activities carried out by the Company are in our opinion lawful and intra-vires the Articles of Incorporation of the Company except granting of Loan of Nu 100,000,000 to DHI.
32. According to the information and explanations given to us, the Company has a system of approval of the Board for all capital investment decision and investments in new projects.
33. The Company has established an effective budgetary control system.
34. System of standard costing, variance analysis etc. is not applicable for a service oriented Company.
35. The details of remuneration to the Chief Executive Officer have been indicated in the Notes to the Accounts.
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. Proper records are kept for inter unit transactions. Arrangements for services made with other agencies engaged in similar activities are not applicable for this Company.
3. The Company has executed proper agreements wherever the machinery/equipments are acquired on lease. The terms and conditions of leases are reasonable and are applied for.

Computerized Accounting environment

1. The Company has a Computerized accounting system and the internal control system seems to be adequate taking into account the size and nature of its computer installations.





2. It is explained to us that the Company has a standby server installed at Wangdue Phodrang which is identical to the main database server which keeps the data synchronized real time. Backup is also taken every night and is stored on external hard disk drive.
3. As per information given to us, the Company keeps a back-up data for the entire Company in a standby server installed at Wangdue Phodrang , i.e. at a different location from the Head Office.
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, 2013 audited by us, the Company is healthy and going concern assumption is appropriate.

2. Ratio Analysis

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

3. Compliance of Companies Act of Kingdom of Bhutan:

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

4. Adherence of Laws Rules & Regulations:

Audit of the Company is governed by The Companies Act of the Kingdom of Bhutan, 2000 and the scope of audit is limited to examination and reviews of the financial statement as produced to us by the management. In the course of audit, we have considered the compliance of provision of the said Companies Act and its Article of Incorporation. The Company does not have a comprehensive Compliance Reporting and Recording System as regards adherence to





all laws, rules and regulations, systems, procedures and practices. Under the circumstances we are unable to comment on the compliance of the same by the Company during the year 2013.

Place: New Delhi



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

G.k. Agrawal
Partner
Membership No 081603
Date : 18/03/2014



BHUTAN TELECOM LIMITED
STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2013

| Particulars | Notes | As at 31st December 2013 (Nu) | As at 31st December 2012 (Nu) | As at 31st December 2011 (Nu) |
|-------------------------------------|-------|-------------------------------------|-------------------------------------|-------------------------------------|
| ASSETS | | | | |
| <i>Non-current assets</i> | | | | |
| Property, Plant and Equipment | 1(a) | 3,097,796,276 | 2,936,758,818 | 2,713,464,847 |
| Intangible Assets | 1(b) | 93,882,877 | - | - |
| Capital work-in-progress | 1(a) | 46,704,728 | 5,486,277 | - |
| Intangible Assets under development | 1(b) | 25,960,328 | - | - |
| Long Term Loans & Advances | 2 | 64,750,000 | 177,700,000 | 90,650,000 |
| Total Non-Current Assets | | 3,329,094,210 | 3,119,945,095 | 2,804,114,847 |
| <i>Current Assets</i> | | | | |
| Inventories | 3 | 36,725,966 | 26,941,663 | 25,755,720 |
| Trade Receivables | 4 | 53,227,246 | 67,456,835 | 46,461,155 |
| Cash and Bank Balances | 5 | 491,815,518 | 657,798,127 | 598,163,463 |
| Short-term Loans and Advances | 6 | 211,582,896 | 142,341,257 | 226,501,229 |
| Other Current Assets | 7 | 121,483,333 | 12,602,033 | 2,716,600 |
| Total Current Assets | | 914,834,959 | 907,139,915 | 899,598,167 |
| TOTAL ASSETS | | 4,243,929,168 | 4,027,085,010 | 3,703,713,014 |





| EQUITY AND LIABILITIES | | | | |
|---------------------------------------|----|----------------------|----------------------|----------------------|
| Share Capital | 8 | 854,082,000 | 854,082,000 | 854,082,000 |
| Retained Earnings & Reserves | | 2,423,079,478 | 2,191,595,937 | 1,831,233,495 |
| Total Equity | | 3,277,161,478 | 3,045,677,937 | 2,685,315,495 |
| Non-Current Liabilities | | | | |
| Deferred Government Grants | 9 | 161,048,363 | 191,658,027 | 201,359,377 |
| Long Term Borrowings | 10 | 380,222,447 | 417,291,979 | 486,968,324 |
| Long Term Provisions | 11 | 12,789,699 | - | - |
| Total Non-Current Liabilities | | 554,060,510 | 608,950,006 | 688,327,701 |
| Current Liabilities | | | | |
| Trade Payables | 12 | 35,636,993 | 36,388,002 | 10,300,213 |
| Short Term Provisions | 13 | 5,909,219 | 5,566,580 | 2,768,104 |
| Other Current Liabilities | 14 | 371,160,967 | 330,502,483 | 317,001,500 |
| Total Current Liabilities | | 412,707,180 | 372,457,065 | 330,069,817 |
| Total Liabilities | | 966,767,689 | 981,407,071 | 1,018,397,518 |
| Total Equity & Liabilities | | 4,243,929,168 | 4,027,085,010 | 3,703,713,014 |

Summary of significant Accounting Policies : 25

The accompanying notes no. 1 to 26 are an integral part of the financial statements


Chairman


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


Chief Executive Officer

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

Place : Thimphu




G.k. Agrawal
Partner
Membership No 081603
Date : 18/03/2014



BHUTAN TELECOM LIMITED
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST
DECEMBER 2013

| Particulars | Notes | 2013(Nu) | 2012 (Nu) As Restated | 2011 (Nu) As Restated |
|---|-------|----------------------|-----------------------|-----------------------|
| Revenue from Operations | | | | |
| Domestic | 15 | 2,210,440,377 | 2,132,379,660 | 1,765,547,023 |
| International | 16 | 33,979,432 | 35,060,818 | 43,190,741 |
| Other Operating Income | 17 | 84,011,264 | 41,901,115 | 20,768,088 |
| Total Revenue | | 2,328,431,073 | 2,209,341,593 | 1,829,505,852 |
| Operating Expenses | | | | |
| Stores and Spares Parts | 18 | 87,616,765 | 104,574,144 | 74,639,889 |
| Employees' Remuneration and Benefits | 19 | 262,408,422 | 242,401,195 | 200,769,464 |
| Repair & Maintenance | 20 | 152,374,886 | 134,663,421 | 103,040,689 |
| Administrative and General Expenses | 21 | 264,508,059 | 234,629,824 | 118,678,709 |
| International Payments | 22 | 188,511,819 | 135,333,149 | 88,462,103 |
| Foreign Exchange Fluctuations | | 76,985,601 | 25,982,070 | 85,939,868 |
| Depreciation | 23 | 622,235,993 | 524,421,421 | 473,402,684 |
| Total Operating Expenses | | 1,654,641,543 | 1,402,005,224 | 1,144,933,406 |
| Profit before Prior-period items, Other Comprehensive Income and Tax | | 673,789,530 | 807,336,369 | 684,572,446 |
| Prior-period Items (Net) | | 1,460,745 | 55,863,587 | (1,209,049) |
| Profit before Tax | | 675,250,275 | 863,199,956 | 683,363,397 |
| Tax Expense : | | | | |
| Current Tax | | 246,497,215 | 286,733,565 | 248,998,951 |
| Tax for earlier years | | 7,784,178 | 0 | 2,156,549 |





| | | | | |
|---|----|--------------------|--------------------|--------------------|
| Total Tax Expense | | 254,281,393 | 286,733,565 | 251,155,500 |
| Profit for the year from continuing operations | | 420,968,882 | 576,466,391 | 432,207,897 |
| Other Comprehensive Income | | 0 | 0 | 0 |
| Actuarial gains(losses) on defined benefit plans | | (20,360,359) | 0 | 0 |
| Income tax relating to component for other comprehensive Income | | 6,108,108 | 0 | 0 |
| other comprehensive Income, net of tax | | (14,252,251) | 0 | 0 |
| Total comprehensive Income for the year | | 406,716,631 | 576,466,391 | 432,207,897 |
| Earnings Per Share | 24 | 476 | 675 | 506 |


Summary of significant Accounting Policies

The accompanying notes no. 1 to 26 are an integral part of the financial statement


Chairman

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

Place : Thimphu


Chief Executive Officer

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



G.k. Agrawal
Partner
Membership No 081603
Date : 18/03/2014



BHUTAN TELECOM LIMITED
STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31ST DECEMBER 2013

| Particulars | Amount in Nu (2013) | | Amount in Nu (2012) | |
|--|---------------------|----------------------|---------------------|----------------------|
| Cash Flow from Operating Activities | | | | |
| Net profit before tax | 654,889,916 | | 863,199,956 | |
| Add: Net Addition in Provision for Leave encashment | 13,132,338 | | 2,798,476 | |
| Add: Foreign Exchange Loss | 82,660,279 | | 27,080,536 | |
| Net profit before tax and after prior period adjustment | | 750,682,533 | | 893,078,968 |
| Adjustment for Depreciation during the year | 622,305,942 | | 134,988,536 | |
| Interest Received | (33,821,963) | 588,483,979 | (24,522,374) | 110,466,162 |
| Net Profit from Operating Activities before working capital changes | | 1,339,166,512 | | 1,003,545,130 |
| (Increase)/Decrease in inventories | (9,784,303) | | (1,185,943) | |
| (Increase)/Decrease in Trade Receivables | 14,229,589 | | (20,995,680) | |
| (Increase)/Decrease in Short Term Loans and advances | (69,241,639) | | 84,159,972 | |





| | | | | |
|--|---------------|----------------------|---------------|----------------------|
| (Increase)/Decrease in Other Current Assets | (108,881,300) | | (9,885,433) | |
| Increase in Long term Loans and advances | 112,950,000 | | (87,050,000) | |
| (Increase)/Decrease in Other Trade Payables | (751,009) | | 26,087,789 | |
| (Increase)/Decrease in Other Current Liabilities | 67,979,194 | 6,500,532 | 7,410,997 | (1,458,298) |
| Cash Generated from operating activities | | 1,345,667,044 | | 1,002,086,832 |
| Income Tax Paid | | (292,235,875) | | (285,196,538) |
| Net Cash Flow from Operating Activities | | 1,053,431,169 | | 716,890,294 |
| Cash Flow from Investing Activities | | | | |
| Payment for Property Plant and Equipments | (757,123,306) | | (412,916,512) | |
| Payment for Intangible Assets | (105,254,169) | | - | |
| Payment for Intangible Asset under development | (25,960,328) | | - | |
| Payment for Capital Work in Progress | (41,218,451) | | (5,486,277) | |
| Interest Received | 33,821,963 | | 24,522,374 | |
| Investment in Fixed Deposits | 220,120,935 | | (75,120,935) | |
| Net cash used in Investing Activities | | (675,613,357) | | (469,001,350) |





| Cash Flow from Financing Activities | | | | |
|--|---------------|----------------------|---------------|----------------------|
| Repayment of Loan | (102,987,930) | | (92,203,922) | |
| Receipt of Capital Grant from BICMA | 9,895,000 | | 44,932,655 | |
| Payment of Dividend | (230,586,556) | | (216,103,948) | |
| Net cash used in Financing Activities | | (323,679,486) | | (263,375,215) |
| Increase/(Decrease) in Cash | | 54,138,326 | | (15,486,271) |
| Cash & Bank Balance (Opening) | 183,677,192 | | 199,163,463 | |
| Cash & Bank Balance (Closing) | 237,815,518 | | 183,677,192 | |
| Increase/(Decrease) in Cash | | 54,138,326 | | (15,486,271) |

Footnote:

| Reconciliation of Cash and Cash Equivalent with Statement of Financial Position | 2,013 | 2,012 | 2,011 |
|--|--------------------|--------------------|--------------------|
| Cash on hand | 7,686,261 | 36,179,541 | 33,349,366 |
| Balances with Banks in current accounts | 230,129,257 | 147,497,651 | 165,814,097 |
| Fixed deposits placed for a period less than 3 months | - | - | - |
| Cash and Cash Equivalents | 237,815,518 | 183,677,192 | 199,163,463 |
| Other Bank balances | 254,000,000 | 474,120,935 | 399,000,000 |





| | | | |
|--|-------------|-------------|-------------|
| Cash and Cash Equivalents as per Statement of Financial Position | 491,815,518 | 657,798,127 | 598,163,463 |
|--|-------------|-------------|-------------|

The accompanying notes no. 1 to 26 are an integral part of the financial statements


Chairman

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

Place: Thimphu


Chief Executive Officer

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



G.k. Agrawal
Partner
Membership No 081603
Date : 18/03/2014





BHUTAN TELECOM LIMITED: SCHEDULE 4 FIXED ASSETS
PROPERTY PLANT AND EQUIPMENT

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2013

Note 1(a)

| PARTICULARS | GROSS BLOCK | | | ACCUMULATED DEPRECIATION | | | NET BLOCK | | |
|----------------------------|----------------------|--------------------|--------------------|--------------------------|----------------------|---------------------------|--------------------|----------------------|----------------------|
| | 01.01.2013 | ADDITION | ADJUSTMENT | 31.12.2013 | 01.01.2013 | DEPRECIATION FOR THE YEAR | ADJUSTMENT | 31.12.2013 | 01.01.2013 |
| Land-(Ref.Point 27 para 4) | 43,887,319 | 2,536,571 | 55353466* | 101,777,356 | - | - | - | 101,777,356 | 43,887,319 |
| Building | 345,801,082 | 42,315,340 | - | 388,116,422 | 71,260,851 | 11,197,488 | - | 305,658,083 | 274,540,231 |
| Plant & Machinery | 3,703,531,147 | 508,284,140 | - | 4,211,815,287 | 1,819,478,518 | 574,614,779 | - | 1,817,721,990 | 1,884,052,629 |
| Office Equipment | 53,151,588 | 10,630,229 | - | 63,781,817 | 29,645,495 | 8,709,466 | 24,361 | 25,402,495 | 23,506,093 |
| Power System & Cable | 953,373,745 | 184,380,112 | - | 1,137,753,857 | 270,889,170 | 49,598,228 | - | 817,266,459 | 682,484,576 |
| Furniture | 8,106,416 | 3,173,600 | - | 11,280,016 | 4,235,901 | 1,377,366 | 45,589 | 5,621,160 | 3,870,515 |
| Vehicle | 39,149,639 | 5,803,314 | - | 44,952,953 | 14,732,183 | 5,872,037 | - | 24,348,733 | 24,417,457 |
| Total | 5,147,000,935 | 757,123,306 | 55,353,466 | 5,959,477,707 | 2,210,242,118 | 651,369,363 | 69,950 | 3,097,796,276 | 2,936,758,819 |
| Previous Year | 4,734,084,424 | 824,036,943 | 411,120,431 | 5,147,000,936 | 2,020,619,577 | 579,055,426 | 389,432,885 | 2,936,758,818 | 2,813,464,848 |
| Capital work-in-progress | 5,486,277 | 83,805,975 | 42,587,523 | 46,704,728 | | | | 46,704,728 | |
| Previous Year | - | 5,486,277 | | 5,486,277 | | | | 5,486,277 | |

BHUTAN TELECOM LTD. - Always there for you



Note 1(b)

| Intangible Assets | | | | | | | | | |
|---|-------------|------------|-------------|---|------------|---|------------|------------|---|
| Software Application | 105,254,169 | - | 105,254,169 | - | 11,371,292 | - | 11,371,292 | 93,882,877 | - |
| Intangible Assets under development (SAP) | - | 25,960,328 | 25,960,328 | | | | | | |
| Previous Year | - | - | - | - | - | - | - | - | - |

NOTE:
***Land Revaluation value as on 1.1.13 .**

The Useful lives and rates applied are as follows:

| | | |
|-------------------------------|-----------|-----|
| Land | NA | |
| Building | | |
| a. Permanent Structure | 33.33 yrs | 3% |
| b. Semi-Permanent Structure | 5 yrs | 20% |
| Plant & Machinery | | |
| a. Cables and Power Equipment | 6.67 yrs | 15% |
| Furniture | 20 yrs | 5% |
| Vehicle | 6.67 yrs | 15% |
| Software Application | 6.67 yrs. | 15% |



BHUTAN TELECOM LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENT FOR THE YEAR ENDED
31ST DECEMBER 2013

| Particulars | As at 31st December 2013 (Nu) | As at 31st December 2012 (Nu) As restated | As at 31st December 2011 (Nu) As Restated |
|---|-------------------------------------|--|---|
| NON-CURRENT ASSETS | | | |
| <i>Note 2: Long Term Loans & Advances</i> | | | |
| Loan to Druk Holding & Investments, Holding Company | 0 | 100,000,000 | 0 |
| Prepaid Expenses-Licence fee | 64,750,000 | 77,700,000 | 90,650,000 |
| | 64,750,000 | 177,700,000 | 90,650,000 |
| CURRENT ASSETS | | | |

Note 3: Inventories

| | | | |
|--|-------------------|-------------------|-------------------|
| Inventories | 37,725,966 | 27,941,663 | 26,755,720 |
| Less: Provision for stores & spares | (1,000,000) | (1,000,000) | (1,000,000) |
| | 36,725,966 | 26,941,663 | 25,755,720 |

Note 4: Trade Receivables

| | | | |
|-----------------|--------------|--------------|--------------|
| Domestic | 74,564,006 | 70,685,952 | 64,712,143 |
| Less: Provision | (28,234,951) | (28,267,087) | (27,685,838) |
| | 46,329,055 | 42,418,865 | 37,026,305 |
| International | 6,898,191 | 25,037,970 | 9,434,849 |





| | 53,227,246 | 67,456,835 | 46,461,154 |
|---|--------------------|--------------------|--------------------|
| Note 5: Cash and Bank Balances(Cash and Cash Equivanlent) | | | |
| Disbursement Bank Account, BT | (45,789,743) | 22,659,191 | 64,186,984 |
| Depository Works Account | 29,324,062 | 17,223,348 | 19,436,471 |
| BOB Current Account | 3,247,199 | 59,865 | 7,218,666 |
| Foreign Currency Account | 49,615,973 | 44,085,857 | 33,180,951 |
| Disbursement Bank Account, BM | 18,172,866 | 43,531,631 | 23,142,159 |
| BDBL Revenue Account | 514,404 | 1,456,467 | 2,633,878 |
| Insurance Account | 5,718,710 | 6,005,213 | 5,130,596 |
| GRI Current Account BNB | 128,182,663 | 0 | 0 |
| Prefund Bank Account(Deutsche Bank) | 34,652 | 0 | 0 |
| General Purpose Account(Deutsche Bank) | 1,114,399 | 0 | 0 |
| Cash in hand in Regions & Exchanges | 7,686,261 | 12,476,079 | 10,884,392 |
| Bank Balances in Regions & Exchanges | 39,994,074 | 36,179,541 | 33,349,366 |
| | 237,815,518 | 183,677,192 | 199,163,463 |
| Other Bank Balances | | | |
| Fixed Deposit-More than Three months and less than 12 months | 254,000,000 | 474,120,935 | 399,000,000 |
| | 491,815,518 | 657,798,127 | 598,163,463 |





Note 6: Short-term Loans and Advances

(i) Advances recoverable in cash and/or in kind or for value to be received from -Unsecured

| | | | |
|-------------------------|--------------------|--------------------|--------------------|
| (Considered good) | | | |
| To Suppliers | 168,332,629 | 112,736,354 | 191,275,050 |
| To Contractors | 488,182 | 2,023,715 | 7,540,518 |
| Suppliers, POL | 974,332 | 1,017,643 | 1,007,245 |
| Staff, Personal Advance | 979,346 | 2,109,442 | 1,458,917 |
| Others | 20,994,501 | 411,717 | 1,358,137 |
| Staff, Office Advance | 2,106,598 | 6,065,031 | 5,700,458 |
| Staff Imprest | 3,670,868 | 3,259,353 | 2,905,912 |
| Prepaid Expenses | 14,036,440 | 14,718,002 | 15,254,992 |
| | 211,582,896 | 142,341,257 | 226,501,229 |

Note 7: Other Current Assets

| | | | |
|---|--------------------|-------------------|------------------|
| Loan to Druk Holding & Investments, the Holding Company | 100,000,000 | 0 | 0 |
| Interest Accrued but not Due | 11,676,503 | 9,240,929 | 2,635,762 |
| Interest Accrued and Due | 1,852,246 | 3,117,172 | 0 |
| Other Deposits | 7,786,904 | 76,252 | 80,838 |
| Other Receivables | 167,680 | 167,680 | 0 |
| | 121,483,333 | 12,602,033 | 2,716,600 |





| Particulars | As at 31st December 2013 (Nu) | As at 31st December 2012 (Nu) As Restated | As at 31st December 2011 (Nu) As Restated |
|--|-------------------------------|---|---|
| Note 8: SHARE CAPITAL | | | |
| Equity Share Capital | | | |
| AUTHORISED : | | | |
| 1,500,000 (Previous Year 1,500,000) Equity Shares of Nu. 1,000 each | 1,500,000,000 | 1,500,000,000 | 1,500,000,000 |
| ISSUED, SUBSCRIBED AND PAID UP | | | |
| 854,082 (previous Year 854,082) Equity Shares of Nu.1,000 each | 854,082,000 | 854,082,000 | 854,082,000 |
| | 854,082,000 | 854,082,000 | 854,082,000 |

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, 2013, a dividend of Nu.216,007,203 had been declared (Previous year - 230,586,556)

ii. Shares held by the Holding Company

| Name of Shareholder | As at 31.12.13 | | As at 31.12.12 | | As at 31.12.11 | |
|------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | No. of Shares held | % of total holding | No. of Shares held | % of total holding | No. of Shares held | % of total holding |
| Druk Holdings & Investment Limited | 854,082 | 100% | 854,082 | 100% | 854,082 | 100% |





| | | | | | | |
|--------------|----------------|-------------|----------------|-------------|----------------|-------------|
| Total | 854,082 | 100% | 854,082 | 100% | 854,082 | 100% |
|--------------|----------------|-------------|----------------|-------------|----------------|-------------|

iii Reconciliation of number of shares

| Particulars | As at 31.12.13 | | As at 31.12.12 | | As at 31.12.11 | |
|--|----------------|--------------------|----------------|--------------------|----------------|--------------------|
| | Equity Shares | | Equity Shares | | Equity Shares | |
| | No. of Shares | Nu. | No. of Shares | Nu. | No. of Shares | Nu. |
| Shares outstanding at the beginning of the year | 854,082 | 854,082,000 | 854,082 | 854,082,000 | 854,082 | 854,082,000 |
| Shares issued during the year | 0 | 0 | 0 | 0 | 0 | 0 |
| Shares bought back during the year | 0 | 0 | 0 | 0 | 0 | 0 |
| Shares outstanding at the end of the year | 854,082 | 854,082,000 | 854,082 | 854,082,000 | 854,082 | 854,082,000 |





| Particulars | As at 31st December 2013 (Nu) | As at 31st December 2012 (Nu) As Restated | As at 31st December 2011 (Nu) As Restated |
|--|---|--|---|
| | Note 9: Deferred Government Grants | | |
| I. GRANTS : | | | |
| a) Grant from Royal Government of Bhutan | | | |
| At the beginning of year | 2,714,665 | 2,879,665 | 3,044,665 |
| Transferred to Statement of Comprehensive Income | (165,017) | (165,000) | (165,000) |
| | 2,549,649 | 2,714,665 | 2,879,665 |
| b) Grant from Government of India for B Mobile | | | |
| At the beginning of year | 8,602,006 | 9,401,938 | 10,201,870 |
| Transferred to Statement of Comprehensive Income | (799,932) | (799,932) | (799,932) |
| | 7,802,074 | 8,602,006 | 9,401,938 |
| c) Grant from Danida | | | |
| At the beginning of year | 0 | 16,301,140 | 40,752,850 |
| Transferred to Statement of Comprehensive Income | | (16,301,140) | (24,451,710) |
| | 0 | 0 | 16,301,140 |





| | | | |
|--|--------------------|--------------------|--------------------|
| d) Grant from Government of India for VSAT | | | |
| At the beginning of year | 1,824,733 | 2,919,573 | 4,014,413 |
| Transferred to Statement of Comprehensive Income | (1,094,293) | (1,094,840) | (1,094,840) |
| | 730,440 | 1,824,733 | 2,919,573 |
| e) Grant from BICMA for GSM | | | |
| At the beginning of year | 178,516,623 | 169,857,061 | 175,644,685 |
| Received during the year | 9,895,000 | 44,932,655 | 25,142,655 |
| Transferred to Statement of Comprehensive Income | (38,445,422) | (36,273,093) | (30,930,279) |
| | 149,966,201 | 178,516,623 | 169,857,061 |
| Deferred Government Grants | 161,048,363 | 191,658,027 | 201,359,377 |

| NON-CURRENT LIABILITIES | | | |
|---|--------------------|--------------------|--------------------|
| Note 10: Long Term Borrowings - Unsecured Loan | | | |
| Loan from Danida (interest free rate) | 380,222,447 | 417,291,979 | 486,968,324 |
| | 380,222,447 | 417,291,979 | 486,968,324 |

Footnotes:

Security Pledged
Guaranteed by Royal Government of Bhutan

Terms of Repayment

Loan is repayable in 20 equal half yearly installments of Euro 650,425 each Term loan of Nu.111,105,205.60, repayable during 01/01/2014 to 31/12/2014 is classified under Current maturity of long term borrowing under other Current Liabilities (Previous year Nu 94,363,325.32)





| Particulars | As at 31st December 2013(Nu) | As at 31st December 2012(Nu) As Restated | As at 31st December 2011(Nu) As Restated |
|---|------------------------------|--|--|
| Note 11: Long Term Provision | | | |
| Leave Encashment | 12,789,699 | 0 | 0 |
| | 12,789,699 | 0 | 0 |
| Note 12: Trade Payables | | | |
| International | 35,636,993 | 36,388,002 | 10,300,213 |
| | 35,636,993 | 36,388,002 | 10,300,213 |
| Note 13: Short Term Provisions | | | |
| Leave Encashment | 5,909,219 | 5,566,580 | 2,768,104 |
| | 5,909,219 | 5,566,580 | 2,768,104 |
| Note 14: Other Current Liabilities | | | |
| Current Maturities of Long Term Borrowing | 111,105,206 | 94,363,325 | 89,810,366 |
| Other Payables | 111,192,787 | 28,199,154 | 34,661,270 |
| Security Deposits | | | |
| Suppliers | 1,103,321 | 820,853 | 605,178 |
| Consumers/Subscribers | 2,600,000 | 2,300,000 | 1,710,000 |
| Contractors | 4,629,381 | 2,160,804 | 3,036,032 |
| Dealers | 90,000 | 90,000 | 120,000 |
| Other Deposits | 109,492 | 6,145,309 | 15,145 |
| Statutory Dues : | | | |
| TDS Contractors | 116,785 | 1,231 | 0 |
| TDS Rent | 12,168 | | |
| TDS Suppliers | 2,024,081 | 2,672,111 | 554,355 |
| Provident Fund Contribution | 0 | 63,238 | 0 |





| | | | |
|--------------------------------|--------------------|--------------------|--------------------|
| Health Contribution | 0 | 7,238 | 0 |
| Salary Tax | 0 | 166,270 | 484 |
| TSWF | (7,124) | 0 | 0 |
| Other Liabilities : | | | |
| Liability for Depository Works | 9,494,874 | 25,366,893 | 19,436,470 |
| Stale Cheques | 0 | 351,305 | 289,352 |
| Other Deductions | 9,710,121 | 4,762,286 | 5,287,409 |
| Audit Fee Payable | 100,000 | 90,000 | 70,000 |
| Tax Payable | 118,879,876 | 162,942,466 | 161,405,439 |
| | 371,160,967 | 330,502,483 | 317,001,500 |

REVENUE FROM OPERATIONS

Note 15: REVENUE - DOMESTIC

| | | | |
|--------------------------------------|---------------|---------------|---------------|
| Telephone Service | 114,778,839 | 126,334,542 | 135,607,085 |
| Misc. Income(LL) | 15,623,775 | - | - |
| Sale of SIM Cards | 8,434,400 | 7,282,535 | 7,798,013 |
| Sale of Recharge Voucher | 1,529,894,265 | 1,563,252,384 | 1,289,443,532 |
| Post Paid Mobile Service | 140,079,586 | 139,214,558 | 114,347,957 |
| E-Load | 131,573,245 | 40,850,497 | 33,392,170 |
| Income from IN & VAS | 1,254,115 | 1,063,726 | 944,256 |
| Misc. Income(BM) | 11,385,433 | - | - |
| Broadband-Postpaid | 64,346,514 | - | - |
| Broadband-Prepaid | 55,365,439 | - | - |
| Income from Leaseline | 101,766,254 | 217,666,617 | 159,298,446 |
| Income from Domain Name Registration | 825,288 | 1,050,605 | 40,731 |





| Particulars | As at 31st December 2013(Nu) | As at 31st December 2012(Nu) As Restated | As at 31st December 2011(Nu) As Restated |
|---|------------------------------|--|--|
| Income from IPLC(National) | 6,370,765 | - | - |
| Misc. Income(Druknet) | 28,742,458 | 35,664,196 | 24,674,833 |
| | 2,210,440,377 | 2,132,379,660 | 1,765,547,023 |
| Note 16: REVENUE - International | | | |
| International (ISD) | 18,219,564 | 18,721,675 | 24,073,982 |
| Income from International Roaming | 10,464,192 | 13,278,895 | 19,116,759 |
| Income from IPLC(International) | 4,262,766 | 3,060,248 | - |
| Income from Domain name registration | 897,168 | - | - |
| Income from Leaseline(International) | 135,743 | - | - |
| | 33,979,432 | 35,060,818 | 43,190,741 |

| Note 17: Other Operating Income | | | |
|--|------------|------------|-----------|
| Income for Hire Charges | 163,230 | 741,254 | 3,537,742 |
| Income from Deposit Work | 27,855,202 | - | - |
| Interest from Fixed Deposit | 33,821,963 | 24,522,374 | 4,908,625 |
| Fines | 4,901,662 | 6,503,801 | 3,757,433 |
| Thuraya | 137,056 | 74,428 | 643,464 |
| Misc. Income | 8,765,003 | 1,690,425 | 1,049,454 |
| Income from Sale of Equipment | 638,320 | 4,349,546 | 4,855,737 |
| Income from House Rent - Staff | 1,776,819 | 1,634,244 | 1,542,283 |



| | | | |
|--------------------------|-------------------|-------------------|-------------------|
| Discount Received | 5,952,009 | - | - |
| Profit on sale of assets | - | 2,385,043 | 473,350 |
| | 84,011,264 | 41,901,115 | 20,768,088 |

OPERATING EXPENSES

Note 18: STORES AND SPARES PARTS

| | | | |
|-------------------------|-------------------|--------------------|-------------------|
| Telephone Instrument | 3,893,978 | 79,015 | 231,003 |
| O & M Consumable Stores | 50,413,393 | 73,087,005 | 47,659,644 |
| Drop Wire | 3,644,969 | 5,500,396 | 2,499,289 |
| SIM Card | 3,352,322 | 3,339,200 | 2,728,100 |
| Recharge Voucher | 21,033,371 | 22,568,528 | 20,412,879 |
| Mobile Handset | 1,156,390 | - | 127,987 |
| Modems | 4,122,342 | - | 980,987 |
| | 87,616,765 | 104,574,144 | 74,639,889 |

Note 19: EMPLOYEES' REMUNERATION AND BENEFITS

Salaries and Wages :

| | | | |
|-------------------------------|-------------|-------------|-------------|
| Permanent Employee | 139,378,587 | 131,554,787 | 127,017,905 |
| Temporary Employee | 12,707,891 | 14,508,822 | 12,801,839 |
| Bonus / Special Pay | 15,947,155 | 12,995,849 | 11,700,300 |
| Medical Expense Reimbursement | 327,331 | 121,338 | 1,137,072 |





| Particulars | As at 31st December 2013(Nu) | As at 31st December 2012(Nu) As Restated | As at 31st December 2011(Nu) As Restated |
|---|------------------------------|--|--|
| Leave Travel Concession | 7,921,580 | 6,657,123 | 6,510,570 |
| Leave Excashment | 22,193,590 | 11,397,616 | 3,101,958 |
| Uniform and Livery Expenses | 1,781,926 | 594,707 | 835,384 |
| Staff Welfare Expenses | 728,000 | 337,622 | 237,653 |
| Employer contribution to Provident Fund | 13,710,421 | 12,451,533 | 9,213,853 |
| Employee Cost - Gratuity | 8,750,308 | 21,509,420 | 4,746,164 |
| Special Payment | 212,566 | 24,430 | 510,000 |
| Staff Training | 38,186,816 | 29,556,999 | 22,820,902 |
| Meeting & Seminars | 562,251 | 690,949 | 135,864 |
| | 262,408,422 | 242,401,195 | 200,769,464 |
| Note 20: REPAIRS AND MAINTENANCE | | | |
| Building | 7,043,799 | 4,620,271 | 2,233,878 |
| Office Equipment | 209,433 | 954,529 | 1,887,088 |
| Furniture / Fixture | 2,738 | 5,870 | 5,550 |
| Other - AMC | 117,456,591 | 111,317,672 | 83,949,904 |
| Power System | 1,474,561 | 1,780,949 | 789,219 |
| Generator Set | 4,865,614 | 3,543,859 | 3,373,778 |
| OSP Cables & Accessories | 4,998,440 | 475,788 | 216,853 |
| Plant & Machinery | 4,959,648 | 2,761,205 | 1,600,582 |
| Software Application | 118,616 | - | - |
| Vehicle | 3,252,512 | 2,782,274 | 3,280,767 |
| Vehicle Running expenses | 7,992,934 | 6,421,004 | 5,703,070 |
| | 152,374,886 | 134,663,421 | 103,040,689 |





| Particulars | As at 31st December 2013 (Nu) | As at 31st December 2012 (Nu) As Restated | As at 31st December 2011 (Nu) As Restated |
|---|-------------------------------|---|---|
| Note 21: ADMINISTRATION AND GENERAL EXPENSES | | | |
| Advertisement Expenses | 2,586,071 | 2,682,069 | 1,036,318 |
| Audit Fees | 100,000 | 90,000 | 70,000 |
| Audit Expenses | 602,247 | 361,222 | 419,881 |
| Bank Charges | 3,590,611 | 1,492,533 | 1,905,038 |
| Directors Fees | 728,000 | 508,000 | 536,000 |
| Books, Magazine, Newspaper | 15,676 | 53,210 | 51,639 |
| Carriage Outward | 2,645,659 | 1,146,230 | 683,334 |
| Carriage Inward | 49,311 | - | - |
| Communication (Fax, Mail, Post, Tele) | 925,854 | 1,080,168 | 908,714 |
| Professional Charges | 20,769,666 | 519,898 | 1,201,784 |
| Corporate Social Responsibility | 451,990 | 2,339,687 | 3,817,233 |
| Education Allowances | - | 5,000 | 15,000 |
| Electricity | 13,842,201 | 10,127,199 | 8,502,049 |
| Entertainment | 3,368,059 | 3,050,357 | 2,880,262 |
| Fees and Subscription | 56,458,488 | 55,254,818 | 53,248,291 |
| Insurance | 102,166 | 90,811 | 91,954 |
| Insurance for Building | 20,152 | 20,152 | 20,152 |
| Insurance for Telecom Equipment | 4,398,872 | 4,179,927 | 4,132,363 |
| Insurance for Cash-in-Transit | - | - | 8,737 |
| Vehicle License & Registration Fees | 299,618 | 176,876 | 151,157 |
| Commission on sale of prepaid vouchers & SIM Cards | 112,443,349 | 109,343,859 | - |
| Business Promotion | 9,823,697 | 4,244,369 | 1,475,895 |





| Particulars | As at 31st December 2013(Nu) | As at 31st December 2012(Nu) As Restated | As at 31st December 2011(Nu) As Restated |
|---------------------------|------------------------------|--|--|
| Revenue Sharing, National | 2,522,627 | 10,716,091 | 8,038,124 |
| Misc. Expenses | 7,402,131 | 419,022 | 1,070,340 |
| Bad & Doubtful Debts | 2,104,856 | 2,195,773 | 2,088,124 |
| Office Maintenance | 624,865 | 751,171 | 916,868 |
| Water and Sewerages | 377,557 | 229,534 | 67,623 |
| Rent | 3,215,636 | 3,980,766 | 4,076,578 |
| Printing and Stationary | 131,510 | 1,103,603 | 1,315,418 |
| Rates and Taxes | 2,179,330 | 5,697,700 | 4,286,488 |
| Custom Clearing Charges | 8,800 | 2,465 | 2,214 |
| Travelling - Domestic | 11,133,249 | 11,056,323 | 9,748,227 |
| Travelling - Foreign | 1,579,752 | 1,708,671 | 5,911,904 |
| Car Hire Charges | 6,060 | 2,320 | 1,000 |
| | 264,508,059 | 234,629,824 | 118,678,709 |

Note 22: INTERNATIONAL PAYMENTS

| | | | |
|---|--------------------|--------------------|-------------------|
| Satellite Transmission / Utilisation Charges | 11,472,677 | 10,587,349 | 4,539,770 |
| Service Fees for IBS | 79,697,476 | 22,543,997 | 5,143,183 |
| GTS Settlement | 823,492 | 1,709,934 | 2,489,007 |
| International Traffic Settlement / Voice / VoIP | 49,825,513 | 37,257,145 | 30,773,232 |
| Internet Transit Service Charges | 13,964,755 | 32,684,358 | 13,885,512 |
| International Roaming | 31,195,201 | 26,535,951 | 30,637,162 |
| GMPCS Service Charges | - | - | 327,534 |
| Fees and Subscribtion, International | 1,532,704 | 4,014,415 | 666,703 |
| | 188,511,819 | 135,333,149 | 88,462,103 |





| Particulars | As at 31st December 2013(Nu) | As at 31st December 2012(Nu) As Restated | As at 31st December 2011(Nu) As Restated |
|---|------------------------------|--|--|
| Note 23: DEPRECIATION | | | |
| Depreciation for the year | 662,740,657 | 579,055,426 | 530,844,445 |
| Transferred to Capital Reserve as deduction from the Grants for respective assets | (40,504,663) | (54,634,005) | (57,441,761) |
| Depreciation Charged to Statement of Comprehensive Income | 622,235,993 | 524,421,421 | 473,402,684 |

| Note 24: Earnings Per Share | | | | |
|--|-----------|------------|------------|------------|
| Particulars | Unit | 2013 | 2012 | 2011 |
| Profit available for Equity Shareholders | Nu | 406716631 | 576466391 | 432207897 |
| Weighted number of Equity Shares outstanding | Numbers | 854082 | 854082 | 854082 |
| Nominal Value of equity shares | 1000 | 1000 | 1000 | 1000 |
| Earnings per share | Nu | 476 | 675 | 506 |



**BHUTAN TELECOM LIMITED****Note No 25: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES****REPORTING ENTITY**

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

1. ADOPTION OF BHUTANESE ACCOUNTING STANDARDS:

- i) The present Financial Statements for the year ended 31st December 2013 is prepared in compliance with the BASs for the first time.
- ii) The statements are set out in the framework of and in compliance with all requirements of the 18 Bhutanese Accounting Standards as per the requirement of the Accounting & Auditing Standards Board of Bhutan 2012 to implement the Bhutanese Accounting Standards Phase I.
- iii) In view of the provision of Rule 4.5 of the “Corporate Income Tax” of Rules on the Income Tax Act of the Kingdom of Bhutan 2001, prohibiting inclusion of the Revaluation Surplus in the Statement of Comprehensive Income and also charging the depreciation attributable to the Revaluation Surplus of the asset to the Statement of Comprehensive Income to be allowed exemption from income tax and also in view of the provision of Section 66 of The Companies Act of the Kingdom of Bhutan 2000, prohibiting distribution of dividend from the profit with Revaluation Surplus and depreciation thereon, the company has concluded that compliance with a part of BASs being clauses 39 and 41 of BAS016 will not be complied and therefore the following departure is made (as per para 19021 of BAS01):
 - The Revaluation Surplus of the asset is credited directly to the Equity (without routing it through the Other Comprehensive Income).
 - Depreciation attributable to the enhanced part of the revalued asset is directly debited to the Revaluation Surplus Account.
 - The company has complied with all applicable BASs except the above said part of BAS 016 and the above departure has not affected the fair presentation of the Company’s Financial Position, Financial Performance and Cash Flows.
 - Had the above departure not made, the company would have to pay income tax on the unrealized profit of Revaluation Surplus which is otherwise exempt as per the law of the jurisdiction and no dividend could be paid from the profit which includes the Revaluation Surplus and the depreciation thereon. However, the Other Comprehensive





Income for the year ended 31.12.2013 would have been higher by the amount of the Revaluation Surplus worked out for the year.

- iv) The Financial statements have been prepared on a going concern basis in accrual system of accounting.
- v) The figures of the previous years (i.e. 2012 & 2011) have been restated in line with the BASs to make those comparable with the current year.
- vi) The company has decided on the early adoption of BAS 19 Employee Benefits, which is in the second phase of adoption of Bhutanese Accounting Standards. Employee retirement benefits are valued on an actuarial basis which better reflects the estimated liability in Statement of Financial Position date.

2. USE OF ESTIMATES

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

3. REVENUE RECOGNITION

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

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

- i) Post0paid calls are recognized on the basis of metered calls in monthly cycles as generated through central billing system except for 417 BT office connection all over the country, 25 VVIP connections in Thimphu and Phuentsholing, 535 for Post0paid and 238 for land Line employees' residential connections with certain ceiling as per Service Rule w.e.f. 1st March 2006.
- ii) Druknet bills are booked monthly on the basis of usage times and include revenue on account of start0up kits.
- iii) All fixed network leased lines (international, local and domestic) are billed.
- iv) Income from sale of recharge voucher is recognized on the basis of usage by subscribers.





- v) Sale of instruments including satellite phones are billed on delivery basis.
- vi) All other miscellaneous incomes are booked in the accounts only when collection is made.
- vii) Revenue is measured at the fair value of the consideration received or receivable

4. PROPERTY PLANT & EQUIPMENT

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

- i) Property Plant & Equipment except land are stated at historical cost less accumulated depreciation and impairment, if any
- ii) Cost includes Purchase Price and directly attributable expenses including installation charges, taxes & duties etc. up to the date the asset is ready for its intended use.
- iii) Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

Leasehold Land

- iv) Land is carried at the revalued amount equal to the fair value as envisaged in BASO 16 and the difference in book value has been credited to Equity as Revaluation Surplus.
- v) The company has several plots of land on an operating lease rental basis without any clause of transition of ownership. These lands are obtained from the Government of Bhutan, mostly for the purpose of erecting telecommunication towers of the company. These are cancellable leases and have only rental payment and minimum amount of security deposit at the time of signing of agreement. These leases being operative leases are not to be capitalized and the rents paid are equally charged to revenue (Statement of Comprehensive Income) from year to year till the conclusion of the lease period.

Depreciation

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





| Asset Type | Useful Life | Rate |
|------------------------------|-------------|------|
| Land | NA | |
| Building | | |
| a. Permanent Structure | 33.33 yrs | 3% |
| b.SemiPermanent Structure | 5 yrs | 20% |
| Plant & Machinery | 6.67 yrs | 15% |
| a.Cables and Power Equipment | 20 yrs | 5% |
| Furniture | 6.67 yrs | 15% |
| Vehicle | 6.67 yrs | 15% |
| Software Application | 6.67 yrs. | 15% |

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

Capital Work in Progress

- ix) Work, which is still in progress relating to civil construction, is accounted for under capital work in progress after considering 1st running bill from the contractor.
- x) Expenses directly attributable to the asset including expenses to bring the asset to the site and in the working condition for its intended use are capitalised along with that asset.
- xi) Capitalization of work in progress has been done on the basis of completion certificate issued by the concerned authority.

5. INTANGIBLE ASSETS

Computer software

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





Amortisation

These costs are amortised over their estimated useful lives of 6.67 years.

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

Intangible Assets under development

SAP (computer software) represents the implementation expenditure incurred on development of SAP. Cost of asset, expenditure directly and indirectly attributable to the development of asset is recognised as "Intangible assets under development". Upon implementation of a SAP, the cumulative cost of intangible assets under development will be capitalised as Intangible Asset.

6. BORROWING COSTS

General and specific borrowing costs directly attributable to the acquisition, construction or production of a major capital project, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred

7. GOVERNMENT GRANTS

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

8. EMPLOYEE BENEFITS

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





9. CURRENT AND DEFERRED INCOME TAX

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

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

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

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

10. PROVISIONS AND CONTINGENT LIABILITIES

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

11. FOREIGN CURRENCY TRANSLATION

- i) Foreign currency transactions that are completed within the accounting period are translated into Bhutan Ngultrum using the exchange rates prevailing at the date of settlement. Monetary assets and liabilities in foreign currencies at balance date are translated at the rates of exchange ruling at balance date.
- ii) Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year0end 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 First in First out Method (FIFO). Cost of Inventories includes all cost of purchase, cost of conversion and other cost incurred in bringing the inventories to their present location and conditions.

13. SEGMENTAL REPORTING

The company is in the Business of providing telecom services and its operating facilities are all situated in the Royal Kingdom of Bhutan only. Under the broad segment of telecom services the company has subsidiary segments of fixed line, Mobile Phones and internet services under the brand name of Druknet. Further as the company's share are not or about to be listed with any stock exchange the provision of BFRS08 – Operating segments is not applicable to the company.

14. CASH AND CASH EQUIVALENTS

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

15. TRADE AND OTHER RECEIVABLES

Trade and other receivables are initially recognised at the fair value of the amounts to be received. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Receivables are reviewed regularly for impairment.

16. TRADE AND OTHER PAYABLES

Trade and other payables are initially recognised at the fair value of the amounts to be paid. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

17. EARNING PER SHARE

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





Note26:

1. Related Party Disclosure

Related party Disclosure as per BAS 24 in respect of the company as on December 31, 2013 is as follows:

| Nature of Relationship | Name of Entity | Acronym used |
|--------------------------|---------------------------------|--------------|
| Holding Company | Druk Holding & Investments Ltd. | DHI |
| Key Management personnel | | |
| Chairperson | Mr. Tenzing Yonten | |
| Director | Mr. Passang Dorji | |
| Director | Mr. Sonam P. Wangdi* | |
| Director | Mr. Namgyal Wangchuk* | |
| Director | Mr. Kezang | |
| Director | Ms. Peldon Tshering | |
| Director | Mr. Gyeltshen | |
| Director | Mr. Karma Tshering | |
| Chief Executive Officer | Mr. Nidup Dorji | |

*Mr. Sonam P. Wangdi has been retired on 07/03/2013

*Mr. Namgyel Wangchuk has been retired on 12/03/2013

Balances with related parties :

Amount in Nu

| Account head | DHI | | |
|--------------------------|-------------|-------------|-------------|
| | 2013 | 2012 | 2011 |
| Balances as at | | | |
| Loan & Advance | 100,000,000 | 100,000,000 | 0 |
| Interest Accrued on Loan | 12,076,503 | 4,076,503 | 0 |
| Equity share capital | 854,082,000 | 854,082,000 | 854,082,000 |





Transactions with related parties during the Year:

| Transactions : | Amount in Nu | | |
|---------------------------------|--------------|-------------|-------------|
| | 2013 | 2012 | 2011 |
| DHI(Loan) | 0 | 100,000,000 | 0 |
| DHI(Interest) | 80,00,000 | 4,076,503 | 0 |
| DHI(Dividend) | 0 | 230,586,556 | 216,103,949 |
| Aum Sangay Zam-Sitting Fee | 0 | 0 | 8,000 |
| Mr.Kapil M.Sharma-Sitting Fee | 0 | 0 | 8,000 |
| Mr.Jigme Tobgyel-Sitting Fee | 0 | 0 | 8,000 |
| Mr. Tenzing Yonten-Sitting Fee | 56,000 | 48,000 | 40,000 |
| Mr.Passang Dorji-Sitting Fee | 88,000 | 56,000 | 72,000 |
| Mr.Kezang-Sitting Fee | 116,000 | 56,000 | 24,000 |
| Ms.Peldon Tshering-Sitting Fee | 64,000 | 52,000 | 48,000 |
| Mr.Sonam P Wangdi-Sitting Fee | 16,000 | 48,000 | 64,000 |
| Mr.Namgyel Wangchuk-Sitting Fee | 16,000 | 56,000 | 48,000 |
| Mr.Gyeltshen-Sitting Fee | 56,000 | 0 | 0 |
| Mr.Karma Tshering-Sitting Fee | 48,000 | 0 | 0 |

Amount in Nu

| Chief Executive Officer's remuneration | 2013 | 2012 | 2011 |
|--|------------------|------------------|------------------|
| Salary | 1,261,849 | 1,224,408 | 987,129 |
| Leave Travel concession | 15,000 | 15,000 | 15,000 |
| Contribution to superannuation fund | 95,484 | 92,888 | 70,987 |
| Foreign Travel expenses | 522,180 | 799,623 | 721,968 |
| Sitting Fees | 116,000 | 64,000 | 64,000 |
| Total | 2,010,513 | 2,195,919 | 1,859,084 |





2. Employee's Benefits disclosures as per BAS 19

a. Gratuity scheme

| A.1 Amount recognized in Statement of Financial Position | 31Dec02013 | 31Dec02012 |
|--|--------------|--------------|
| Present Value of Defined Benefit Obligation | 84,307,886 | 56,229,355 |
| Fair Value of Scheme Assets | (55,197,219) | (34,719,935) |
| Scheme Deficit | 29,110,666 | 21,509,420 |
| Amount charged to Statement of Comprehensive Income | 29,110,666 | 21,509,420 |

| A.2 Sensitivity results | | | | | | | |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Assumptions | Existing | | | Changes | | | |
| Discount rate | 7.50% | 7.00% | 8.00% | 7.50% | 7.50% | 7.50% | 7.50% |
| Employee turnover | 3.40% | 3.40% | 3.40% | 3.00% | 4.00% | 3.40% | 3.40% |
| Salary Escalation rate | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% | 8.00% | 12.00% |
| Results | | | | | | | |
| Present value of Benefit Obligation (31.12.2013) | 84,307,886 | 87,822,254 | 81,020,381 | 82,268,740 | 87,231,121 | 81,794,217 | 85,956,407 |
| Fair value of Scheme Assets (31.12.2013) | 55,197,219 | 55,197,219 | 55,197,219 | 55,197,219 | 55,197,219 | 55,197,219 | 55,197,219 |
| Charged to SCOI | (29,110,666) | (32,625,035) | (25,823,162) | (27,071,520) | (32,033,901) | (26,596,998) | (30,759,188) |

OTHER DISCLOSURES (Gratuity Scheme)

- The Scheme is funded by allocating a separate fund and investment returns earned thereon. It is employer sponsored and the employer contributes to the Scheme annually as per the recommendations of the Actuary through its annual Actuarial Valuation report.
- Most of the investments are in Bank Deposits and 20% in Corporate Bonds all earning a weighted average return of 5.45% p.a.
- Estimated Term of Liability (Decrement adjusted) is 14.68 years.



**Gratuity Scheme Benefits as at 31 December 2013**

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

b. Leave Encashment Benefits as at 31 December 2013

1. An employee can encash leave equal to one month's basic pay, excluding all allowances, once a year provided there is a minimum of 37 days earned leave to his credit out of which 7 days has to be kept as balance. Encashing leave in fractions of a month is not permitted.
2. Any number of days accrued, as earned Leave to his credit, can be encashed in full on cessation of his service

Summary of Actuarial Assumptions

| | 310Dec02013 | 310Dec02012 |
|-------------------------|-----------------------|----------------------|
| Discount Rate | 7.50% | 7.50% |
| Salary Escalation Rate | 10.00% | 5.00% |
| Employee Turnover Rates | 3.40% | 2.00% |
| Mortality Rates | 100% of IAL (2006008) | LIC(1994096)Ultimate |





3. Provisions, Contingent Liabilities

a. Capital Commitments and Contingencies :

| Particulars | 2013 | 2012 | 2011 |
|----------------------|-------------|------------|-------------|
| Capital Commitments | 172,227,258 | 52,476,146 | 191,275,050 |
| Contingent Liability | 0 | 0 | 0 |

b. Provisions

| Particular | 2013 | | | | 2012 | | | | 2011 | | | |
|------------|------------------|-------------|------------|------------------|-------------|------------|------------------|-------------|------------|------------------|-------------|-----------|
| | Leave Encashment | Inventories | Bad Debts | Leave Encashment | Inventories | Bad Debts | Leave Encashment | Inventories | Bad Debts | Leave Encashment | Inventories | Bad Debts |
| Opening | 5,566,580 | 1,000,000 | 28,267,087 | 2,768,104 | 1,000,000 | 27,685,838 | 6,155,775 | 1,000,000 | 25,597,714 | | | |
| Addition | 18,698,918 | 0 | 2,104,856 | 5,566,580 | 0 | 2,195,773 | 2,768,104 | 0 | 2,088,124 | | | |
| Reversed | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | |
| Utilized | 5,566,580 | 0 | 2,136,992 | 2,768,104 | 0 | 1,614,525 | 6,155,775 | 0 | 0 | | | |
| Closing | 18,698,918 | 1,000,000 | 28,234,951 | 5,566,580 | 1,000,000 | 28,267,086 | 2,768,104 | 1,000,000 | 27,685,838 | | | |





4. Land vested in the company is subject to verification and confirmation by National Land Commission. In respect of land purchased during the year and some land purchased in earlier years, the registration is under progress.
5. The Property, Plant and Equipment have been physically verified and valued by a team of independent qualified professionals and on the basis of their reports, the assets are revalued for the fair value approach envisaged in BAS 16 and the differences with the book value, where found have been accounted for in the statement of account.
6. In all categories of asset except land, a very nominal surplus was found on revaluation. The surplus amounts not being material (less than 1%) in cases of Building, Plant & Machinery, Office Equipment, Cables & Power System, Furniture & Fixture, Vehicles are ignored and the said assets are carried forward in their cost less accumulated depreciation as per last account under previous GAAP and the said values are taken as fair value for adoption to BAS (vide :Paras 31 and 34 of BAS 016)
7. Intangible Assets upto 31.12.2012 has been clubbed with Plant and Machinery.
8. Depreciation on Property, Plant and Equipment acquired through grants amounting to Nu. 40,504,664 have been adjusted by way of transfer of equal amount from Capital Reserve.
9. GSM License fee payable to BICMA for 15 years is Nu. 777,000,000 of which Nu. 388,500,000 have been paid up to 31.12.2013
10. Confirmations of balances being not available from Receivables are stated as per their respective book balances.
11. Provision for bad and doubtful debt is made @ 0.5% of domestic land line, druknet and post0paid mobile revenue on adhoc basis.
12. During the year under review the company has received additional Nu. 9,895,000 (Nu. 44,932,655 received in 2012) from Bhutan Information and Communication & Media Authority (BICMA) as grant towards Rural GSM Project.
13. Income Tax assessment of the company has been computed by the Revenue Authority up to the year 2012 and additional Tax of Nu. 7,784,178.19 have been paid in the year 2013.
14. Consumption of service connection given to various offices of the company in Bhutan and the VVIP connections amounting to Nu.6,888,013 have been considered as income as well as expenditure.





15. Provision for Nu.1, 000,000, relating to Inventory has been accounted on adhoc basis.

16. From the 80% of Profit after tax, Nu.216, 007,203 (53.11%) has been declared as a Dividend and Nu.109, 366,102 (26.89%) is to be transferred to Group Investment Reserve.

17. Provision for Taxation

| Particulars | 2013 | 2012 | 2011 |
|------------------------|--------------------|--------------------|--------------------|
| Current tax on | | | |
| Operating Profit | 246,497,215 | 0 | 0 |
| Comprehensive Income | 6,108,108 | 0 | 0 |
| Total Tax Payable | 240,389,107 | 286,733,565 | 248,998,950 |
| Less | | | |
| Advance Tax Paid | 119,422,612 | 122,781,951 | 87,090,787 |
| TDS | 2,086,619 | 1,009,147 | 502,724 |
| Net Tax Payable | 118,879,876 | 162,942,467 | 161,405,439 |

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


Chairman

This is the Notes to Accounts referred to in our report of even date




Chief Executive Officer

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



G.k. Agrawal
Partner
Membership No 081603
Date : 18/03/2014



BHUTAN TELECOM LIMITED
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER
2013

| Particulars | Equity share Capital | Retained Earnings | Revaluation Surplus | Group Investment Reserve | Total Equity |
|---|----------------------|----------------------|---------------------|--------------------------|----------------------|
| Balance at January 1, 2011 | 854,082,000 | 1,399,025,598 | - | - | 2,253,107,598 |
| Total Comprehensive Income for the year | - | 432,207,897 | - | - | 432,207,897 |
| Balance at 31 December 2011 | 854,082,000 | 1,831,233,495 | - | - | 2,685,315,495 |
| Changes in equity for 2012 | | | | | |
| Total Comprehensive Income for the year | - | 576,466,391 | - | - | 576,466,391 |
| Dividend for FY 2011 | - | (216,103,949) | - | - | (216,103,949) |
| Transferred to Group Investment Reserve | - | (230,586,556) | - | 230,586,556 | - |
| Balance at 31 December 2012 | 854,082,000 | 1,961,009,381 | - | 230,586,556 | 3,045,677,937 |
| Changes in equity for 2013 | | | | | |
| Total Comprehensive Income for the year | - | 406,716,631 | - | - | 406,716,631 |
| Dividend for FY 2012 | - | (230,586,556) | - | - | (230,586,556) |
| Transferred to Group Investment Reserve | - | (109,366,102) | - | 109,366,102 | - |
| Balance at 31 December 2013 | 854,082,000 | 2,027,773,354 | 55,353,466 | 339,952,658 | 3,277,161,478 |





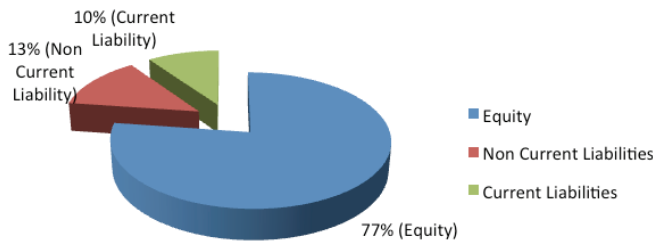
BHUTAN TELECOM LIMITED
RATIO ANALYSIS FOR THE PERIOD ENDED
31ST DECEMBER 2013

| 1. LIQUIDITY | | 2013 | 2012 | 2011 |
|--------------------------|---|-------------|-------------|-------------|
| A | Current Ratio Current assets, Loans and advances/Current Liabilities & provisions | 2.22 : 1 | 2.44: 1 | 2.73 : 1 |
| B | Quick Ratio: Quick Assets/Quick Liabilities Quick Assets=Current Assets-Stock Quick Liabilities= Current Liabilities-Bank Loan | 2.13 : 1 | 2.36 : 1 | 2.65 : 1 |
| C | Accounts Receivable Period $365 * \text{Accounts receivable} / \text{operating Income}$ | 28.83 days | 30.49 days | 24.77 days |
| D | Working Capital to Sales Current Assets-Current Liabilities/Operating Income | 74.52 % | 66.23 % | 83.19 % |
| 2. SOLVENCY: | | | | |
| A | Term Debt to Total Fixed Assets Long term Debt/Total Fixed Asset-Net | 11.65% | 14.18 % | 17.95 % |
| B | Debt Equity Ratio: Debt/(Capital Fund + Reserve & Surplus) | 0.12 :1 | 0.14:1 | 0.17:1 |
| 3. PROFITABILITY: | | | | |
| A | Return on Capital Employed: a) PBT/Capital Employed b) PAT/Capital Employed Capital Employed=Equity Capital + Loan Fund | 18.46 % | 24.93 % | 21.54 % |
| B | Return on Equity: Profit After Tax/Total Equity Total Equity= Capital + Reserve & Surplus | 12.41 % | 18.93 % | 16.10 % |
| C | Return on Sales PBT/Operating Income | 28.94 % | 36.54 % | 37.42 % |
| D | Employee Cost to Gross Income Total Employee Expenses/Operating Income | 38.95 % | 30.02 % | 29.33 % |
| E | Profit per Employee: PAT/Total no. of Employees | .65 million | .86 million | .75 million |

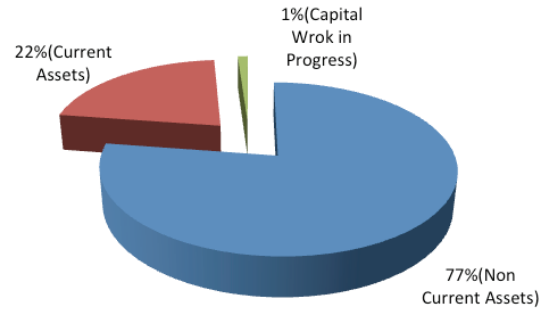




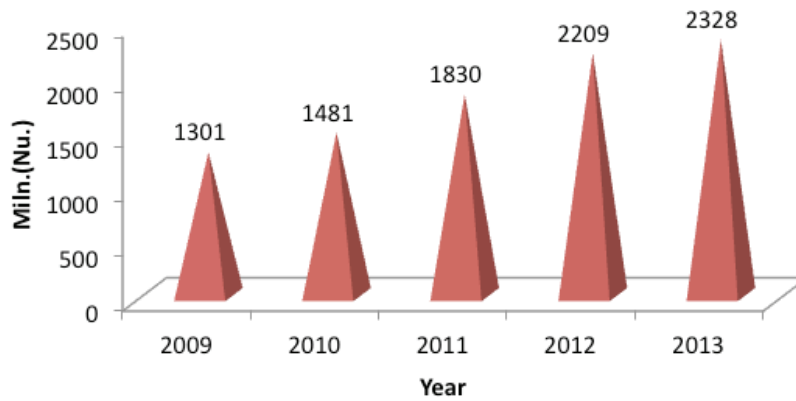
Equity & Liabilities(2013)



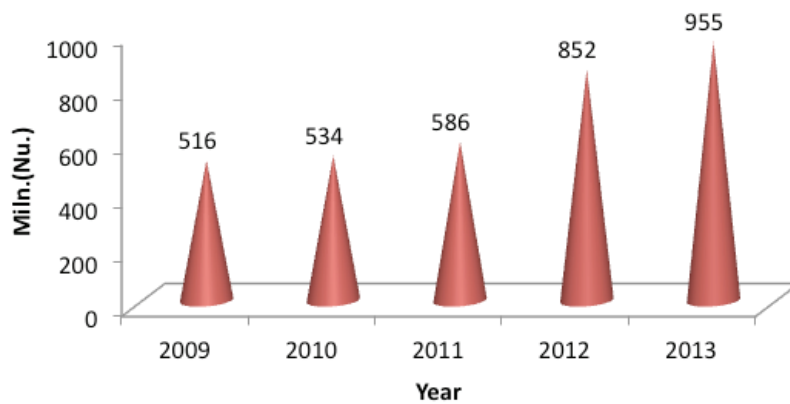
ASSETS:



Gross Operating Income(2009-2013)

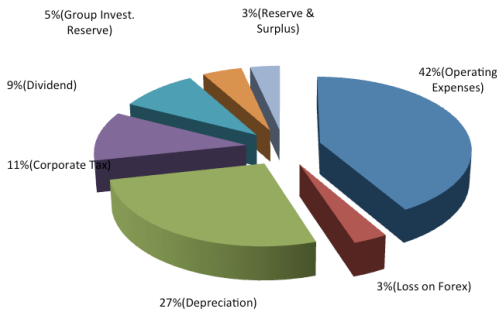


Operating Expenses(2009-2013)

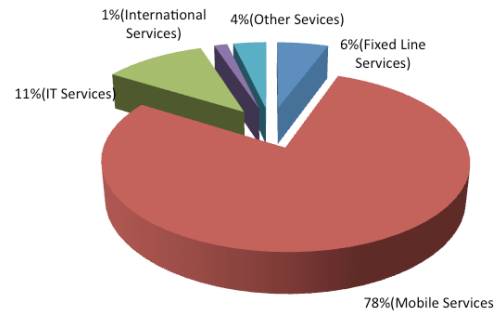




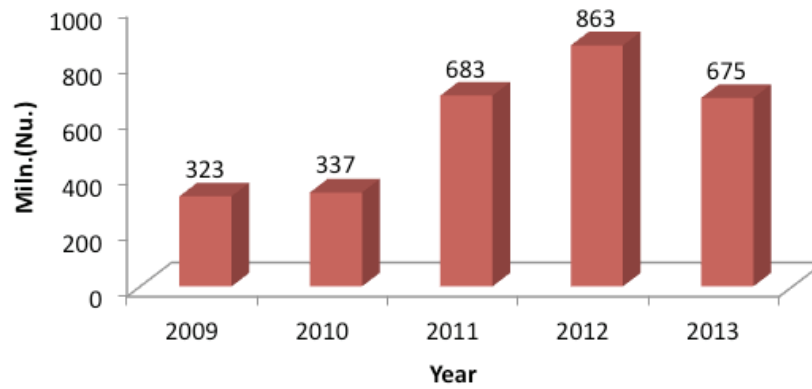
Expenditure as % of Revenue



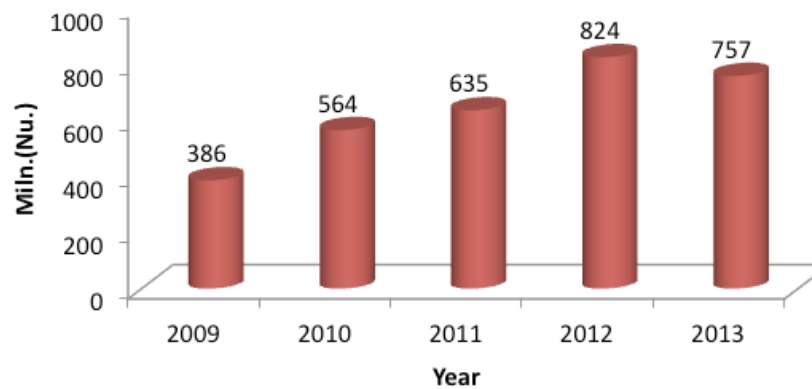
Break up of Revenue(2013)



Profit Before Tax(2009-2013)



Capital Expenditure(2009-2013)





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