

BHUTAN TELECOM LIMITED



Always there for you

ANNUAL REPORT 2014
14th Issue



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VISION STATEMENT

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

MISSION STATEMENT

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

CORPORATE BELIEFS AND ETHICS

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

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

BOARD OF DIRECTOR'S REPORT

On behalf of the Board of Directors, I am pleased to report the annual performance of Bhutan Telecom Limited (BT) for the financial year 2014. 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 2015.

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 continued to accord importance on the technological front and carried out many activities to extend and improve services. The following are the notable operational performance achievements:

Major expansion work on the mobile network was undertaken. In addition to expanding the Radio Network Controller (RNC) from 250 Mbps to 1250 Mbps, capacity expansion of Gateway for GPRS support Node (GGSN) and Serving GPRS Support Node (SGSN) was also carried out on the Core side. With extension of 3G services in nineteen new locations, 3G services are now available in 16 Dzongkhags. 4G (LTE) service in Thimphu was expanded with 6 additional sites resulting in having a fairly good 4G coverage within Thimphu valley. 2G services were extended to 17 new sites to improve the overall mobile coverage in the country.

The company set up the country's first Tier-III Data Centre in Phuentsholing. With the roadmap to provide cloud services for Bhutan, the company has made ready the rack and cage spaces where enterprises could locate their servers and backend IT system in the Data Centre which guarantees 99.982% uptime and concurrent maintainability.

The company was able to maintain 99.9% reliability on the international connectivity for internet because of the availability of redundant and diversified international circuits. Such reliability is likely to help gain the confidence of foreign multinational companies exploring to locate their IT/ITES-based operations in Bhutan. A 10Gbps link was created from international gateway in Gelephu to Thimphu to improve internet access within the populated users in the country. This link is in addition to the same capacity link established in the past from Phuentsholing to Thimphu. Gelephu-Kanglung link was upgraded to 1 Gbps to address internet congestion in the eastern Bhutan.

The company's Contact Centre was co-located to Thimphu TechPark in Babesa along with the Contact Centres of NRDCL, DrukAir, and BPC. Another milestone achievement has been the implementation of the iSchool Project of the Royal Government of Bhutan. The company played a very important role in the project by connecting on fibre the Master School (Pelkhil) and five participating schools



(Khasadrapchu MSS; Khuruthang MSS; Bajo MSS; Phuentsholing MSS and Tendu MSS). The Project was aimed at improving the education delivery by using state-of-the-art technology that enables teaching and learning remotely.

Expansion of fibre networks continued in 2014 as part of migration of old Switches at Haa, Samdrup Jongkhar, Nganglam, Gelephu, Sarpang, Trongsa, Tsimasham, Phuentsholing, Gomtu, and Samtse. Sixty enterprise customers were connected to the fibre that brought improved quality of services. In Thimphu alone, 40 buildings were connected to fibre. Further, the company signed a Memorandum of Understanding with JICA which will provide technical assistance and cooperation to the company for 3 years to enhance internet connectivity with optical fibre in the access network.

The company's prepaid mobile subscriptions have increased to 443,480 by the end of 2014 from 394,694 in 2013 which is an increase of 12.3%. However, the post-paid mobile subscriptions decreased by 5.1% from 11,659 in 2013 to 11,063 in 2014. The number of broadband subscriptions increased by 22% to 24,904 in 2014 from 20,391 in 2013. Similarly, leased line internet customers increased by 25.5% to 300 in 2014 from 239 in 2013. As is the global trend, fixed line telephone subscription had decreased in 2014. From 26,485 in 2013, the subscriptions decreased to 23,823 which is a decrease of 10%.

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 past recommendations made by the auditors are being implemented and followed through, except for sundry debtors issue which the company has been rigorously pursuing to resolve.

There were 3 recommendations in 2011, out of which one recommendation was implemented and two are followed with the 2014 management report; there were 11 recommendations in 2012 out of which 8 were implemented including one partially implemented, leaving only 3 recommendations followed with 2014 management report; there were 13 recommendations in 2013 out of which 11 were implemented including 2 partially implemented leaving only 2 followed with 2014 management report. In 2014 there were 8 recommendations including 3 recommendations from the previous years, the actual recommendations are only 5 to be implemented in 2014, which is substantial decrease in the audit observation/recommendation compared to the past years.

Financial Performance

In spite of the saturating market the company has made progress on the revenue/profitability front. The company's operating income for 2014 is Nu. 2,401.46 million as against Nu. 2,328.43 million in 2013. This is an increase of Nu. 73 million or 3.1%. While the Profit Before Tax in 2013 was Nu. 675.25 million, it is Nu. 727.25 million in 2014 calculated based on income tax rates for depreciation which is an increase of about 7.7%. The company's Profit After Tax for 2014 is Nu. 504.13 million calculated based



on the income tax rates for depreciation as against Nu. 406.71 million in 2013, which is an increase of almost 24%. However, the profit based on BAS amounts to Nu. 473.91 million.

The total operating expenditure for the company increased by just 1% to Nu. 1,671.41 million in 2014 calculated based on income tax rates for depreciation from Nu. 1,654.64 million in 2013, including depreciation and bad debt provisions. Against a target to contain controllable expenses within Nu. 277 million, the company was able to contain the controllable costs within Nu. 161 million, an indication of operational efficiency.

Net fixed assets of the company stands at Nu. 3,020.78 in 2014 as against Nu. 3,097.79 million as at the end of 2013. Compared to net intangible assets worth Nu. 93.88 million in 2013, the asset worth increased to Nu. 220.22 million at the end of 2014. The current assets and advances (excluding long-term advances and investments) have decreased from Nu. 914.83 in 2013 to Nu. 679.60 million in 2014. Total current liabilities have decreased from Nu. 455.18 million in 2013 to Nu. 407.69 million in 2014.

Dividend

The dividend for 2014 to the shareholder (DHI) is recommended at 66.85% of the profit after tax calculated based on income tax rates for depreciation which amounts to Nu.337 million.

Reserve and Surplus

An amount of Nu. 65.53 million or 13% of the PAT calculated based on income tax rates for depreciation is going into the GIR fund and the balance amount of Nu. 71.38 million to company's Reserve and Surplus.

Human Resource Development and Management

Recognizing that company's employees are an integral contributor in the success of the company, the company continued to accord high priority to the development of its human resource. The company had a spent Nu. 43.84 million for staff training and other HRD events. A total of 429 employees were trained in 2014 out of which 167 received ex-country and 262 in-country trainings. Moreover, 85 employees attended various other ex-country HR events and study tours.

The total employee strength (including employees on long-term leave, Consolidated Pay employees, Home based caretakers, and wage employees) at the end of 2014 decreased to 733 from 744 in 2013.

Corporate Social Responsibility

As part of its Corporate Social Responsibility, the company contributed Nu. 2 million through DHI for commemoration of the 60th birth anniversary of His Majesty the 4th Druk Gyalpo. In addition to this further amount of Nu. 210,000 was spent on other CSR activities.



Challenges & Outlook

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

Land acquisition for construction of BTS sites for provision of mobile services continued to be a major challenge. With clearances needed to be obtained from multiple agencies, it takes a very long time to acquire land. The company has not been able to execute project activities in time due to the lengthy land acquisition procedure.

While the company has managed to setup mobile network in remote locations, it is a big challenge for the company to maintain the network 24x7 in such places mainly because of rugged terrain. It is extremely difficult and costly for the company to restore the network in remote locations whenever there are outages. Because of the relatively cheap data rates, customers are using Over The Top (OTT) applications like Viber, Whatsapp and Wechat to make voice calls which is eating into company's revenue.

In addition to high costs of operations for international connectivity for internet, having to depend on external telecom operators over which the company has no control in times of outages is a challenge. These have the potential to disrupt internet services in the country. Another challenge on the internet front has been breakages on the last mile connectivity leading to interruptions to customers. As the company cannot roll out fibre connectivity in a single phase, it takes time and resources in addressing the problem to deliver quality services. Besides, unavailability of domestic fibre to build redundancy and carry out upgrades is another challenge.

In spite of the numerous challenges faced by the company, the outlook for 2015 is good. With the implementation of the new structure beginning 2015, company expects to bring positive changes in terms of its operational efficiency and business dealings as two new departments have been created which are headed by Directors. While the Business Department will focus on market, finance and human resource, the Technical Department will focus on planning, operation and maintenance of systems bringing in synergy terms of delivery of services, maintaining quality of services and providing support to its customers.

With 3G subscriptions increasing at exponential rate resulting in congestion, call drops, and slow internet speed, company has decided to make further investments in expansion of 3G services. This will involve adding capacity to the existing sites, replacement of thirteen old Nodes, addition of fourteen new sites to increase access, revamping its Mobile Packet Backbone Network (MPBN) and upgrading software licenses to latest versions to improve the service quality. After the completion of these activities, the company expects to make marked improvements in terms of quality of service and customer satisfaction.

The company will be making further investments to lay fibre cables in the core areas like Thimphu, Paro, Phuentsholing, Gelephu, and Jarkar and deploy Fibre to the Curb (FTTC) and Fibre to the Building (FTTB) to improve broadband services. Investment will also be made in Dense Wave Division Multiplexing (DWDM) technology with 40 Giga bits per second (Gbps) capacity to increase bandwidth in its national



backbone transmission network by utilising the optical fibre laid by the Government as part of the national broadband plan. This will provide sufficient bandwidth to our broadband users throughout the country.

To reduce costs, diversify services and add reliability, a setup of 3rd international point of presence (POP) is planned in Singapore with an additional objective to downgrade international POP and connectivity to Hong Kong. Critical and high-utilization domestic networks will be upgraded to speed beyond 10 Gbps scale by multi-fold using the DWDM technology.

Data Centre and Contact centre will be marketed aggressively in order to acquire additional customers for the Centres. The company will try out IPTV on a pilot basis to generate local content and usage which will bring in added revenue in the long-term.

Apart from the planned activities for the year 2015, management is exploring to introduce new products which would not only add revenue to the company but also expand services to the customers.

Acknowledgement

I, on behalf of the Board of Directors and the company, would like to thank the company's customers for their continued patronage and support. Moving forward, the company has planned major activities to improve the company's services further for the benefit of the valued customers.

The Board would also like to thank company's shareholder for its support and guidance.

The Board would like to thank and congratulate the management and employees of the company for working hard to bring in improvements compared to the previous year, especially on the financial fronts. However, it is ever more important for the management and employees to work harder and smarter as a dedicated team and aim to reach even greater heights. The Board of Directors will do its best in providing necessary support and guidance to the company's management and employees in their pursuit for greater achievements.

Lastly, the Board of Directors would like to wish the management and employees of the company a fruitful 2015.

On behalf of the Board of Directors;

(Tenzin Dhendup)

CHAIRMAN

BOARD OF DIRECTORS



Dasho Tenzin Dhendup
Chairman
Secretary, MOAF



Karma Tshering
Director, department of
Renewal Energy, MOEA



Phuntsho Tobgay
Director
DITT



Tshewang Gyeltshen
Director
Bhutan Telecom Ltd.



Kezang
Managing Partner of Info Age
Consulting



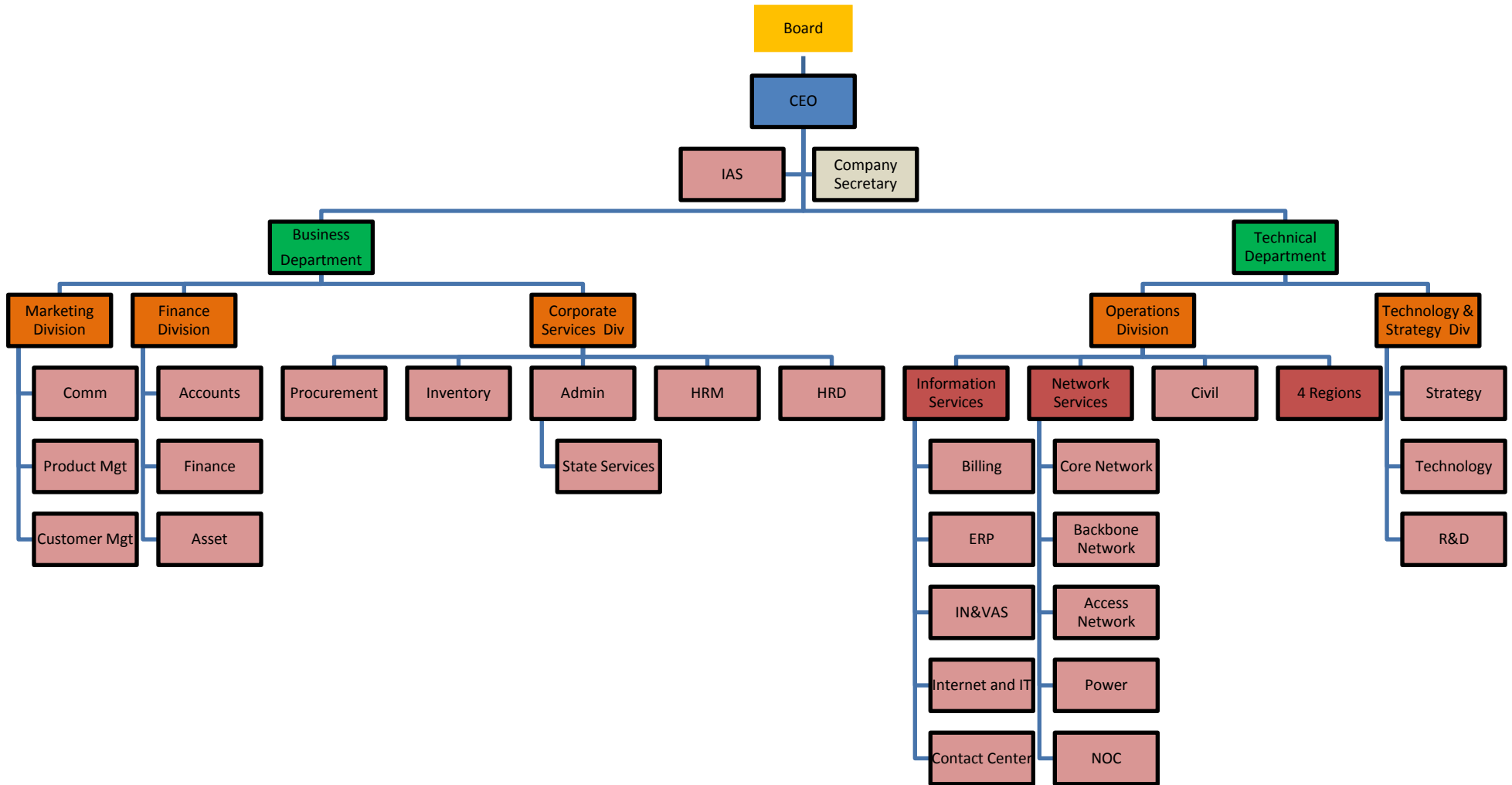
Gyeltshen
Collector, Department of
Revenue & Customs



Dr. Damber S Kharkha
Executive director,
DHI



ORGANIZATIONAL STRUCTURE



PORTFOLIO OF PRODUCTS & 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

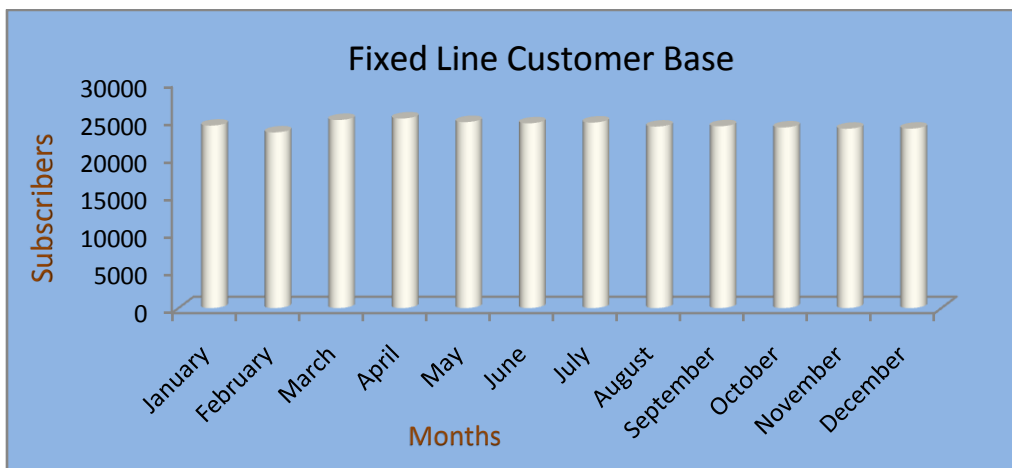
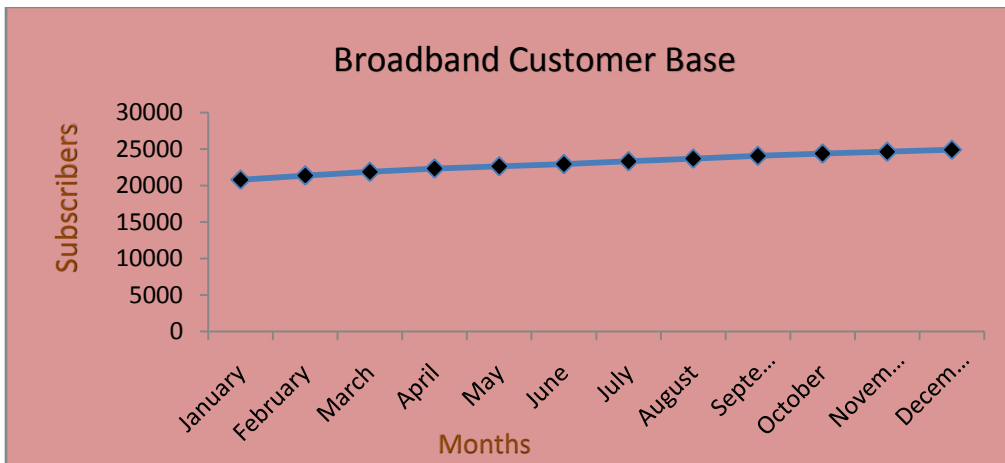
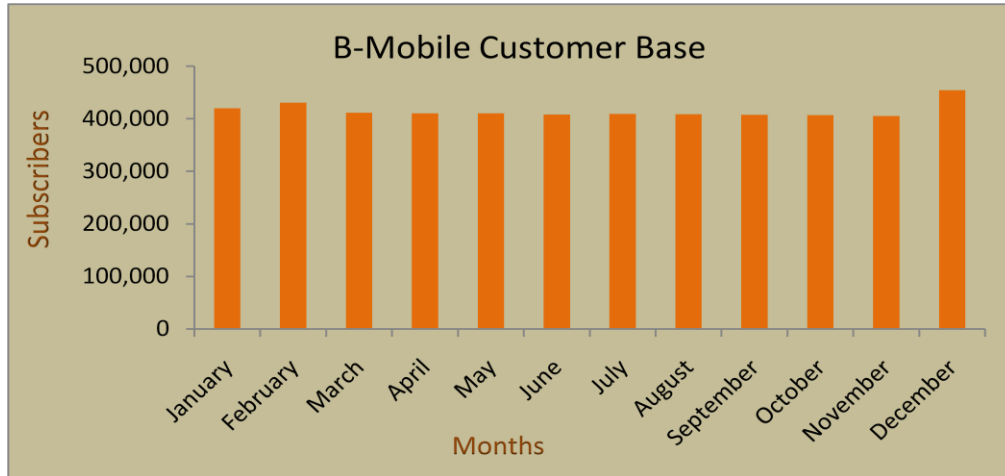
1. Broadband
2. Internet leased line
3. Enterprise Network (IPVPN)
4. Point to Point (P2P) leased line
5. Web hosting
6. Mail hosting
7. Web, Mail and Chat advertisement
8. Domain name registration
9. National Peering
10. IP Transit
11. VoIP telephony
12. WiFi
13. Dial-up Internet
14. Web designing service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



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

SUBSCRIBER GROWTH CHART



AUDITOR'S REPORT & FINANCIAL STATEMENTS (1st JANUARY - 31st DECEMBER 2014)

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

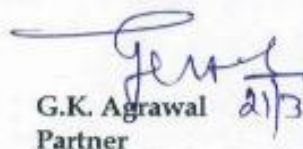
1. We have audited the attached Statement of Financial Position of **Bhutan Telecom Limited, Thimphu** as at 31st December 2014 and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flow of the Company for the year ended on that date. These financial statements 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* :
 - *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.*
 - *Non-compliance with Para 23 of BAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The company has changed the method of valuation of Inventory from FIFO to Weighted Average w.e.f. 01.07.2014. Such change requires retrospective application of accounting policy and adjustment of opening balance of each effected component of equity and other comparative amounts disclosed for each prior period presented as if the new accounting policy had always been applied. The amount of such adjustment is unascertainable.*
 - *Unlinked items of Income and Expenses in "Price Difference of Material – Gain Account" of Nu. 1,053,013.83, "Price Difference of Material – Loss Account" of Nu. 207,596.85, "Revaluation of Material –Gain" of Nu 10,088.35 and "Revaluation of Material – Loss" of Nu. 36,719.50, to the extent of these income and expenses are overstated / understated.*
5. We report that:
 - a. Our examination was made in accordance with the generally accepted auditing standards and accordingly included such tests of accounting records and such other auditing procedures, as we considered appropriate for the purpose of our audit.


- b. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- c. In our opinion, proper books of account as required by the law have been kept by the Company, so far as it appears from our examination of those books.
- d. The 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.
- e. 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:
- In the case of Statement of Financial Position, of the Financial Position of the Company as at 31st December 2014,
 - In the case of Statement of Comprehensive Income, of the profit of the Company for the year ended on that date
 - In the case of Statement of Changes in Equity, of changes in equity for the year ended on that date; and
 - 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 are subject to confirmation by the parties. Hence we are unable to express our opinion on the same.
 - Bank Balances of Nu. 1,691,702.18 in various Disbursement accounts at exchange level and imprest balance of Nu. 415,281.56 are not reconciled. Hence we are unable to express our opinion on the same.
 - The balance of Property Plant and Equipment and depreciation as per General Ledger codes in the SAP System does not match with financial Statements. The same needs to be reconciled.

Place: New Delhi

Date: 21/03/2015

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


G.K. Agrawal 21/3
Partner
Membership No 081603



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

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

1. The Company has maintained the Property, Plant & Equipment register up to 31.12.2014. The register is showing particulars relating to acquisition cost, depreciation and net value. *The physical verification has been not conducted during the period under audit.*
2. None of the fixed assets have been re-valued during the year.
3. Physical verification of inventories has been conducted by a committee nominated by the management near the end of year for reconciling Inventories between the System and actual physical inventories.
4. Procedures followed for physical verification of inventories are considered reasonable and adequate in relation to the size of the company and the nature of its business.
5. *To the extent, physical verification of Inventory has been conducted; material discrepancy was observed on such verification but the same have not been properly dealt with in the books of accounts.*
6. *On the basis of our examination of stock records, we are of the opinion that the valuation is fair and proper in accordance with the normally accepted accounting principles. The basis of valuation of inventories was changed from FIFO to Weighted average w.e.f. 01.07.2014 but effect of change in method of valuation is not quantifiable.*
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. 344,742,141.58 (Euro 4,451,732.20) is outstanding as on 31st December, 14.
8. The unsecured loan of Nu. 100,000,000 (One Hundred Million) granted to Druk Holding and Investments Limited, the holding company was recovered on 08th May 2014. The loan was given at a simple rate of interest of 8% p.a.



9. Loan granted to Druk Holding and Investments Limited, the holding company was fully recovered during the year on 08th May 2014 along with interest
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 2014. 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. 1,824,043.46 were payable as at the last day of the financial year ending on 31st December, 2014.
20. According to the information and explanations given to us, no personal expenses have been debited to the Statement of Comprehensive Income Account excepting those payable under contractual obligations.
21. The Company is a service oriented organization and not a manufacturing concern. Hence recording consumption of materials and stores etc. is not applicable.
22. Quantitative reconciliation has been carried out during the year in respect of all major items of inventories at the end of the accounting period.
23. There have been material loss/discrepancies of Inventory between physical and book balances during the year under review and approval of appropriate authority is obtained for writing off amounts due to material loss/discrepancies in physical/book balances of inventories including finished goods, raw materials, stores and spares.
24. The Company is a service oriented organization and not a manufacturing concern and there is no system of allocating man hours utilized to the respective jobs etc.
25. 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.
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 Phuntsholing and backup is going on daily basis with complete backup with two way process. Firstly data backup are going on system and then it takes it to TSM server on daily basis.
3. *As per information given to us, the Company keeps a back-up data for the entire Company in a standby server installed at Phuntsholing but keeping backup files at remote location is not available. However company is in the process of installation of server at remote location.*
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, 2014 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 2014.*

Place: New Delhi

Date: 21/03/2015

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



G.K. Agrawal 21/3/15
Partner
Membership No 081603





BHUTAN TELECOM LIMITED
STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2014

Particulars	Notes	As at 31st December 2014 (Nu)	As at 31st December 2013 (Nu)
ASSETS			
Non-current assets			
Property, Plant and Equipment	1(a)	2,998,483,445	3,097,796,278
Intangible Assets	1(b)	213,320,020	93,882,877
Capital work-in-progress	1(a)	255,734,895	46,704,728
Intangible Assets under development	1(b)	-	25,960,328
Long Term Loans & Advances	2	51,800,000	64,750,000
Non-current Investments	3	92,308,400	-
Total Non-Current Assets		3,611,646,760	3,329,094,212
Current Assets			
Inventories	4	71,908,587	36,725,966
Trade Receivables	5	55,965,900	53,227,246
Cash and Bank Balances	6	474,303,829	491,815,518
Short-term Loans and Advances	7	73,456,545	211,582,896
Other Current Assets	8	3,969,146	121,483,333
Total Current Assets		679,604,007	914,834,959
TOTAL ASSETS		4,291,250,764	4,243,929,169



EQUITY AND LIABILITIES			
Share Capital	9	854,082,000	854,082,000
Retained Earnings & Reserves		2,680,982,623	2,423,079,478
Total Equity		3,535,064,623	3,277,161,478
Non-Current Liabilities			
Deferred Government Grants - Non Current	10	88,019,446	118,570,635
Long Term Borrowings	11	244,004,674	380,222,447
Long Term Provisions	12	16,749,542	12,789,699
Total Non-Current Liabilities		348,773,662	511,582,782
Current Liabilities			
Trade Payables	13	71,010,964	35,636,993
Short Term Provisions	14	9,558,069	5,909,219
Other Current Liabilities	15	326,843,446	413,638,695
Total Current Liabilities		407,412,479	455,184,908
Total Liabilities		756,186,141	966,767,689
Total Equity & Liabilities		4,291,250,764	4,243,929,169

Summary of significant Accounting Policies : 26

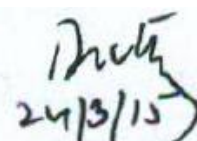
The accompanying notes no. 1 to 27 are an integral part of the financial statements

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




Chairman

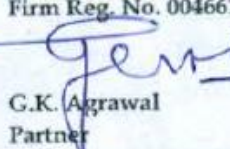
Place: Thimphu



24/3/15
Chief Executive Officer



Chartered Accountants
Firm Reg. No. 004661N



21/3/15
G.K. Agrawal
Partner
Membership No 081603

BHUTAN TELECOM LIMITED
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER 2014

Particulars	Notes	2014(Nu) As Restated	2013 (Nu) As Restated
Revenue from Operations			
Domestic	16	2,258,137,176	2,210,440,377
International	17	26,287,850	33,979,432
Other Operating Income	18	63,635,872	84,011,264
Gain on Forex Fluctuations		53,404,203	-
Total Revenue		2,401,465,102	2,328,431,073
Operating Expenses			
Stores and Spares Parts	19	43,485,775	87,616,765
Employees' Remuneration and Benefits	20	251,533,394	262,408,422
Repair & Maintenance	21	170,045,554	152,374,886
Administrative and General Expenses	22	275,543,899	264,508,059
International Payments	23	217,722,343	188,511,819
Foreign Exchange Fluctuations		6,623,357	76,985,601
Depreciation and Amortisation	24	736,679,658	622,235,993
Total Operating Expenses		1,701,633,981	1,654,641,543
Profit before Prior-period items, Other Comprehensive Income and Tax		699,831,121	673,789,530
Prior-period Items (Net)		2,797,850	1,460,745
Profit before Tax		697,033,271	675,250,275
Tax Expense			
Current Tax		222,288,830	246,497,215
Tax for earlier years			7,784,178



Total Tax Expense		222,288,830	254,281,393
Profit for the year from continuing operations		474,744,440	420,968,882
Other Comprehensive Income		-	-
Actuarial (gains)/losses on defined benefit plans		1,191,561	20,360,359
Income tax relating to component for other comprehensive Income		(357,468)	(6,108,108)
Other comprehensive Income, net of tax		834,093	14,252,251
Total comprehensive Income for the year		473,910,348	406,716,631
Earnings Per Share	25	555	476

Summary of significant Accounting Policies : 26

The accompanying notes no. 1 to 27 are an integral part of the financial statements

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



Chairman

Place: Thimphu



24/3/15
 Chief Executive Officer



Chartered Accountants
 Firm Reg. No. 004661N



21/3/15
 G.K. Agrawal
 Partner
 Membership No 081603



BHUTAN TELECOM LIMITED
STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31ST DECEMBER 2014

Particulars	Amount in Nu (2014)		Amount in Nu (2013)	
Cash Flow from Operating Activities				
Net profit before tax	695,841,710		654,889,916	
Add/Less: Net Addition in Provision for Leave encashment	7,608,693		13,132,338	
Add/Less: Gain on sale of Property Plant and Equipments	(4,960,235)		-	
Add/Less: Foreign Exchange Loss/(Gain)	(43,773,195)		82,660,279	
Net profit before tax and after prior period adjustment		654,716,973		750,682,533
Adjustment for Depreciation during the year	736,679,658		622,305,942	
Interest Received	(19,997,766)	716,681,893	(33,821,963)	588,483,979
Net Profit from Operating Activities before working capital changes		1,371,398,866		1,339,166,512
(Increase)/Decrease in Inventories	(35,182,621)		(9,784,303)	
(Increase)/Decrease in Trade Receivables	(2,738,654)		14,229,589	
(Increase)/Decrease in Short Term Loans and advances	138,126,351		(69,241,639)	
(Increase)/Decrease in Other Current Assets	117,514,187		(108,881,300)	



(Increase)/Decrease in Long term Loans and advances	12,950,000		112,950,000	
Increase/(Decrease) in Other Trade Payables	35,373,971		(751,009)	
Increase/(Decrease) in Other Current Liabilities	(64,473,030)	201,570,204	67,979,194	6,500,532
Cash Generated from operating activities		1,572,969,070		1,345,667,044
Income Tax Paid		(232,870,074)		(292,235,875)
Net Cash Flow from Operating Activities		1,340,098,996		1,053,431,169
Cash Flow from Investing Activities				
Payment for Property Plant and Equipments	(657,331,002)		(757,123,306)	
Payment for Intangible Assets	(121,007,346)		(105,254,169)	
Sale of Property Plant and Equipments including gain	10,992,984		(25,960,328)	
Payment for Capital Work in Progress	(209,030,167)		(41,218,451)	
Interest Received	19,997,766		33,821,963	
Investment in Fixed Deposits	(58,000,000)		220,120,935	
Investment in Subsidiary company	(92,308,400)			
Net cash used in Investing Activities		(1,106,686,165)		(675,613,357)



Cash Flow from Financing Activities				
Repayment of Loan	(102,812,316)		(102,987,930)	
Receipt of Capital Grant from BICMA	9,895,000		9,895,000	
Payment of Dividend	(216,007,203)		(230,586,556)	
Net cash used in Financing Activities		(308,924,519)		(323,679,486)
Increase/(Decrease) in Cash		(75,511,689)		54,138,326
Cash & Bank Balance (Opening)	237,815,518		183,677,192	
Cash & Bank Balance (Closing)	162,303,829		237,815,518	
Increase/(Decrease) in Cash		(75,511,689)		54,138,326

Footnote:

Reconciliation of Cash and Cash Equivalent with Statement of Financial Position	2014	2013
Cash on hand	3,227,201	7,686,261
Balances with Banks in current accounts	159,076,628	230,129,257
Fixed deposits placed for a period less than 3 months	-	-
Cash and Cash Equivalents	162,303,829	237,815,518
Other Bank balances	312,000,000	254,000,000
Cash and Cash Equivalents as per Statement of Financial Position	474,303,829	491,815,518

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



Chairman

Place: Thimphu



Chief Executive Officer



Chartered Accountants
Firm Reg. No. 004661N



G.K. Agrawal
Partner
Membership No 081603



BHUTAN TELECOM LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2014

Note 1(a)

PROPERTY, PLANT & EQUIPMENT										
PARTICULARS	GROSS BLOCK				ACCUMULATED DEPRECIATION				NET BLOCK	
	01.01.2014	ADDITION	ADJUSTMENT	31.12.2014	01.01.2014	ADDITION	ADJUSTMENT	31.12.2014	31.12.2014	01.01.2014
Land	101,777,356	855,500	-	102,632,856	-			-	102,632,856	101,777,356
				-				-	-	-
Building	388,116,422	28,853,562	-	416,969,985	82,458,339	9,035,088		91,493,427	325,476,557	305,658,083
				-				-	-	-
Tele. Equipment	4,211,815,287	337,288,854	1,873,349	4,547,230,792	2,394,093,296	600,869,085	102,511	2,994,859,870	1,552,370,922	1,817,721,991
				-				-	-	-
Office Equipment	63,781,817	10,916,996	138,611	74,560,202	38,379,322	14,051,452		52,430,775	22,129,427	25,402,495
				-				-	-	-
Power System & Cable	1,137,753,857	276,116,010	3,971,199	1,409,898,669	320,487,398	115,601,073	195,756	435,892,715	974,005,954	817,266,459
				-				-	-	-
Furniture & Fixture	11,280,017	3,210,596		14,490,613	5,658,857	2,386,394		8,045,251	6,445,362	5,621,160
				-				-	-	-
Vehicle	44,952,954	89,483	49,590	44,992,847	20,604,220	9,008,488	42,227	29,570,481	15,422,366	24,348,734
								-	-	
Total (A)	5,959,477,710	657,331,002	6,032,749	6,610,775,964	2,861,681,432	750,951,580	340,494	3,612,292,519	2,998,483,445	3,097,796,278
Previous Year (A)	5,147,000,935	757,123,306	55,353,466	5,959,477,707	2,210,242,118	651,369,363	69,950	2,861,681,431	3,097,796,276	2,936,758,819





Capital work-in-progress	46,704,728	209,030,167		255,734,895					255,734,895	
Previous Year	-	46,704,728		46,704,728						

Note 1(b):

Intangible Assets										
Software Application	105,254,169	146,967,674	-	252,221,843	11,371,292	27,530,531	-	38,901,823	213,320,020	93,882,877
Previous Year	-	105,254,169	-	105,254,169	-	11,371,292	-	11,371,292	93,882,877	-

The Useful lives applied are as follows:

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



BHUTAN TELECOM LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31st DECEMBER 2014

Particulars	As at 31st December 2014 (Nu)	As at 31st December 2013 (Nu)
NON-CURRENT ASSETS		
Note 2: Long Term Loans & Advances		
Prepaid Expenses-License fee	51,800,000	64,750,000
	51,800,000	64,750,000
Note 3: Non-Current Investments		
Investment in Equity Shares -Thimpu Tech Park Limited	92,308,400	-
	92,308,400	
CURRENT ASSETS		
Note 4: Inventories		
Inventories	71,908,587	37,725,966
Less: Provision for stores & spares	-	(1,000,000)
	71,908,587	36,725,966
Note 5: Trade Receivables		
Domestic	75,928,084	74,564,006
Less: Provision	(30,335,813)	(28,234,951)
	45,592,271	46,329,055
International	10,373,629	6,898,191
	55,965,900	53,227,246



Note 6: Cash and Bank Balances (Cash and Cash equivalent)		
Cash and Cash Equivalent		
Disbursement Bank Account, BT	(9,056,639)	(45,789,743)
Depository Works Account	16,803,314	29,324,062
BOB Current Account	41,302,558	3,247,199
Foreign Currency Account	53,386,363	49,615,973
Disbursement Bank Account, BM	-	18,172,866
BDBL Revenue Account	1,422,864	514,404
Insurance Account	737,269	5,718,710
GRI Current Account BNB	14,841,443	128,182,663
Prefund Bank Account(Deutsche Bank)	-	34,652
General Purpose Account(Deutsche Bank)	-	1,114,399
Cash in hand in Regions & Exchanges	3,227,201	7,686,261
Bank Balances in Regions & Exchanges	39,639,456	39,994,074
	162,303,829	237,815,518
Other Bank Balances		
Fixed Deposit-More than Three months and less than 12 months	312,000,000	254,000,000
	474,303,829	491,815,518
Note 7: 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	53,018,385	169,795,143
Staff, Personal Advance	265,805	979,346
Others	915,115	20,994,501
Staff, Office Advance	2,129,267	2,106,598
Staff Imprest	3,329,161	3,670,868
Prepaid Expenses	13,798,812	14,036,440
	73,456,545	211,582,896



Note 8: Other Current Assets		
Loan to Druk Holding & Investments, the Holding Company	-	100,000,000
Interest Accrued but not Due	2,269,638	11,676,503
Interest Accrued and Due	-	1,852,246
Other Deposits	725,833	7,786,904
Other Receivables	973,676	167,680
	3,969,146	121,483,333

Particulars	As at 31st December 2014 (Nu)	As at 31st December 2013 (Nu)
Note 9: 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
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

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, 2014, a dividend of Nu.337,011,130 had been declared (Previous year - 216,007,203)

ii. Shares held by the Holding Company

Name of Shareholder	As at 31st December 2014		As at 31st December 2013	
	No. of Shares held	% of total holding	No. of Shares held	% of total holding
Druk Holdings & Investment Limited	854,082	100%	854,082	100%
Total	854,082	100%	854,082	100%

iii. Reconciliation of number of shares

Particulars	As at 31st December 2014		As at 31st December 2013	
	Equity Shares		Equity Shares	
	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
Shares issued during the year	-	-	-	-
Shares bought back during the year	-	-	-	-
Shares outstanding at the end of the year	854,082	854,082,000	854,082	854,082,000

Note 10: Deferred Government Grants		
I. GRANTS :		
a) Grant from Royal Government of Bhutan		
At the beginning of year	2,549,648	2,714,665
Transferred to Statement of Comprehensive Income	(110,000)	(165,017)
	2,439,648	2,549,648
b) Grant from Government of India for B Mobile		
At the beginning of year	7,802,074	8,602,006
Transferred to Statement of Comprehensive Income	(1,599,864)	(799,932)
	6,202,210	7,802,074
c) Grant from Government of India for VSAT		
At the beginning of year	730,440	1,824,733
Transferred to Statement of Comprehensive Income	(730,440)	(1,094,293)
	-	730,440
d) Grant from BICMA for GSM		
At the beginning of year	149,966,201	178,516,623
Received during the year	9,895,000	9,895,000
Transferred to Statement of Comprehensive Income	(39,021,655)	(38,445,422)
	120,839,546	149,966,201
Total Deferred Government Grants	129,481,404	161,048,363
Less: Current Maturity of Deferred Government Grants- Refer Note 15	41,461,959	42,477,728
Deferred Government Grants- Non- Current	88,019,446	118,570,635



NON-CURRENT LIABILITIES		
Note 11: Long Term Borrowings - Unsecured Loan		
Loan from Danida (Interest Free)	244,004,674	380,222,447
	244,004,674	380,222,447

Footnotes:

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.100,737,467, repayable during 01/01/2015 to 31/12/2016 is classified under Current maturity of long term borrowing under other Current Liabilities (Previous year Nu.111,105,205)

Note 12: Long Term Provision		
Leave Encashment	16,749,542	12,789,699.00
	16,749,542	12,789,699
Note 13: Trade Payables		
International	71,010,964	35,636,993
	71,010,964	35,636,993
Note 14: Short Term Provisions		
Leave Encashment	9,558,069	5,909,219
	9,558,069	5,909,219
Note 15: Other Current Liabilities		
Current Maturities of Long Term Borrowing	100,737,468	111,105,206
Current Maturities of Deferred Government Grants	41,461,959	42,477,728
Other Payables	41,550,893	111,192,787
Security Deposits		
Suppliers and Contractors	6,430,828	5,842,194
Consumers/Subscribers	2,945,145	2,690,000
Statutory Dues :		
TDS	1,824,043	2,153,034
Tax Payable	107,941,164	118,879,876
Service Tax Payable	26,354	-
TSWF	-	(7,124)

Other Liabilities :		
Liability for Depository Works	13,632,884	9,494,874
Stale Cheques	20,666	-
Other Deductions	9,421,535	9,710,121
Audit Fee Payable	100,000	100,000
Sundry Creditors for Expenses	750,506	
	326,843,446	413,638,695

Particulars	As at 31st December 2014 (Nu)	As at 31st December 2013 (Nu)
REVENUE FROM OPERATIONS		
Note 16: REVENUE - DOMESTIC		
Telephone Service	115,047,391	114,778,839
Misc. Income(LL)	14,512,647	15,623,775
Sale of SIM Cards	12,822,600	8,434,400
Sale of Recharge Voucher	1,401,989,374	1,529,894,265
Post Paid Mobile Service	143,927,585	140,079,586
E-Load	290,665,116	131,573,245
Income from IN & VAS	2,626,205	1,254,115
Misc. Income(BM)	8,937,768	11,385,433
Broadband-Postpaid	56,628,186	64,346,514
Broadband-Prepaid	77,392,976	55,365,439
Income from Leaseline	104,499,020	101,766,254
Income from Domain Name Registration	211,150	825,288
Income from IPLC(National)	787,632	6,370,765
Contact Center Revenue	5,600,622	-
Misc. Income(Druknet)	22,488,904	28,742,458
	2,258,137,176	2,210,440,377
Note 17: REVENUE - International		
International (ISD)	17,903,569	18,219,564
Income from International Roaming	2,627,625	10,464,192
Income from IPLC(International)	4,558,032	4,262,766
Income from Domain name registration	423,115	897,168
Income from Leaseline(International)	775,510	135,743
	26,287,850	33,979,432

Note 18: Other Operating Income		
Income for Hire Charges	181,177	163,230
Income from Deposit Work	4,789,423	27,855,202
Interest from Fixed Deposit	19,997,766	33,821,963
Fines	2,282,758	4,901,662
Thuraya	144,543	137,056
Misc. Income	25,736,568	8,765,003
Income from Sale of Equipment	1,518,656	638,320
Income from House Rent - Staff	1,826,485	1,776,819
Discount Received	2,198,260	5,952,009
Profit on sale of assets	4,960,235	-
	63,635,872	84,011,264

OPERATING EXPENSES		
Note 19: STORES AND SPARES PARTS		
O & M Consumable Stores	43,485,775	87,616,765
	43,485,775	87,616,765
Note 20: EMPLOYEES' REMUNERATION AND BENEFITS		
Salaries and Wages :		
Permanent Employee	151,062,135	139,378,587
Temporary Employee	1,121,807	12,707,891
Bonus / Special Pay	15,283,949	15,947,155
Medical Expense Reimbursement	432,777	327,331
Leave Travel Concession	9,029,334	7,921,580
Leave Encashment	18,300,329	22,193,590
Uniform and Livery Expenses	1,041,571	1,781,926
Staff Welfare Expenses	213,332	728,000
Employer contribution to Provident Fund	14,254,095	13,710,421
Employee Cost - Gratuity	7,315,862	8,750,308
Special Payment	108,580	212,566
Staff Training	32,570,329	38,186,816
Meeting & Seminars	799,293	562,251
	251,533,394	262,408,422



Note 21: REPAIRS AND MAINTENANCE		
Building	5,463,119	7,043,799
Office Equipment	396,101	209,433
Furniture / Fixture	77,612	2,738
Other - AMC	88,613,790	117,456,591
Power System	808,758	1,474,561
Generator Set	4,241,303	4,865,614
OSP Cables & Accessories	317,787	4,998,440
Plant & Machinery	56,710,719	4,959,648
Software Application	1,898,173	118,616
Vehicle	3,058,143	3,252,512
Vehicle Running expenses	8,460,050	7,992,934
	170,045,554	152,374,886
Note 22: ADMINISTRATION AND GENERAL EXPENSES		
Advertisement Expenses	2,608,123	2,586,071
Audit Fees	100,000	100,000
Audit Expenses	567,442	602,247
Bank Charges	1,418,370	3,590,611
Directors Fees	912,080	728,000
Books, Magazine, Newspaper	7,475	15,676
Carriage Outward	704,063	2,645,659
Carriage Inward	571,613	49,311
Communication (Fax, Mail, Post, Tele)	617,678	925,854
Professional Charges	1,537,262	20,769,666
Corporate Social Responsibility	2,110,000	451,990
Electricity	15,116,295	13,842,201
Entertainment	3,180,700	3,368,059
Fees and Subscription	55,558,094	56,458,488
Insurance	93,194	102,166
Insurance for Building	20,152	20,152
Insurance for Telecom Equipment	400	4,398,872
Vehicle License & Registration Fees	331,408	299,618
Commission on sale of prepaid vouchers & SIM Cards	108,012,088	112,443,349
Business Promotion	16,158,904	9,823,697
Revenue Sharing, National	2,685,441	2,522,627
Misc. Expenses	14,468,112	7,402,131
Bad & Doubtful Debts	2,100,862	2,104,856
Office Maintenance	691,412	624,865

Water and Sewerages	344,098	377,557
Rent	4,618,138	3,215,636
Printing and Stationary	107,742	131,510
Rates and Taxes	1,899,560	2,179,330
Custom Clearing Charges	4,625	8,800
Travelling - Domestic	10,012,731	11,133,249
Travelling - Foreign	2,922,952	1,579,752
Car Hire Charges	77,567	6,060
Discount Allowed	566,174	-
Service Tax Paid	25,419,147	-
	275,543,899	264,508,059

Note 23: INTERNATIONAL PAYMENTS

Satellite Transmission / Utilisation Charges	8,999,578	11,472,677
Service Fees for IBS	100,629,292	79,697,476
GTS Settlement	758,904	823,492
International Traffic Settlement / Voice / VoIP	72,987,863	49,825,513
Internet Transit Service Charges	11,544,686	13,964,755
International Roaming	21,287,823	31,195,201
Fees and Subscription, International	1,514,196	1,532,704
	217,722,343	188,511,819

Note 24: DEPRECIATION AND AMORTISATION

Depreciation for the year	750,611,086	651,369,363
Amortisation for the year	27,530,531	11,371,292
Transferred to Capital Reserve as deduction from the Grants for respective assets	(41,461,959)	(40,504,663)
Depreciation Charged to Statement of Comprehensive Income	736,679,658	622,235,993

Note 25: Earnings Per Share

Particulars	Unit	2014	2013
Profit available for Equity Shareholders	Nu	473910347.5	406716631
Weighted number of Equity Shares outstanding	Numbers	854082	854082
Nominal Value of equity shares	1000	1000	1000
Earnings per share	Nu	555	476

BHUTAN TELECOM LIMITED
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2014

Particulars	Equity share Capital	Retained Earnings	Revaluation Surplus	Group Investment Reserve	Total Equity
Balance at 1st January 2013	854,082,000	1,961,009,381	-	230,586,556	3,045,677,937
Changes in equity for 2013	-	-	55,353,466	-	55,353,466
Total Comprehensive Income for the year	-	406,716,631	-	-	406,716,631
Dividend for FY 2012 Transferred to Group Investment Reserve	-	(230,586,556)	-	-	(230,586,556)
	-	(109,366,102)	-	109,366,102	-
Balance at 31st December 2013	854,082,000	2,027,773,354	55,353,466	339,952,658	3,277,161,478
Changes in equity for 2014	-	-	-	-	-
Total Comprehensive Income for the year	-	473,910,348	-	-	473,910,348
Dividend for FY 2013 Transferred to Group Investment Reserve	-	(216,007,203)	-	-	(216,007,203)
	-	(65,536,944)	-	65,536,944	0
Balance at 31st December 2014	854,082,000	2,220,139,555	55,353,466	405,489,602	3,535,064,623





BHUTAN TELECOM LIMITED
Note No.26: Significant accounting policies

REPORTING ENTITY

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

1. BHUTANESE ACCOUNTING STANDARDS:

- i) The present Financial Statements for the year ended 31stDecember 2014 is prepared in compliance with the BASs.
- ii) The Financial statements have been prepared on a going concern basis in accrual system of accounting.
- iii) The company has decided on the early adoption of BAS 19 Employee Benefits, which is in the second phase of adoption of Bhutanese Accounting Standards. Employee retirement benefits are valued on an actuarial basis which better reflects the estimated liability in Statement of Financial Position date.

2. USE OF ESTIMATES

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

3. REVENUE RECOGNITION

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

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

- i) Post-paid calls are recognized on the basis of metered calls in monthly cycles as generated through central billing system except for 591 BT office connection all over the country, 25VVIP connections in Thimphu and Phuentsholing, 63for Post-paid and 243 for land Line employees’ residential connections with certain ceiling as per Service Rule w.e.f. 1st March 2006.
- ii) Druknet bills are booked monthly on the basis of usage times and include revenue on account of start-up kits.



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

4. PROPERTY PLANT & EQUIPMENT

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

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

Leasehold Land

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

Depreciation

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

vii) Estimated useful life of Assets applied is as follows:

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

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 amortized over their estimated useful lives of 5 years.

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

6. BORROWING COSTS

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

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

All other borrowing costs are recognized 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 recognized, 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 realized or the deferred income tax liability is settled.

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

10. PROVISIONS AND CONTINGENT LIABILITIES

- i) Provisions are recognized 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 year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Statement of Comprehensive Income.

12. INVENTORIES

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



13. SEGMENTAL REPORTING

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

14. CASH AND CASH EQUIVALENTS

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

15. TRADE AND OTHER RECEIVABLES

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

16. TRADE AND OTHER PAYABLES

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

17. EARNING PER SHARE

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



Note No.27

1. Related Party Disclosure

Related party Disclosure as per BAS 24 in respect of the company as on December 31, 2014 is as follows:

Nature of Relationship	Name of Entity	Acronym used
Holding Company	Druk Holding & Investments Ltd.	DHI
Subsidiary Company	Thimphu Tech Park Limited	TTPL
Key Management personnel		
Chairperson	Mr. Tenzing Yonten *	
Chairperson	Mr. Tenzin Dhendup	
Director	Mr. Passang Dorji *	
Director	Dr. Damber S.Kharka	
Director	Mr. Kezang	
Director	Ms. Peldon Tshering*	
Director	Mr. Gyeltshen	
Director	Mr. Karma Tshering	
Director	Mr. Phuntsho Tobgay	
Chief Executive Officer	Mr. Nidup Dorji*	
Chief Executive Officer	Mr. Tshewang Gyeltshen	

*Dasho Tenzing Yonten has been retired on 14/07/2014

*Mr. Passang Dorji has been retired on 14/07/2014

*Mr. Peldon Tshering has been retired on 14/07/2014

*Mr.Nidup Dorji has been retired on 31/08/14

Balance with related parties

Amount in Nu

Account head	DHI	
	2014	2013
Balances as at		
Loan & Advance	-	100,000,000
Interest Accrued on Loan	-	12,076,503
Equity share capital	854,082,000	854,082,000



Transactions with related parties during the Year:

Transactions :	Amount in Nu	
	2014	2013
DHI(Loan)	100,000,000	-
DHI(Interest)	26,30,137	80,00,000
DHI(Dividend)	-	216,007,203
Thimphu Tech Park(Investment in Shares)	92,308,400	-
Thimphu Tech Park(Rental Expenses)	703,491	-
Mr.Tenzin Dhendup-Sitting Fee	72,000	-
Mr.Phuntsho Tobgay-Sitting Fee	32,000	-
Mr.Damber S.Kharka -Sitting Fee	72,000	-
Dasho Tenzing Yonten-Sitting Fee	52,000	-
Mr.Passang Dorji-Sitting Fee	60,000	56,000
Mr.Kezang-Sitting Fee	128,000	88,000
Ms.Peldon Tshering-Sitting Fee	60,000	116,000
Mr.Sonam P Wangdi-Sitting Fee	-	64,000
Mr.Namgyel Wangchuk-Sitting Fee	-	16,000
Mr.Gyeltshen-Sitting Fee	116,000	16,000
Mr.Karma Tshering-Sitting Fee	84,000	56000

Amount in Nu

Chief Executive Officer's remuneration	2014	2013
Salary	1,289,633	1,261,849
Leave Travel concession	15000	15,000
Contribution to superannuation fund	98,319	95,484
Foreign Travel expenses	821,728	522,180
Sitting Fees	128,000	116,000
Total	2,352,680	2,010,513



2. Employee's Benefits disclosures as per BAS 19

a. Gratuity scheme

In Ngultrums

A.1 Change in Defined Benefit Obligation (DBO)	31-Dec-14	31-Dec-13
DBO at the beginning of the current period	84,307,886	80,665,747
Current service cost	6,224,212	6,049,931
Interest cost	6,199,855	5,942,843
Benefits paid from plan assets	-3,286,304	-2,855,681
Benefits paid by employer	-	-
Actuarial (gain)/loss due to scheme experience	132,215	-5,494,954
Actuarial (gain)/loss due to change in demographic assumptions	-	-
Actuarial (gain)/loss due to change in financial assumptions	-	-
DBO at the end of the current period	93,577,864	84,307,886

A.2 Change in fair value of Plan Assets	31-Dec-14	31-Dec-13
Fair Value of Assets at the beginning of current period	55,197,219	33,977,276
Interest income on plan assets	5,108,205	3,242,467
Employer contributions	29,110,667	21,366,920
Benefits paid	-3,286,304	-2,855,681
Return on plan assets greater or (less) than discount rate	-1,059,346	-533,763
Fair Value of Assets at the end of the period	85,070,441	55,197,219

A.3 Income Statement	31-Dec-14	31-Dec-13
Current Service Cost	6,224,212	6,049,931
Net interest cost on net DB liability/(asset)	1,091,650	2,700,376
Past service cost	-	-
Net cost for the year recognized in Income Statement	7,315,862	8,750,307

A.4 Other Comprehensive Income (OCI)	31-Dec-14	31-Dec-13
Actuarial (Gain)/Loss due to scheme experience	132,215	-5,494,954
Actuarial (Gain)/Loss due to assumption changes	-	-
Return on plan assets Greater or (Less) than discount rate	1,059,346	533,763
Remeasurement (Gain)/Loss recognized in OCI	1,191,561	-4,961,191

In Ngultrums

A.5 Defined Benefit Cost	31-Dec-14	31-Dec-13
Current service cost	6,224,212	6,049,931
Net interest cost on net DB liability/(asset)	1,091,650	2,700,376
Remeasurement (Gain)/Loss recognized in OCI	1,191,561	-4,961,191
Total Defined Benefit Cost	8,507,423	3,789,116

A.6 Development of Net Balance Sheet position	31-Dec-14	31-Dec-13
Defined Benefit Obligation	-93,577,864	-84,307,886
Fair Value of Plan Assets	85,070,441	55,197,219
Funded Status - (Deficit)/Surplus	-8,507,423	-29,110,667
Net Defined Benefit Asset/(Liability)	-8,507,423	-29,110,667

A.7 Reconciliation of Net Balance Sheet position	31-Dec-14	31-Dec-13
Net Defined Benefit liability/(asset) at the beginning of current period	29,110,667	46,688,471
Amount recognized in the Income Statement	7,315,862	8,750,307
Amount recognized in the OCI	1,191,561	-4,961,191
Employer contributions	-29,110,667	-21,366,920
Benefits paid by employer	-	-
Net Defined Benefit liability/(asset) at the end of current period	8,507,423	29,110,667

A.8 Expected Benefit Payments for the year ending	In Nu.
31-Dec-15	6,177,968
31-Dec-16	12,172,435
31-Dec-17	12,028,993
31-Dec-18	14,014,496
31-Dec-19	16,503,628
December 31, 2020 to December 31, 2024	91,959,018

A.9 Estimated Term of Liability – decrement adjusted (Years)	12.6
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A.10 Scheme Asset Allocation	Amount (Nu.)	Percentage
Term Deposits with Banks	72,441,375	85%
Corporate Bond	10,636,500	13%
Current Account	1,992,566	2%
Total	85,070,441	100%

A.11 Sensitivity Analyses	In Nu.	
	Defined Benefit Obligation	Net Effect on DBO
1. Discount Rate		
<i>Base Discount Rate of 7.5%</i>	93,577,864	-
<i>Discount rate of 8% (+0.5%)</i>	89,977,545	-3,600,318
<i>Discount rate of 7% (-0.5%)</i>	97,418,262	3,840,398
2. Salary Escalation Rate		
<i>Base Salary Escalation Rate of 10%</i>	93,577,864	-
<i>Salary Escalation Rate of 11% (+1%)</i>	94,831,154	1,253,290
<i>Salary Escalation Rate of 9% (-1%)</i>	92,190,576	-1,387,288
3. Attrition Rate		
<i>Base Attrition Rate of 3.4%</i>	93,577,864	-
<i>Attrition Rate of 4.4% (+1%)</i>	94,637,718	1,059,854
<i>Attrition Rate of 2.4% (-1%)</i>	92,280,766	-1,297,098



b. Gratuity Scheme Benefits as at 31 December 2014

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

c. Leave Encashment Benefits as at 31 December 2014

Summary of Actuarial Assumptions

	31-Dec-2014	31-Dec-2013
Discount Rate	7.50%	7.50%
Salary Escalation Rate	10.00%	10.00%
Employee Turnover Rates	3.40%	3.40%
Mortality Rates	100% of IALM (2006-08)	100% of IALM(2006-08)

3. Provisions, Contingent Liabilities

a. Capital Commitments :

Particulars	2013	2014
Capital Commitments	172,227,258	52,429,350

b. Contingent Liabilities:

Particulars	2013	2014
Contingent Liability	Nil	Nil



c. Provisions

Particular	2013			2014		
	Leave Encashment	Inventories	Bad Debts	Leave Encashment	Inventories	Bad Debts
Opening	5,566,580	1,000,000	28,267,087	18,698,918	1,000,000	28,234,951
Addition	18,698,918	-	2,104,856	18,300,329	-	2,100,862
Reversed	-	-	-	-	-	-
Utilized	5,566,580	-	2,136,992	10,691,636	1,000,000	-
Closing	18,698,918	1,000,000	28,234,951	26,307,611	-	30,335,813

4. Land vested in the company is subject to verification and confirmation by National Land Commission. In respect of land purchased during the year and some land purchased in earlier years, the registration is under progress.
5. Depreciation on Property, Plant and Equipment acquired through grants amounting to **Nu. 41,461,959** have been adjusted by way of transfer of equal amount from Capital Reserve.
6. During the year under review the company has received additional **Nu. 9,895,000** (Nu. 9,895,000 received in 2013) from Bhutan Information and Communication & Media Authority (BICMA) as grant towards Rural GSM Project.
7. GSM License fee payable to BICMA for 15 years is Nu. 777,000,000 of which **Nu. 349,650,000** have been paid up to 31.12.2014
8. Confirmations of balances being not available from Receivables are stated as per their respective book balances.
9. Provision for bad and doubtful debt is made @ 0.5% of domestic land line, druknet and post-paid mobile revenue on adhoc basis.
10. Income Tax assessment of the company has been completed by the Department of Revenue & Customs up to the year 2012.



11. Consumption of service connection given to various offices of the company in Bhutan and the VVIP connections amounting to Nu.5,407,895.50 have been considered as income as well as expenditure.

12. From the Profit after Tax, Nu.337, 011, 129.62(66.85%) has been declared as a Dividend and Nu.65, 536, 943.68(13%) is to be transferred to Group Investment Reserve.

13. Provision for Taxation:-

Particulars	2014	2013
Current tax on:-		
Operating Profit	222,228,830	246,497,215
Comprehensive Income	(357,468)	(6,108,108)
Total Tax Payable	221,931,362	240,389,107
Less:-		
Advance Tax Paid	112,985,634	119,422,612
TDS	1,004,564	2,086,619
Net Tax Payable	107,941,164	118,879,876

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



Chairman

Place: Thimphu



24/3/15
Chief Executive Officer



Chartered Accountants
Firm Reg. No. 004661N



21/3/15
G.K. Agrawal
Partner
Membership No 081603

BHUTAN TELECOM LIMITED
RATIO ANALYSIS FOR THE PERIOD ENDED 31ST DECEMBER 2014

1. LIQUIDITY	2013	2014
A. Current Ratio	2.22:1	1.67:1
B. Quick Ratio: Quick Assets/Quick Liabilities	2.13:1	1.49:1
C. Accounts Receivable Period 365*Accounts receivable/operating Income	28.83 days	29.19days
D. Working Capital to Sales Current Assets-Current Liabilities/Operating Income	68.22%	38.89%
2. SOLVENCY:		
A. Term Debt to Total Fixed Assets Long term Debt/Total Fixed Asset-Net	11.65%	7.04%
B. Debt Equity Ratio: Debt/(Capital Fund+Reserve & Surplus)	0.12:1	0.069:1
3. PROFITABILITY:		
A. Return on Capital Employed:		
a) PBT/Capital Employed	18.46%	18.44%
b) PAT/Capital Employed	11.12%	12.54%
Capital Employed=Equity Capital + Loan Fund		
B. Return on Equity:	12.41%	13.41%
Profit After Tax/Total Equity		
Total Equity= Capital + Reserve & Surplus		
C. Return on Sales	28.94%	29.14%
PBT/Operating Income		
D. Employee Cost to Gross Income	38.95%	35.94%
Total Employee Expenses/Operating Income		
E. Profit per Employee:	0.65 million	0.66million
PAT/Total no. of Employees		

