ANNUAL REPORT 2023

International Route Map
Operational
Seasonal

Drukair
Royal Bhutan Airlines
A dhi company

ANNUAL
REPORT
2023


EXIT

THE YEAR IN REVIEW

The year 2023 has been marked by significant achievements and milestones for Drukair, Bhutan's national airline. This report provides an overview of the key highlights and accomplishments throughout the year.

In 2023, Drukair operated a total of 3,996 flights, a notable increase from 1,944 flights in 2022. This expansion in flight operations resulted in carrying a total of 201,979 passengers compared to 91,126 passengers in 2022. The increased flight frequency led to a significant rise in the load factor, reaching 67% from 60% in the previous year.

The year saw two ATR pilots promoted as the country's first National Line Captains certified to fly the ATR 42-600, a significant milestone in both ATR operations and the nation's aviation history. Despite facing challenges, such as the loss of one helicopter to an unfortunate accident, Heli Services achieved remarkable feats, including the first two National Heli-Pilots receiving Command (PIC) to operate outside of the Paro Controlled Airspace.

Drukair recorded its highest-ever revenue of Nu. 4.8 billion in 2023, accompanied by a Profit Before Tax (PBT) of Nu. 291 million, exceeding the budgeted loss of Nu. 210 million. However, due to the write-back of tax waivers availed in 2020 due to the COVID-19 pandemic, the loss after tax stood at Nu. 63 million, against a budgeted loss of Nu. 504 million.

Revenue from Chartered Flights saw a substantial increase from Nu. 178 million in 2022 to Nu. 471 million in 2023. Additionally, revenue from helicopter services rose from Nu. 68 million to Nu. 114 million during the same period. Strategic partnerships with Make My Trip (MMT), Hahn Air, and Turkish Airlines facilitated global distribution and interline e-ticketing, enhancing customer reach and satisfaction.

As part of Drukair's commitment to Corporate Social Responsibility (CSR), initiatives such as temporarily recruiting unemployed National Commercial Pilot License (CPL) holders have been implemented. This involves providing them with valuable flying hours and a fixed monthly salary to support their career advancement within the aviation industry. However, due to the financial health of the company, the flagship CSR program, Trongsa Penlop Inspire Program (TPIP), could not be conducted.

Drukair achieved the highest compact score of 97.04% for 2023, resulting in full Performance Based Variable Payout (PBVP) for employees. Looking ahead, the company has set challenging targets for 2024, including revenue targets of Nu. 6.02 billion, PBT of Nu. 610 million, and PAT of Nu. 215.20 million.

The 33rd Annual General Meeting acknowledged that Drukair exceeded IATA's predictions for an airline company's recovery with a record revenue in the history of Drukair of Nu. 4.8 billion, coming right out of the pandemic in 2023, surpassing even its pre-pandemic levels.

Future plans include fleet expansion with the addition of new rotary as well as fixed-wings aircraft, route expansions to Dubai and Mumbai, scheduled charter flights between Bangkok and Yangon, and the relaunch of the Trongsa Penlop Inspire Program (TPIP) and also continue to support unemployed CPL holders amongst others.

Drukair extends gratitude to His Majesty The King, DHI, the Drukair Board, Government Ministries, Bhutan Civil Aviation Authority, Department of Air Transport, and finally all employees for their contributions to the company's success in 2023.

The achievements and milestones of 2023 reflect Drukair's unwavering commitment to excellence, innovation, and customer satisfaction. With the collective efforts of its dedicated team, Drukair remains poised for continued success.

Tashi Delek

Tandi Wangchuk
Chief Executive Officer

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COMPANY PROFILE

Drukair is the National Airline of the Kingdom of Bhutan owned by the Royal Government of Bhutan through its Investment Wing, Druk Holding & Investments Ltd. The airline operates a scheduled network within the South Asian region from its headquarters located in the beautiful valley of Paro in Western Bhutan.

The airline was established through a Royal Proclamation on April 5, 1981. It started commercial operations on February 11, 1983, from Paro, about a 55 km away from the capital, Thimphu. Drukair began humbly with an 18-seat Dornier 228-200 that made its historic touch down at Paro airport on January 14, 1983, to the chant of inauguration prayers, cymbals, conches and the like, with maroon-clad monks, blessing the occasion and the plane. The first link was Kolkata, followed by eight destinations in South Asia. As more and more people took to the skies, not just to connect but also to enjoy perhaps the most breath-taking view of the Himalayan range, including Mt. Everest, Mt. Kanchenjunga and the highest unclimbed mountains in Bhutan itself, another Dornier was added to meet the increasing demand.

Drukair had since then continued to upgrade its fleet; first to two BAe 146s in 1988, followed by Airbus A320 family, and an ATR for fixed wing services and a Airbus H130 helicopters for rotary services as of December 2023.

The airline operates in ten international airports in six countries (Bhutan, Bangladesh, India, Nepal, Thailand, and Singapore) and four domestic airports for fixed-wing services. The rotary services provide mountain scenic charters and other commercial charters apart from emergency services.

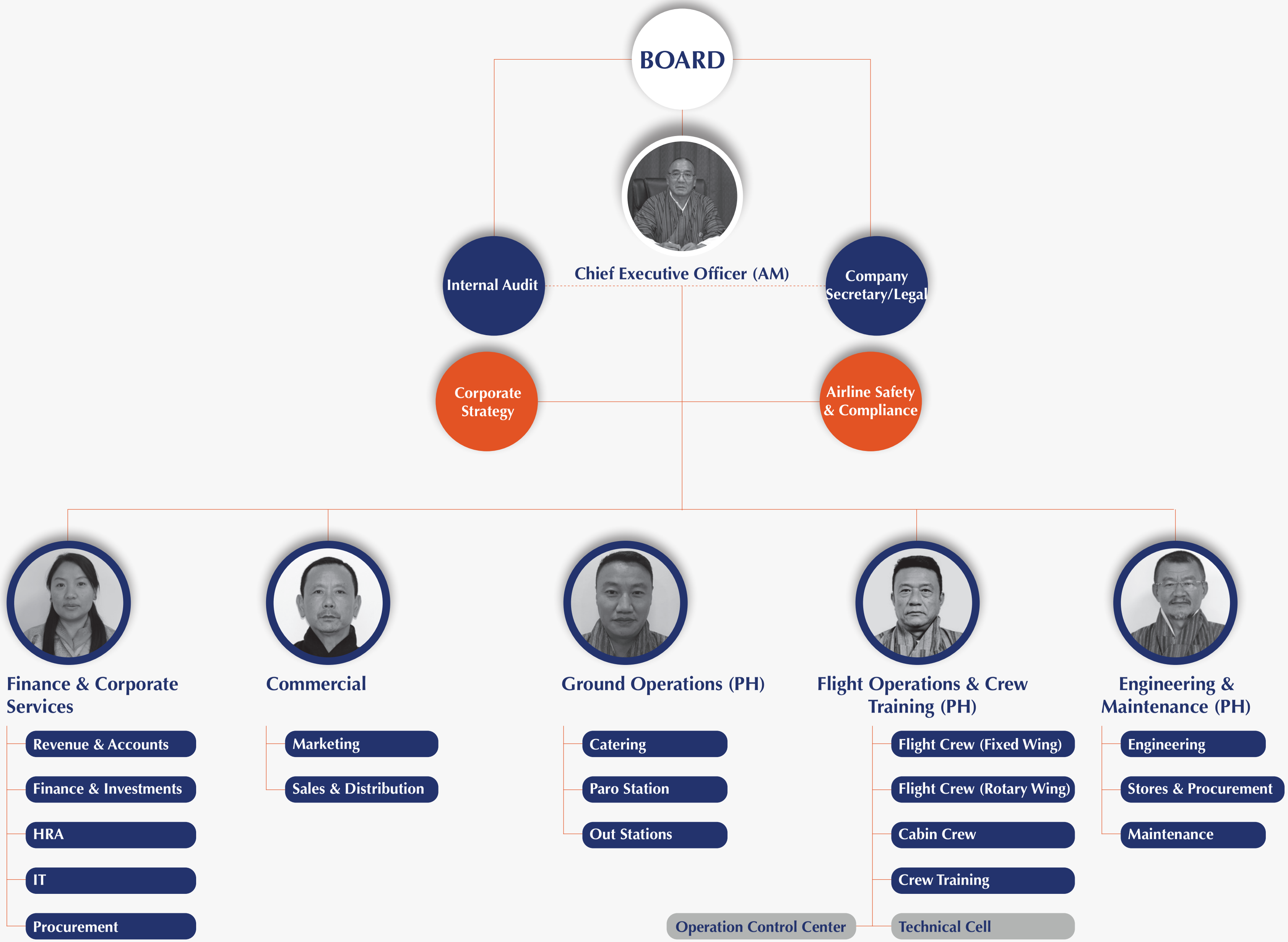
VISION
To be the leading airline connecting Bhutan and the world

MISSION
Drukair, as a National Airline shall provide safe and reliable air transport services, be competitive and meet the growing demands, and consistently meet customer expectation with excellence in service

CORE VALUES
Safety, Standard, Service Excellence, Integrity, Team Work and Open Door Culture

SLOGAN
On the wings of the dragon

ORGANIZATIONAL STRUCTURE



BOARD OF DIRECTORS

Mrs. Pema Choden

Mrs. Pema Choden is the Secretary of the Ministry of Foreign Affairs and External Trade. She joined the then Ministry in 1989 and has served in various capacities. Prior to being appointed as the Secretary, she served as the Bhutan's resident Ambassador to Belgium and the European Union with concurrent accreditation to Sweden, the Netherlands, Denmark, Finland and Spain from April 2016 to January 2021. She received her Bachelor's Degree from Sherubtse College, Kanglung, Bhutan and a Diploma in International Relations from the Institute International d'Administration Publique (IIAP), Ecole Nationale d'Administration (ENA), Paris, France.

Mr. Karma Lotey

Mr. Karma Lotey is the Chief Executive Officer of Yangphel Private Limited, one of Bhutan's leading tour operators and has been on the top since its inception in 1988. Mr. Lotey has been with the company since 1995 and he has a Bachelor's in Business majored in Marketing and an Executive Master's in Business Administration from Devry University, Chicago USA.

Mr. Karma Thinlay

Mr. Karma Thinlay is the Dzongdag of the Paro Dzongkhag Administration and has 30 years of work experience. He has a Bachelor's degree in Electrical and Electronics Engineering from Regional Engineering College in Warangal, India and a Master's in Public Policy from the Australian National University in Canberra, Australia.

Mr. Dorji Dhradhul, Board Director

Mr. Dorji Dhradhul is the Director-General of the Department of Tourism under the Ministry of Industry, Commerce and Employment and has over 30 years of work experience. He has a Bachelor's Degree in Agricultural Science from Tribhuvan University, Nepal and a Master's degree in Agricultural Extension from the University of Reading, UK.

Mr. Karma Wangchuk, Board Director

Mr. Karma Wangchuk is the Director General of Department of Air Transport under the Ministry of Infrastructure and Transport and has over 32 years of work experience. He has a Bachelor's Degree in Commerce from Sherubtse College, Kanglung, Bhutan, Post Graduate Diploma in Aviation Management from NUS Singapore and Masters in Development Administration from Australian National University, Canberra, Australia.

Mr. Dorji Nima, Board Director

Mr. Dorji Nima is the Director at Druk Holding and Investments (DHI). He has over 19 years of professional work experience. He has a Bachelor's Degree in Business Administration from Madras University, India and Masters degree in Business Administration from Australian Graduate School of Entrepreneurship, Melbourne, Australia.

Mr. Tandi Wangchuk, CEO & Board Director

Mr. Tandi Wangchuk is the Chief Executive Officer of Drukair Corporation Limited. He has more than 32 years of work experience. He received his Bachelor's Degree in Electrical and Electronics Engineering from Bangladesh University of Engineering and Technology (BUET), Dhaka, Bangladesh and Master's in Operational Telecommunication from Coventry University, Midlands, England, UK.

MANAGEMENT

MR. TANDI WANGCHUK,
CHIEF EXECUTIVE OFFICER

MR. WANGCHUK TSHERING,
GENERAL MANAGER,
COMMERCIAL DIVISION

MR. UGEN TASHI, GROUND
OPERATIONS DIVISION

MR. THRIMCHONG WANGDI,
ENGINEERING AND
MAINTENANCE DIVISION

CAPTAIN SONAM CHOEDA,
FLIGHT OPERATIONS AND CREW
TRAINING DIVISION

MS. DECHEN PELDON,
FINANCE AND CORPORATE
SERVICES DIVISION

DIRECTORS' REPORT

INTRODUCTION

The Board is pleased to report the company's performance for the period 1st January 2023 to 31st December 2023.

1. OPERATIONAL HIGHLIGHTS

1.1. Fixed Wings

Drukair's fixed wings operated a total of 3,996 flights in 2023, an increase of 106% from 1,944 flights operated in 2022.

The company also increased the total passengers carried (including charters) to 201,979 from 91,126 carried in 2022, an increase of 122%, and thereby achieved a significant increase in the load factor, from 60% in 2022 to 67% during the year.

The total cargo ferried during the year, however, saw a marginal drop to 532 MT from 548 MT in 2022 Metric Tons (MT).

Towards enhancing aircraft utilization, the company signed Charter contract with Alii Palau Airlines and inaugurated the flight from Singapore to Palau and vice-versa on 23rd November.

A significant milestone in the ATR operations and nation's aviation history, the year 2023 saw two ATR pilots promoted as the country's first National Line Captains certified to fly the ATR 42-600.

All these initiatives culminated to the company achieving an average 83% market share on the four competitive routes of Bangkok, Delhi, Kathmandu, and Kolkata.

1.2. Rotary Wings

On the rotary side, the Heli Services operated of 763.44 revenue-flight hours, which is a decrease of 27% from 1,055 hours operated in 2022. The decrease is mainly on account of the loss of one helicopter to an accident.

The company regrets to report that on 3rd March 2023, Drukair Helicopter BHT-EC-130 carrying a father, mother and two daughters crashed at Wachey under Lunana Gewog. The tragic accident claimed two lives (a mother and a daughter), while the father and the older daughter survived with injuries. The pilot was also left with severe injuries.

However, the helicopter hull insurance was completed at the full amount of USD 3,467,500.00 and received USD 2,878,025.00 by the end of 2023. The balance USD 589,475.00 will be received in 2024. Further, a sum of USD 22,314.00 was claimed and received towards expenses incurred for rescue, investigation, and Heli retrieval.

With regards to the liability claims of the passengers, Drukair extended all required supports towards settlement and release of the insurance claims from RICBL.

The company signed purchased agreement for immediate replacement of the lost helicopter in April 2023 with delivery scheduled in Q1 2024. Additionally, to increase the fleet size, the company also signed a purchase agreement for an additional helicopter in July 2023 with delivery scheduled in Q3 2024.

DIRECTORS' REPORT

As in the ATR operations, the Heli Services also added to the nation's aviation history, two first National Heli-Pilots to receive Command (PIC) to operate outside of the Paro Controlled Airspace.

2. FINANCIAL HIGHLIGHTS

2.1. Total asset and liability

The total non-current assets of the company witnessed a decrease of Nu. 1,079 million (or 13%), moving from Nu. 8,584 million in 2022 to Nu. 7,505 million in 2023. This decline is primarily attributed to depreciation expenses for the year and the removal of a helicopter that was involved in an accident. On the other hand, current assets saw an increase of Nu. 624 million, driven largely by a significant rise in cash and cash equivalents by Nu. 342 million (or 78%), and a surge in loans and advances by Nu. 444 million (or 309%). The loans & advances increased due to the pre-delivery payments made for helicopter purchases.

As a result, the company's total assets decreased by Nu. 455 million (or 5%), totaling Nu. 9,380 million, down from Nu. 9,835 million in 2022.

Shareholder's equity also experienced a slight decrease of Nu. 36 million, primarily due to a net loss after tax.

Similarly, the total non-current liabilities decreased by Nu. 1,107 million (or 20%), settling at Nu. 4,292 million, down from Nu. 5,399 million in 2022. This reduction is mainly due to repayment of loans during the year. Despite initial loan deferments until 2024, improved liquidity positions enabled the company to prepay loans, which commenced from the third quarter of 2023.

Current liabilities on the other hand saw an increase of Nu. 687 million (or 24%), influenced by the revised loan amortization schedule (an increase of Nu. 454 million or 23%). It was also due to the growth in ticket sales, which raised the un-flown ticket liability by 51% (or Nu.176 million).

2.2. Income

The summary of financial performance (in million Nu.) is as shown in the table below:

Particular	2023	2022	Variance
Total Operating Revenue	4,531	1,855	144%
Total Operating Expenditure	4,106	2,742	50%
Operating Profit/(Loss)	425	(888)	148%
Non-Operating Revenue	298	191	56%
Non-Operating Expenses	432	449	-4%
Profit/(Loss) before tax	291	(1,146)	125%
Tax Expenditure	354	(258)	237%
Profit/(Loss) after tax	(63)	(888)	93%

DIRECTORS' REPORT

Key Performance Indicators	2023	2022	Variance
Capacity in Available Seat Kilometer (ASK) (in million)- for Scheduled flights	435.37	203.54	114%
Passenger load factor for Scheduled Flights	67%	60%	11%
Passenger Revenue Available Seat Kilometer (PRASK) (Nu)	8.56	7.13	20%
Cost per Available Seat Kilometer (CASK) with fuel (Nu)	8.90	14.36	-38%
Cost per Available Seat Kilometer (CASK) without fuel (Nu)	6.74	11.81	-43%
Passenger Yield (Nu)	12.68	11.18	13%

The airline's overall capacity, as measured by Available Seat Kilometers (ASK), experienced a significant increase of 114% for scheduled flight over the year, with number of passengers carried surging by 122% from 91,126 to 201,979. This contributed to a remarkable rise in passenger revenue, which increased from Nu. 1,110 million in 2022 to Nu. 3,051 million in 2023, an increase of Nu. 1,941 million (or 175%).

The revenue from chartered flights also saw impressive growth, rising from Nu. 178 million in 2022 to Nu. 471 million in 2023, an increase of Nu. 293 million (or 164%).

Furthermore, revenue from helicopter services increased from Nu. 68 million in 2022 to Nu. 114 million in 2023, marking an increase of Nu. 46 million (or 68%).

The non-operating revenue also saw an increase of Nu. 107 million (or 56%) despite the phase-out of government subsidies post-COVID. This increase was mainly attributable to gains from insurance for the helicopter that was decommissioned following an accident, and reimbursements received from ATR for the Clear Vision System (CVS).

Overall, the total operating revenue increased by more than Nu. 2.6 billion or 144% to Nu. 4.5 billion in 2023

2.3. Expenditure

The summary of operational expenditure (in million Nu.) is as presented in the table below:

Particular	2023	2022	Variance
Flight operation cost	1,920	868	121%
Other operation cost	180	88	103%
Aircraft maintenance cost	251	164	53%
Other maintenance cost	15	11	37%
Employee cost	653	481	36%
Marketing and Sales cost	72	49	48%
Other Administration cost	195	204	-5%
Depreciation and amortization cost	819	877	-7%
Total operating expenditure	4,106	2,742	50%
Finance cost	432	449	-4%

DIRECTORS' REPORT

The total operating expenditure witnessed an increase of Nu. 1,363 million (or 50%), escalating from Nu. 2,742 million in 2022 to Nu. 4,106 million in 2023. This rise was primarily driven by 106% increase in the total flights (from 1,944 in 2022 to 3,996 in 2023). The doubling of flight operations led to higher flight operation costs, other operational costs, and aircraft maintenance expenses.

Marketing and sales expenses also saw an increase due to the reopening of tourism, which boosted the number of passengers by 122%. However, other administrative costs and depreciation expenses saw a marginal decrease of 5% and 7% respectively.

In terms of non-operating expenses, finance costs experienced a slight reduction, decreasing from Nu. 449 million in 2022 to Nu. 432 million in 2023 (a 4% decrease) with repayments of loans.

2.4. Profit Before Tax

The financial year 2023 marked a significant turnaround with a profit before tax of Nu. 291 million, in contrast to a loss of Nu. 1,146 million in 2022 (an improvement of Nu. 1,438 million or 125%).

The Corporate tax expense for the year including the tax expense for stations outside Bhutan stands at Nu. 205 million. The Profit after tax with this tax deduction is Nu. 87 million. However, with the balance non-utilization of tax credit amounting to Nu. 149 million, the total tax expense is Nu. 354 million.

Subsequently, the loss after tax for 2023 stood at Nu. 63 million, compared to Nu. 888 million in 2022, a remarkable performance improvement of Nu. 825 million (or 93%).

3. CUSTOMER CARE

Committed to always elevating the customer experience, the company launched Online Travel Agency (OTA) partnership with Make My Trip (MMT) in May 2023 and made its inventory available on all MMT platforms.

Further, the company signed a partnership agreement with Hahn Air in November and released its inventory for global distribution through all major Global Distribution System[1] (GDS) and OTAs.

The company also launched interline e-ticketing with Turkish Airlines for seamless travel for journeys involving Drukair and Turkish Airlines flights.

At the back end, the operational hours for the contact center services were extended from 7am to 9pm and the reach was scaled through WhatsApp and other social media services.

The initiatives led towards Drukair achieving the highest customer satisfaction rating of 4.06 among the DHI Companies. It may be reported that within this CSI rating, Drukair achieved the highest rating of 4.43 for the Customer Care KRA (key result area).

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1 A Global Distribution System (GDS) is a worldwide reservation system that acts as a conduit between travel bookers and suppliers, such as hotels, other accommodation providers and other travel related services.

DIRECTORS' REPORT

4. FLEET MANAGEMENT

Recognizing the pivotal role of Fleet Management amidst the dynamic landscape of Bhutan's aviation sector, particularly with the inception of the Gelephu Mindfulness City project, Drukair established a dedicated Fleet Replacement and Expansion Committee in 2023.

The committee's primary objectives include conducting a comprehensive study for submission to the Board, addressing key aspects such as:

a. Replacement of the current A319 fleet with modernized A320neo aircraft.

b. Procurement of an additional ATR for fleet expansion.

c. Acquisition of smaller jets to augment operational capabilities; and

d. Strategic retention of existing helicopter assets.

With meticulous planning and strategic deliberations, the committee aims to optimize fleet composition, enhance operational efficiency, and remain adaptable to evolving market dynamics. Leveraging insights garnered from both internal discussions and external engagements, Drukair is well-positioned to navigate the complexities associated with fleet replacement and expansion. This approach ensures operational resilience and fosters sustained growth, reinforcing Drukair's commitment to excellence in Bhutan's aviation landscape.

5. HR AND OTHER SYSTEMS

As of 31st December 2023, Drukair's employee strength remained at 496 (including 31 Helicopter staff), consisting of 425 regulars, 66 contract, 4 temporary and 1 daily wage staff.

A total of 91 employees separated from the company, consisting of 3 demises, 5 contract term completion, 78 resignation, 3 superannuation, 1 termination and 1 termination of contract, while only 87 were replaced to meet the company's needs.

Organizational Development Report was approved by 168th Board Meeting on 3rd March 2023 and all recommendations were implemented. A key one being an appointment of five General Managers, and their inclusion in the Management Committee beginning 1st April 2023.

6. CORPORATE GOVERNANCE

The company complied with the Corporate Governance (CG) Code issued by DHI. The company's Board held eight Board meetings, four Board Audit Committee meetings, and eight Board Human Resource Committee meetings. The quorum at each of these meetings was duly met. Furthermore, the gap between two meetings did not exceed three months in accordance with the Companies Act of Bhutan, 2016.

As of the end of 2023, the Drukair Board consisted of seven Directors, including the Chairperson and the CEO.

The Chairperson Ms. Pema Choden, Secretary of the Ministry of Foreign Affairs and External Trade, and Board Directors Mr. Karma Thinlay, Paro Dzongdag, Mr. Karma Lotey, CEO of Yangphel Adventure Travels, Mr. Karma Wanghuk, Director General of the Department of Air Transport, Mr. Dorji Dhradhul, Director General of the Department of Tourism, and Mr. Dorji Nima, Director of CPD-DHI, continued their directorship.

DIRECTORS' REPORT

The average attendance of the Board Meetings in 2023 stood at 89.91%, with all board members attending at least 75%.

Risk Management meetings were held quarterly to update the Risk Register and Risk Treatment Action Plan (RTAP), which were then reported to DHI after the endorsement of the Board.

7. CORPORATE SOCIAL RESPONSIBILITY

As a socially responsible company, Drukair places a high priority on transparency, providing accurate and timely information, and promoting social well-being. The Corporate Social Responsibility (CSR) initiatives of the Company are guided by the Company Guidelines on Corporate Social Responsibility issued by DHI. The Company ensures the implementation of meaningful and sustainable CSR activities, including financial contributions and support for the benefit of communities.

Rimdos/Soekha/Rewsangchoe/Prayer ceremonies were carried out at all four domestic airports, as is typically done, for the benefit and safety of all employees and passengers.

Due to financial constraints, the company's flagship CSR program, the Trongsa Penlop Inspire Program, could not be conducted in 2023.

However, being conscious of the situation where numerous self-sponsored and trained Bhutanese pilots holding Commercial Pilot Licenses (CPL) are unable to secure employment with airlines worldwide due to insufficient flying hours, the company (as part of the CSR initiative) temporarily recruited these national CPL holders, offering them a fixed monthly salary. The CSR initiative provide them with valuable flying hours, assisting in their advancement within the aviation industry, while remaining compliant with all regulatory requirements.

8. STATUTORY AUDIT REPORT

The Royal Audit Authority has appointed M/s. Rinzing Financials Pvt. Ltd. of Thimphu as the Statutory Auditor for Drukair. The auditors have issued an unqualified audit report for 2023 and reported that Drukair has complied with all the requirements of the Companies Act of Bhutan, 2016.

9. WAY FORWARD

As we enter 2024, Drukair as the national flag carrier has set its goal in playing a pivotal role in the success of His Majesty's vision for the Gelephu Mindfulness City project.

To achieve these goals, the company is strategizing fleet expansion for both fixed wings and rotary, re-innovating the flight & ground operations and bringing convenience to the customers.

Every individual employee in the company pledges to achieve excellence in these areas, but as Team Drukair, we assure every passenger the safety of air travel with Drukair, The National Airline.

DIRECTORS' REPORT

10. ACKNOWLEDGEMENTS

On behalf of the Board of Directors, the Management, and all employees of Drukair, I would like to express our deepest gratitude to His Majesty the King for his exemplary leadership and selfless dedication to the people of Bhutan.

I would also like to extend our sincere gratitude to DHI for the continued guidance and support on all matters pertaining to Corporate Governance, Investments and Financing. We acknowledge to kind support of all Government ministries, Bhutan Civil Aviation Authority and Department of Air Transport.

And finally, the Board would like to thank the management and employees of Drukair for their resilience and hard work in improving the performance of the company, and to the customers for their loyalty and support to Drukair.

Thank you,

For and on behalf of the Board,

[Pema Choden]

CHAIRPERSON

CORPORATE GOVERNANCE REPORT

The company complied with the Corporate Governance (CG) Code issued by DHI. The company's Board held eight Board meetings, four Board Audit Committee meetings, and eight Board Human Resource Committee meetings.

The quorum at each of these meetings was duly met. Furthermore, the gap between two meetings did not exceed three months in accordance with the Companies Act of Bhutan, 2016.

The average attendance of the Board Meetings in 2023 stood at 89.91%, with all board members attending at least 75%.

CEO and Board Remunerations

For the year 2023, the Board of Directors received a fixed amount of money as sitting fee as such the remuneration is not based on commission or percentage of profits or turnover. Each Director was paid a sitting fee of Nu. 8000 (Ngultrum eight thousand) and Nu. 4000 (Ngultrum four thousand) per sitting for every Board Meeting and Board Committee Meeting respectively.

The remuneration and benefits paid to the CEO was Nu. 3,824,979 (Ngultrum Three million eight hundred twenty-our thousand nine hundred and seventy-Nine), and ID tickets as per his contract.

The remunerations and benefits paid to the other Board Directors including the Chairperson was Nu. 676,000 (Ngultrum six hundred seven-six thousand) and ID tickets as per rule.

Annual General Meeting

The 33rd Annual General Meeting of Drukair Corporation Limited for the FY 2022 was held on April 1, 2024 at the DHI Board Room.

The AGM Resolved

That the Directors' report, Audited Accounts and the Auditor's Report for the financial year ended 31st December, 2023 were adopted as presented by the Board of Directors.

That no dividend is declared for the year 2023.

That the payment of the remunerations and other benefits of the Chief Executive Officer and Board Directors is endorsed.

That the AGM approved the PBVP as per the Compact Score of 97.04% for 2023.

Risk Management Systems

Drukair has adopted a risk management system that focuses on identifying the key risks and understanding the magnitude of impact and associated costs which may hinder the achievement of the company's objectives. The risk register is regularly reviewed, and mitigation plans are implemented, allowing Drukair to adapt to changing risks and opportunities. In 2023, the two main high risks identified are financial risk and low aircraft utilization.

CORPORATE GOVERNANCE REPORT

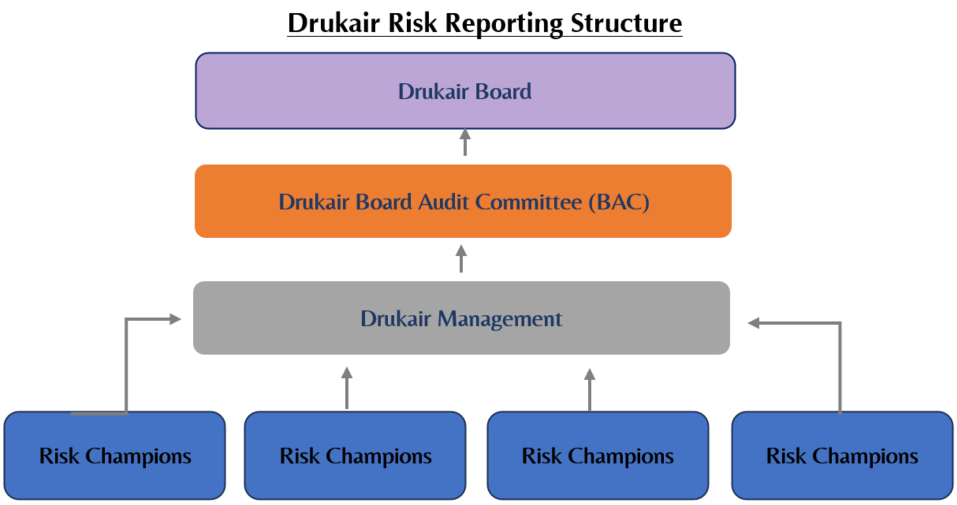
Financial Risk

Drukair manages significant financial risks, including currency exchange fluctuations, fuel price volatility, large receivables, and interest rate exposure. To mitigate these risks, we follow a DHI-wide intercompany loan policy, compare actual versus budgeted cash flows, and use fixed interest rates for long-term debt to ensure stability. Additionally, we seek short-term intercompany loans at lower interest rates when possible.

Commercial Risk: Low Aircraft Utilization

In 2023, we operated a total of 3,752 scheduled flights, with an average daily utilization of 4.36 hours for our Airbus fleet. To address low aircraft utilization, we have implemented key controls, including proactive scheduling and the expansion of our charter business. These measures aim to improve aircraft utilization and mitigate associated risks.

Drukair Risk Reporting Structure



By maintaining a structured risk management system, Drukair ensures proactive identification and mitigation of potential risks, thereby safeguarding the company's operational and financial stability.

Corporate Social Responsibility

As a socially responsible company, Drukair places a high priority on transparency, providing accurate and timely information, and promoting social well-being. The Corporate Social Responsibility (CSR) initiatives of the Company are guided by the Company Guidelines on Corporate Social Responsibility issued by DHI. The Company ensures the implementation of meaningful and sustainable CSR activities, including financial contributions and support for the benefit of communities.

CORPORATE GOVERNANCE REPORT

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Policies and Practices of CEO and Board Evaluation

The evaluation of Board Directors and CEO have been carried out for the FY 2023 as per the existing policies and practices of DHI and DHI owned companies.

AUDIT REPORT ON THE FINANCIAL STATEMENTS

PERIOD: JANUARY 1, 2023, TO DECEMBER 31, 2023

FEBRUARY 2024

INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Report on the Financial Statements for year ended 31 December 2023

To the Shareholder(s) of Drukair Corporation Limited

Opinion

We have audited the financial statements of Drukair Corporation Limited (the Company), which comprises the Statement of Financial Position as at December 31, 2023, Statement of Comprehensive Income, Statement of Changes in Equity, and the Statement of Cash Flows for the year then ended, and Notes to the Financial Statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respect, the financial position of the Company as at December 31, 2023, and of its financial performance and its Cash Flows for the year then ended in accordance with Bhutanese Accounting Standards (BAS).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the financial year ended December 31, 2023. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We do not have any matters to report under this for the current audit.

Other Information

The other information comprises the information included in the Director's Report (but does not include the financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this audit report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with BAS, and for such internal control as management determines is necessary to enable the preparation of

RINZIN FINANCIAL PRIVATE LIMITED

financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

i. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide basis for our opinion. The risk of not detecting material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions misrepresentations, or override of internal control;

ii. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for purpose of expressing an opinion on the effectiveness of the Company's internal control;

iii. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

iv. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as going concern. If we conclude that material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a Going concern; and

v. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

RINZINS FINANCIAL PRIVATE LIMITED

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our audit report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by Section 266 of the Companies Act of Bhutan 2016, we enclose the Minimum Audit Examination and Reporting Requirements as Appendix I with statements on the matters specified therein to the extent applicable.

Further, as required under Section 265 of the Companies Act of Bhutan 2016, we report that:

a. We have obtained all information and explanations, which to the best of our knowledge and belief, were necessary for the purpose of our audit;

b. In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

c. The Company's Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows dealt with by this report are in agreement with the books of accounts; and

d. The Company has complied with other legal and regulatory requirements to the extent applicable to the company.

For Rinzing Financial Private Limited
Firm License No. 1036380

Tashi Rinzing Schmidt
Audit Partner
CPA License No. 34762

Date: March 27, 2024
Place: Thimphu, Bhutan

RINZING FINANCIAL PRIVATE LIMITED

REPORT ON MINIMUM AUDIT EXAMINATION REQUIREMENTS

Appendix referred to in our audit Report of even date on Minimum Audit Examination and Reporting requirements.

As requirement by section 266 of the Companies Act of Bhutan, 2016 and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we report as follows:

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets for Head Quarter and all the stations. Physical verification of Fixed Assets conducted during the year.
2. We have been informed that the company follows cost model for accounting of fixed asset. Therefore, the fixed assets of the Company have not been revalued during the year.
3. Physical verification was conducted at reasonable intervals in respect of inventories of Catering Division and Engineering and Maintenance Division.
4. In our opinion and according to the information and explanations given to us, the procedure of physical verification of inventories followed by the management is reasonable and adequate in relation to the size of the Company and the nature of its business.
5. In our opinion and according to the information and explanations given to us, no discrepancy was noticed on physical verification of inventory as compared to the book records.
6. The Company is a service sector company and therefore, requirement of maintenance of reasonable system of recording receipts, issues and consumption of materials and stores and allocating materials consumed to the respective jobs does not arise.
7. In our opinion and according to the information and explanations given to us, the Company prepares quantitative reconciliation at the end of accounting year in respect of all major items of inventories i.e., Inflight Catering & duty-free stocks, stock of tickets, Gift stocks, aircraft maintenance supplies and Uniform stores. The Company does not have any finished products and therefore, quantitative reconciliation is not required to be carried out in respect of finished products.
8. In our opinion and according to the information and explanations given to us, obsolete, damaged, slow moving, and surplus goods/inventories has been determined and if the value is significant, adequate provisions are made.
9. In our opinion and according to the information and explanations given to us, obsolete and surplus inventories are disposed-off and proceeds from such disposals are accounted for appropriately.
10. In our opinion and according to the information and explanations given to us, the Company has a system of obtaining approval of Board/appropriate authority for writing off amounts due to material loss/discrepancies in physical/ book balances of inventories including stores and spares.
11. On the basis of examination of valuation of stocks and the information and explanations given to us and in our opinion, the valuation is fair and proper in accordance with the normally accepted accounting principles. The basis of valuation of inventory is the same as in the preceding year.
12. The Company has taken secured loans. In our opinion and on the basis of information and explanations given to us, the rate of interest and the other terms and conditions of above loans are not prejudicial to the interest of the Company.
13. In our opinion and according to the information and explanations given to us, the Company has not granted any loan secured or unsecured to other companies, firms or other parties and/ or to the companies under the same management. Hence this sub-clause is not applicable.
14. In our opinion and according to the information and explanations given to us, the loans/ advances granted to officers/staff are in keeping with the provisions of service rules and no excessive / frequent advances are granted and accumulation of large advances against particular individual is avoided.
15. In our opinion and according to the information and explanations given to us, the Company has established adequate system of internal controls to ensure completeness, accuracy and reliability of accounting records, 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, system and procedures.

16. In our opinion and according to the information and explanations given to us, there is a reasonable system of authorization at proper levels, and an adequate system of internal control commensurate with the size of Company and the nature of its business on issue of stores.
17. In our opinion and according to the information and explanations given to us, having regard to certain exceptions that some of item purchased are of special nature where suitable alternative sources of supply does not exist for obtaining comparable quotations thereof, there is an adequate system of competitive biddings, commensurate with the size of the Company and the nature of its business, for the purchase of goods and services including stores, plant and machinery, equipment and other assets. As the Company is engaged in providing services, it has no requirement of raw materials.
18. (a) On the basis of checking of books of account and relevant records of the Company and according to the information and explanations given to us, we are of the opinion that the Company has not entered into any transaction for purchases and sale of goods and service made in pursuance of contracts or arrangements entered into with the director(s) or any other party(ies) related to the director(s) or with the Company or firms in which the director(s) are directly or indirectly interested except DHI & its subsidiaries, the details of which is duly disclosed in the Related party transactions in notes to accounts to the financial statements. (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 directors are directly or indirectly interested.
19. According to the information and explanations given to us and on the basis of our test checking of the accounts and other books and records, to the best of our knowledge, we are of the opinion that no personal expenses has been charged to the Company accounts other than those payable under contractual obligations/service rule and/or in accordance with generally accepted business practice.
20. In our opinion and according to the information and explanations given to us, there are no unserviceable or damaged stores, which have not been provided for in the books of account. The Company being a service sector company, does not have any raw materials or finished goods.
21. This section is not applicable to the company.
22. This section is not applicable to the company.
23. This section is not applicable to the company.
24. In our opinion and according to the information and explanations given to us, the Company is regular in depositing rates and taxes, duties, royalties, provident funds, and other statutory dues with the appropriate authorities.
25. In our opinion and according to the information and explanations given to us, there was no undisputed amount payable in respect of taxes, rates, duties, royalties, provident funds and other statutory deductions outstanding as on the last day of financial year.
26. This section is not applicable to the company.
27. This section is not applicable to the company.
28. In our opinion and according to the information and explanations given to us, the Company has a reasonable system of periodical review of tariffs and based on such review and considering the market and economic conditions, the tariff rates are determined and approved by the Commercial committee constituted by the management. Also, the Company has proper costing system for the purpose of fixation of tariff rates.
29. In our opinion and according to the information and explanations given to us, the credit sales policy of the Company is reasonable and no credit rating of customers is carried out as the same is not applicable for the Company.
30. In our opinion and according to the information and explanations given to us, the agency commission structure is in accordance with the industry norms/ market conditions. Additionally, according to the information and explanations given to us, the Company has a proper system of evaluating performance of each agent on a periodic basis.
31. In our opinion and according to the information and explanations given to us, the Company has reasonable system of continuous follow-up with debtors and other parties for recovery of outstanding

amounts. Also age wise analysis is carried out for management information and follow up action.

32. In our opinion and according to the information and explanations given to us, the management of liquid resources particularly cash/bank and short-term deposits etc. are adequate and that excessive amount are not lying idle in non-interest-bearing accounts and withdrawals of loan amounts are made after assessing the requirement of fund from time to time and no excess amounts is withdrawn leading to avoidable interest burden on the Company.
33. In our opinion and according to the information and explanations given to us, the activities carried out by the Company are lawful and intra-vires the Articles of the Company.
34. In our opinion and according to the information and explanations given to us, the activities /investment decisions are made subject to prior approval of the Board and investments in new projects i.e., acquisition of aircrafts are made only after ascertaining the technical and economic feasibility of such new ventures.
35. In our opinion and according to the information and explanations given to us, the Company has established effective budgetary control system.
36. The Company being a service sector company and therefore the system of input-output relationship, Standard Costing and variance analysis is not applicable to the Company.
37. In our opinion and according to the information and explanations given to us, the details of remuneration, commission and other payments made in cash or in kind to the Board of Directors including the Chief Executive Officer or any of their relatives (including spouse(s) and child/children) if any, by the Company directly or indirectly.
38. In our opinion and according to the information and explanations given to us, the management of the Company complies with the directives of the Board of Directors as we have not come across any such incidence where it is not complied.
39. In our opinion and according to the information and explanations given to us, the officials of the Company have not transmitted any price sensitive information which are not made publicly available, unauthorized to their relatives / friends/ associates or close persons which would directly or indirectly benefit themselves. We have however relied on the management assertion on the same and cannot independently verify the same.
40. In our opinion and according to the information and explanations given to us, proper records are kept for inter unit transactions/services and arrangements for services made with other agencies engaged in similar activities.
41. In our opinion and according to the information and explanations given to us, the Company has executed agreements properly and the terms and conditions of leases are reasonable and the same are applied for machinery/ equipment acquired on lease or leased out to others.

In case of other service sector companies

1. All matters specified in the minimum audit examination and reporting requirements are applied to a service sector company.
2. In our opinion and according to the information and explanations given to us, the Company has a reasonable system of periodical review of tariffs and based on such review and considering the market and economic conditions, the tariff rates are determined and approved by the Commercial committee constituted by the management. Also, the Company has proper costing system for the purpose of fixation of tariff rates.
3. In our opinion and according to the information and explanations given to us, proper records are kept for inter unit transactions/services and arrangements for services made with other agencies engaged in similar activities.
4. In our opinion and according to the information and explanations given to us, r proper agreements are executed and that the terms and conditions of leases are reasonable

RINZING FINANCIAL PRIVATE LIMITED

Computerized Accounting Environment:

1. In our opinion and according to the information and explanations given to us, the size and nature of I.T. (Computer) system and installations are adequate for organizational and system development and other relevant internal control.
2. In our opinion and according to the information and explanations given to us, the Company has adequate safeguard measures and back up facilities. Additional offsite backup system has been implemented in Thimphu.
3. In our opinion and according to the information and explanations given to us, there are backup facilities of keeping files at different and remote locations.
4. In our opinion and according to the information and explanations given to us, the operational controls are adequate to ensure correctness and validity of input data and out-put information.
5. In our opinion and according to the information and explanations given to us, the measures to prevent unauthorized access over the computer installation and files are in existence and adequate.
6. In 2021, the company migrated to a new system (SAP) and ensured completeness and integrity of data as well as smooth operation of the system.

Other requirements:

1. **Going Concern Problem**

Based on the attached Financial Statements for the year ended December 31, 2023, audited by us, we have no reason to believe that the company is not a going concern on the statement of financial position date. Additionally, the company is backed by the parent company DHI and the Royal Government of Bhutan should they require any additional funds.

2. **Ratio Analysis**

Relevant ratio analysis has been carried out and the details are under Section "Ratio Analysis."

3. **Compliance with the Companies Act of Bhutan 2016**

The company has complied with the various provisions of the Companies Act of Bhutan 2016, details are under section "compliance calendar & checklist."

4. **Adherence to Laws, Rules, and Regulations**

The audit of the Drukair Corporation Limited is governed by the Companies Act of Bhutan 2016, Internal Service manual, and Bhutanese Accounting Standards. The scope of audit is limited to examination and review of the financial statements prepared by the management. During our audit, we have considered the compliance of the provisions of the said Act, rules and regulations as well as the Bhutanese Accounting Standards.

For Rinzing Financial Private Limited
Firm License No. 1036380

Tashi Rinzing Schmidt
Audit Partner
CPA License No. 34762

Date: March 27, 2024
Place: Thimphu, Bhutan

RINZING FINANCIAL PRIVATE LIMITED

FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2023

(Amount in Nu.)

Particulars	Note	December 31, 2023	December 31, 2022
Non-current assets			
Property, plant and equipment	3	6,748,137,444	7,516,943,957
Intangible assets	4	19,567,063	20,321,357
Right of use Assets	5	58,502,650	29,179,668
Trade and other receivables	6	2,067,663	921,477
Investment	7	105,983,877	102,429,800
Deferred tax asset	8	571,106,472	914,273,373
Total		**7,505,365,169**	**8,584,069,631**
Current assets			
Trade and other receivables	6	251,540,058	312,822,389
Investment	7	63,555,851	117,651,336
Capital Advances	9	-	78,916,709
Inventories	10	192,517,349	160,248,220
Cash and cash equivalents	11	780,157,048	438,162,957
Loan and advances	12	587,132,300	143,540,458
Total		**1,874,902,607**	**1,251,342,069**
Total assets		**9,380,267,776**	**9,835,411,700**
Equity attributable to owners of the parent			
Share capital	13	4,308,623,900	4,308,623,900
Reserves	13	34,462,999	37,417,568
Retained Earnings	13	(2,823,379,432)	(2,790,828,325)
Total		**1,519,707,467**	**1,555,213,143**
Non-current liabilities			
Borrowing	14	4,056,001,045	5,112,936,368
Provisions	15	98,162,180	142,046,271
lease liability	5	48,149,672	45,461,937
Other liabilities	17	89,679,130	98,086,435
Total		**4,291,992,026**	**5,398,531,010**
Current liabilities			
Borrowing	14	2,433,803,940	1,979,767,039
Provisions	15	45,573,142	154,879,742
Trade and other payables	16	467,340,597	355,389,689
lease liability	5	13,580,233	1,193,448
Other liabilities	17	608,270,369	390,437,629
Total		**3,568,568,283**	**2,881,667,547**
Total equity and liabilities		**9,380,267,776**	**9,835,411,700**

The above statement of Financial Position is to be read in conjunction with the accompanying note

For Rinzing Financial Private Limited:

Ms. Tashi Rinzing Schmidt, CPA
Audit Partner
CPA License No. 34762
Date: March 27, 2024
Place: Thimphu, Bhutan

RINZING FINANCIAL PRIVATE LIMITED

For Drukair Corporation Limited:

Ms. Pema Choden
Chairperson, BOD

Mr. Tandi Wangchuk
Chief Executive Officer

Ms. Dechen Peldon
General Manager, FCSD

STATEMENT OF COMPREHENSIVE INCOME FOR THR YEAR ENDED DECEMBER 31, 2023

(Amount in Nu.)

Particulars	Note	December 31, 2023	December 31, 2022
Statement of Comprehensive Income			
Traffic revenue	18	4,491,659,722	1,828,490,796
Other operating revenue	19	39,257,759	26,084,655
Total operating revenue		**4,530,917,481**	**1,854,575,451**
Operating expenditure			
Flight operation cost	21	1,920,428,458	868,420,277
Other operation cost	22	179,796,229	88,478,405
Aircraft maintenance cost	23	251,308,659	164,026,483
Other maintenance cost	24	15,139,025	11,046,688
Employee cost	25	652,887,456	480,815,193
Marketing and Sales cost	26	71,996,274	48,696,483
Other cost	27	194,859,632	204,455,447
Depreciation and amortisation expenses	3,4 & 5	819,261,562	876,509,893
Total operating expenditure		**4,105,677,296**	**2,742,448,868**
Operating profit/(loss)		**425,240,185**	**(887,873,417)**
Non-operating items			
Non-operating revenue	20	297,856,140	190,910,423
Finance cost	28	(431,752,600)	(449,272,735)
Profit/(loss) before tax		291,343,725	(1,146,235,728)
Tax			
Tax Income/(Expense)	29	(354,148,518)	258,438,308
Profit/(loss) after tax		**(62,804,794)**	**(887,797,420)**
Other Comprehensive Income		-	-
Currency translation differences		(2,954,570)	8,314,768
(Non-taxable)		-	-
Actuarial gains/(losses)		(4,127,142)	(7,897,549)
Total comprehensive income for the year		**(69,886,505)**	**(887,380,201)**

The above Statement of Comprehensive Income is to be read in conjunction with the accompanying notes

For Rinzing Financial Private Limited:

Ms. Tashi Rinzing Schmidt, CPA
Audit Partner
CPA License No. 34762
Date: March 27, 2024
Place: Thimphu, Bhutan

RINZING FINANCIAL PRIVATE LIMITED

For Drukair Corporation Limited:

Ms. Pema Choden
Chairperson, BOD

Mr. Tandi Wangchuk
Chief Executive Officer

Ms. Dechen Peldon
General Manager, FCSD

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2023

(Amount in Nu.)

Particulars	Issued capital	Translation reserve	Retained Earnings	Total
Balance as at January 1, 2022	**3,608,525,100**	**32,415,317**	**(1,911,863,613)**	**1,729,076,804**
add: Equity shares issued during the year	700,098,800	-	-	700,098,800
Capital Contribution	-	-	47,853,627	47,853,627
Retained earnings from helicopter services	-	-	(37,259,521)	(37,259,521)
Profit/(Loss) for the year	-	-	(887,797,420)	(887,797,420)
Other Comprehensive Income/loss	-	-	-	-
Translation Loss	-	5,002,251	-	5,002,251
Actuarial gains/loss	-	-	(1,761,397)	(1,761,397)
Balance at 31 December 2022	**4,308,623,900**	**37,417,568**	**(2,790,828,325)**	**1,555,213,143**
Balance as at January 1, 2023	**4,308,623,900**	**37,417,568**	**(2,790,828,325)**	**1,555,213,143**
Profit/(Loss) for the year	**-**	**-**	**(62,804,794)**	**(62,804,794)**
Prior period expenses	-	-	15,500,397	15,500,397
Other Comprehensive Income/loss				
Translation Loss		(2,954,570)	-	(2,954,570)
Actuarial gains/loss			(4,127,142)	(4,127,142)
Transaction with the owners	**-**		**-**	**-**
Capital Contribution	-	-	18,880,431	18,880,431
Balance at 31 December 2023	**4,308,623,900**	**34,462,999**	**(2,823,379,432)**	**1,519,707,467**

The above Statement of Change in Equity is to be read in conjunction with the accompanying notes.

For Drukair Corporation Limited:

Ms. Pema Choden
Chairperson, BOD

Mr. Tandi Wangchuk
Chief Executive Officer

Ms. Dechen Peldon
General Manager, FCSD

For Rinzing Financial Private Limited:

Ms. Tashi Rinzing Schmidt, CPA
Audit Partner
CPA License No. 34762
Date: March 27, 2024
Place: Thimphu, Bhutan

RINZING FINANCIAL PRIVATE LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2023

(Amount in Nu.)

Particulars	December 31, 2023	December 31, 2022
Cash flow from operating activities (A)		
Profit before income tax expense	291,343,725	(1,146,235,728)
Depreciation, amortisation and impairment	819,261,562	876,509,893
(Gain)/Loss on sale of PPE	(137,624,824)	1,450,946
Interest Income	(101,270,674)	(88,343,272)
Interest Expense	402,830,803	436,858,076
Gain/Loss on forex rates	-	-
Stores and Spares written off	-	-
Operating profit before working capital changes	**1,274,540,592**	**80,239,915**
Current asset and liability changes		
Movement in Trade and other Liabilities	336,450,864	376,491,976
Movement in Provisions	(35,517,038)	(10,153,396)
Movement in Inventory	(32,269,128)	(2,312,269)
Movement in Trade and other receivables	60,136,145	(153,200,403)
Movement in other current asset	(443,591,842)	(3,169,101)
Movement in deposits receivable	49,298,444	(96,487,925)
	(65,492,556)	111,168,882
Taxes paid	(126,716,542)	(3,576,436)
	(192,209,098)	107,592,446
Total cash flow from operating activities	**1,082,331,494**	**187,832,361**
Purchase of PPE and intangible assets	(107,028)	(644,283,689)
Sale Proceeds from PPE	137,624,824	(1,450,946)
Interest income	9,971,595	8,391,861
Total cash flow from investing activities	**147,489,391**	**(637,342,774)**
Inetrest free loan	(16,905,334)	-
NPPF loan	(94,798,541)	-
Repayment of SDF loan	(113,388,889)	(36,255,556)
COVID 19 relief loan from BOB	(1,086,965)	22,979,999
OD loan from BOB	(545,279,512)	(440,613,153)
Inter-group borrowing	96,576,111	648,423,889
Interest expense paid	(219,423,622)	(88,552,748)
Issue of shares	-	700,098,800
Total cash flow from financing activities	**(894,306,752)**	**806,081,231**
Changes in cash and cash equivalents (A)+(B)+(C)	**335,514,134**	**356,570,819**
Cash and cash equivalent at beginning of the year	**438,162,957**	**74,354,539**
	773,677,091	430,925,358
Effects of change in foreign exchange rate on cash and cash equivalents increase/(decrease)	6,479,957	7,237,600
Cash and cash equivalent at end of December 31, 2023	**780,157,048**	**438,162,958**

The above Statement of Cashflow is to be read in conjunction with the accompanying notes.

For Drukair Corporation Limited:

Ms. Pema Choden
Chairperson, BOD

Mr. Tandi Wangchuk
Chief Executive Officer

Ms. Dechen Peldon
General Manager, FCSD

For Rinzing Financial Private Limited:

Ms. Tashi Rinzing Schmidt, CPA
Audit Partner
CPA License No. 34762
Date: March 27, 2024
Place: Thimphu, Bhutan

RINZING FINANCIAL PRIVATE LIMITED

ACCOUNTING POLICIES & NOTES TO ACCOUNTS

NOTE 1: General Information and Authorization of Financial Statement

Drukair Corporation Ltd. (the "Company" or "DCL") is a wholly owned subsidiary of Druk Holding & Investments Limited (DHI - a Royal Government of Bhutan undertaking). Principal activities of the company cover transport of people and cargo by air and related activities, including leasing of aircraft both as lessee and as lessor. The company's hub is at Paro airport and its aircraft fly to five countries in south-east Asia.

The Company is a limited liability company incorporated and domiciled in Bhutan with the address of its registered office at P.O. Box 1219, Paro. These financial statements relate to the year ended 31 December 2023.

The financial statements of the Company for the year ended December 31, 2023 were authorized for issue in accordance with the resolution of the Board of directors dated March 20,2024.

Note 2: Significant Accounting Policies

A. Basis of preparation

i) Compliance with BAS

These financial statements have been prepared in accordance with the Bhutan Accounting Standards (BAS) and in conformity with the requirements of the Companies Act of Bhutan 2016.

These financial statements have been prepared on the accrual basis of accounting with the historical cost convention except as stated otherwise in the Financial Statements. The preparation of the Financial Statements requires the use of certain critical accounting estimates and judgments. It also requires management to exercise judgment in the process of applying the Company's accounting policies and the reported amounts of revenue, expenses, assets and liabilities may differ from the estimates. In areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note P.

These financial statements are presented in Bhutanese Ngultrum and all values are rounded to the nearest ngultrum, except were indicated otherwise.

ii) Functional and Presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company is registered referred to as the "functional currency". The functional currency and presentation currency of the Company is Bhutanese Ngultrum.

iii) Foreign currency transaction and balances

Foreign currency transactions in Bhutan are converted into the functional currency at the exchange rate prevailing at the date of the transaction. Monetary foreign currency assets and liabilities are converted at the year-end on the rate prevailing on that date. All foreign exchange gain/(loss) arising from the above are taken to the Profit & Loss Account.

Foreign currency transactions in countries other than Bhutan are converted into the currency of that country at the exchange rate prevailing at the date of the transaction. Translation of all transactions from the currency of countries other than Bhutan to the functional currency is done at the month beginning rate, for each month of the year except at the year-end. When monetary foreign currency assets and liabilities are translated at the year-end rate, all foreign exchange gain/(loss) arising from the above are taken to the Statement of Other Comprehensive Income (OCI).

RINZING FINANCIAL PRIVATE LIMITED

B. Property, Plant and Equipment (PPE)

i) Cost recognition

Property, plant and equipment are held at cost. The DHI Group has a policy of not revaluing property, plant and equipment. Depreciation is calculated to write off the cost less estimated residual value on a straight-line basis, over the economic life of the asset. Residual values, where applicable, are reviewed annually against prevailing market values for equivalently aged assets and depreciation rates are adjusted accordingly on a prospective basis.

ii) Capitalization of interest on progress payments

Interest attributed to progress payments made on account of aircraft and other qualifying assets under construction are capitalized and added to the cost of the asset concerned. All other borrowing costs are recognized in the income statement in the year in which they are incurred.

iii) Fleet

All aircrafts are stated at the fair value of the consideration given after taking account of manufacturers' credits. Fleet assets owned, or right of use of assets, are disaggregated into separate components and depreciated based on the useful life of such assets on a straight-line basis. Depreciation rates are specific to aircraft type, based on the Company's fleet plans, with useful economic lives of 16 years.

Cabin interior modifications, including those required for brand changes and relaunches, are depreciated over the lower of five years or the remaining economic life of the aircraft.

Aircraft and engine spares acquired on the introduction or expansion of a fleet, as well as rotable spares purchased separately, are carried as property, plant and equipment and generally depreciated in line with the fleet to which they relate.

Major overhaul expenditure, including replacement spares and labour costs, is capitalized and amortized over the average expected life between major overhauls. All other replacement spares and costs relating to maintenance of fleet assets are charged to the income statement on consumption or as incurred respectively.

iv) Depreciation

Provision is made for the depreciation of all PPE. Except for buildings with a useful life of 30 years, other PPE are depreciated over periods ranging from 6.67 years to 10 years.

Detailed estimated range of useful lives of assets for depreciating its PPE, based on the evaluation performed by the Technical Department are as follows:

Asset Class	Useful life
Buildings and civil structures	30 years
Aircraft fleet – non-renewable: i. Aircraft frame	 16 years
Aircraft fleet – renewable: ii. Engine iii. APU iv. APU LLP v. Landing gear vi. 6-year check vii. 12-year check	 12 years 5 years 6 years 10 years 6 years 12 years
Capital tools and rotable spare parts	3 - 15 years
Furniture & Fixtures	10 years
Vehicles	6.67 years
Other Equipment	10 years

Cost and the accumulated depreciation for those PPE sold, scrapped, retired or otherwise disposed-off are eliminated from the financial statements and the resulting gains and losses are included in the Statement of OCI.

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C. Intangible assets

Intangible assets include computer software and are carried at cost of acquisition/implementation less accumulated amortisation. Amortisation is recognized on a straight-line basis over the estimated useful life as estimated by the management.

D. Lease

The Company land and building. The lease terms of these assets are consistent with the determined useful economic life of similar assets within property, plant and equipment.

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Leases are recognised as a right of use ('ROU') asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company.

Right of use

At the lease commencement date, a ROU asset is measured at cost comprising the following: the amount of the initial measurement of the lease liability; any lease payments made at or before the commencement date less any lease incentives received; any initial direct costs; and restoration costs to return the asset to its original condition.

The ROU asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If ownership of the ROU asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Lease labilities

Lease liabilities are initially measured at their present value, which includes the following lease payments: fixed payments (including in-substance fixed payments), less any lease incentives receivable and payments to be made under reasonably certain extension options.

The lease payments are discounted using the interest rate implicit in the lease. The interest rate implicit in the lease is the discount rate that, at the inception of the lease, causes the aggregate present value of the minimum lease payments and the unguaranteed residual value to be equal to the fair value of the leased asset and any initial indirect costs of the lessor.

Each lease payment is allocated between the principal and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

The Group has elected not to recognise ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less and those leases of low-value assets. Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less.

The Group is exposed to potential future increases in variable lease payments based on rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on a rate take effect, the lease liability is reassessed and adjusted against the ROU asset.

E. Income tax

Current tax assets and liabilities for the current period are measured at the amount expected to be recoverable from or payable to the Income Tax authority based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted on the reporting date by the Income Tax Authority.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences except when the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized, except when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each Balance Sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and the Company intends to settle its current tax assets and liabilities on net basis. Management evaluates positions taken in income tax returns with respect to situations in which applicable income tax regulation is subject to interpretation.

The income tax liabilities are recognized when, despite the Company's belief that its income tax return positions are supportable, the Company believes, it is more likely than not, based on the technical merits, that certain positions may not be fully sustained upon review by income tax authorities. Benefits from tax positions are measured at the single best estimate of the most likely outcome.

At each Statement of Financial Position date, the tax positions are reviewed, and to the extent that new information becomes available which causes the Company to change its judgment regarding the adequacy of existing income tax liabilities, such changes to income tax liabilities are duly recognized in income tax expense in the year in which such determination is made.

Interest and penalties, if any, related to accrued liabilities for potential tax assessments are included in income tax charge for the year in which the assessment is completed.

F. Investments and other financial assets

i) Initial measurement

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

ii) Classification and subsequent measurement

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

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

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

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

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

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

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

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

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

The asset's contractual cash flow represents SPPI.

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

Financial instruments measured at fair value through profit and loss (FVTPL)

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

i) Impairment of financial assets

The Company assesses on a forward-looking basis the expected credit losses associated with its assets carried at amortized cost and FVOCI debt instruments. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 30 details how the Company determines whether there has been a significant increase in credit risk.

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

ii) De-recognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily de-recognised only when:

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

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

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

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

iii) Income recognition

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

G. Financial Liabilities

i) Initial recognition and measurement

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

ii) Subsequent measurement

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

Financial Liabilities at fair value through profit or loss (FVTPL)

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

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

Financial liabilities designated upon initial recognition at FVTPL are designated as such at the initial date of recognition, and only if the criteria in BFRS 9 are satisfied. For liabilities designated as FVTPL, fair value gains/losses attributable to changes in own credit risk are recognized in OCI. These gains/losses are not subsequently transferred to P&L. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognized in the statement of profit or loss. The Company has not designated any financial liability as at FVTPL.

Borrowings

Long-term borrowings are recorded at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the EIR. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Where there is a breach of a material provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand on the reporting date, the entity classify the liability as current, if the lender does not agree not to demand payment as a consequence of the breach before reporting date.

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Trade and other payables

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

iii) Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of comprehensive income.

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

Financial guarantee contracts

Financial guarantee contracts are recognized as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with BAS 37 - Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognized less cumulative amortization, where appropriate.

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

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

iv) Offsetting financial instruments

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

Investments primarily meant to be held over long-term period (i.e., for more than 12 months from date of acquisition) are valued at cost. Provision is made when in the opinion of the management there is a decline, other than temporary, in the carrying value of such investments. Current investments are stated at the lower of cost or quoted/fair value.

H. Current Assets

i) Advances

Advances represent advances paid to suppliers, contractors and employees in the ordinary course of business activities of the Company. Advances are initially recognized at the value of cash advanced and are assessed at each Statement of Financial Position date for recoverability and the provision is recognized when it is more likely that the Company will not be able to collect the same. Advances are classified under current assets if payment is recoverable within one year or less as at Statement of Financial Position date, if not, they are classified under non-current assets.

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i) Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank balances and deposits, other short-term highly liquid investments with original maturities of three months or less and that are readily convertible to known amount of cash and cash equivalent and which are subject to an insignificant risk of changes in value.

ii) Inventories

An inventory consists of stores and spares held for operation & maintenance and other catering/duty free inventories.

Inventories are stated at the lower of cost or net realizable value (NRV). The NRV shall be obtained for an inventory item costing Nu.5,000.00 and above considering the materiality of the amount. Cost is determined using the weighted average cost formula and comprises cost of purchases and other incidental expenses incurred in acquiring inventories and bringing them to their existing location and condition

I. Reserves

Nature and purpose of reserves are as follows:

i) Retained Earnings

Retained earnings is a free reserve. It is not maintained for any specific purpose. It serves as a tool for meeting future requirements. Retained Earnings may be used for future expansion of the business or to meet any contingent liability, or for any other purpose which may arise.

ii) Translation Reserve

Any gain or loss arising from conversion of the Financial Results of foreign operations into the local currency is transferred to the Translation Reserve. By maintaining a translation reserve, the Company is able to set off the unrealized foreign exchange loss in one year with the profits earned on translation of results of foreign operations in other years, without disturbing its general reserves.

iii) Actuarial Reserve

The Company accounts for the Employee Benefits on actuarial basis. Any profit or loss arising due to change in actuarial assumptions is recorded in the Actuarial Reserve. Any gain or loss arising on Defined Benefit Obligation is recorded in the Actuarial reserve.

J. Grants

Grants from Government and Non-Government sources are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

Grants relating to expense items are recognized as income on a systematic basis over the periods that the related costs, which it is intended to compensate, are expensed. The unallocated portion of such grant is presented as part of Deferred Grants in the Statement of Financial Position.

Grants related to non-current assets are treated as Deferred Income in the Statement of Financial Position and are recognized to the Statement of Comprehensive Income on a systematic basis over the useful life of the related assets.

Grant received as compensation for expenses/losses already incurred or with no future related costs is recognized as income in the year it is received or becomes receivable.

BAS 20 - Accounting for Government Grant and Disclosure of Government Assistance has been implemented by the Company retrospectively for the grants existed as on the transition date.

K. Borrowing Costs

Borrowing costs consist of interest and other costs that Company incurs in connection with the borrowing of funds.

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General and specific borrowing costs (net of investment income on temporary investment of those borrowings) that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the costs of the asset, until such time the assets are substantially ready for their intended use or sale. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, which is two years or more as decided by the Company keeping in view the nature of assets and past trend of time taken for their completion. All other borrowing costs are charged as expense to Statement of Comprehensive Income in the period they occur.

L. Provisions

The Company recognizes provisions when the Company has a present obligation (legal or constructive) arising from past events (legal or constructive obligation), payment for the obligation is probable, and the expenditure for settling the obligation can be estimated reliably.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation, taking into account the risks and uncertainties surrounding the obligation as of the balance sheet date. When a provision is measured using the cash flows estimated to settle the present obligation, it carrying amount is the present value of those cash flows.

M. Employee benefit liabilities

Contribution to Provident Fund (PF) administered by NNPPF is charged to Statement of Comprehensive Income as and when they fall due.

Retirement benefit liabilities are recognized when the Company has a present obligation (legal or constructive) as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Gratuity and Leave encashment are provided for based on actuarial valuation as at the Statement of Financial Position date. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Further, the contribution towards the gratuity liability is invested in fixed deposits with the banks.

The expected cost of Performance Based Variable Payout and Annual Bonus Payout is recognized as an expense when there is a legal or constructive obligation to make such payments as a result of past performance and a reliable estimate of the obligation can be made.

N. Revenue Recognition

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. Description of revenue are as follows:

O. Traffic Revenue

Revenue is recognized when the transportation services are rendered. Passenger tickets are generally paid in advance of transportation and are recognized, net of discounts, as deferred revenue on sales of tickets in current liabilities until the customer has flown. All these revenue amounts related to transportation of passenger and cargo are categorized under Traffic Revenue. Prior to the impact of COVID-19 on the ability of passengers to utilize the transportation services, unused tickets were recognized as revenue after the contracted date of departure using estimates regarding the timing of recognition based on the terms and conditions of the ticket and statistical analysis of historical trends. If as a result of the impact of COVID-19 a flight is cancelled, the passenger is entitled to either a refund and rescheduling the original. In such cases the expired tickets are also shown as liability.

The Company provides loyalty scheme through "HappinesSmiles" program where members can convert accumulated mileage to a cabin upgrade, free tickets and other member reward. The revenue recognized when the transportation service is provided is reduced by the price of the loyalty points issued.

Other items of revenue which arise from the provision of services incidental to the core activities of the business are recognized when the services are provided and it is probable that economic benefits associated with the transaction will flow to the Company and amount can be measured reliably.

i) Other Revenue

Revenue attributable from the Catering services, Drukair holiday services, cargo and transship handling charges are presented under this head. These revenue amounts are recognized when related performance obligations are satisfied, being where the control of the goods or services are transferred to the customer.

i) Non-operating Revenue

These are revenue amounts attributable from non-operational activities such as interest subsidy, interest income earned from deposits and other miscellaneous incomes. Interest income is accrued on a time proportion basis, by reference to the principal outstanding and at the EIR applicable.

P. Earnings per share ('EPS')

The Company presents the basic and diluted EPS data for its ordinary shares. Basic EPS is computed by dividing the net profit for the year attributable to the ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is computed by adjusting the net profit for the year attributable to the ordinary shareholders and by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

Q. Critical accounting estimates and assumptions

Preparation of financial statements requires the management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Although the Company regularly assesses these estimates, actual results could differ materially from these estimates. Changes in estimates are recorded in the year in which they become known.

Actual results may differ from management's estimates if these results differ from historical experience or other assumptions do not turn out to be substantially accurate, even if such assumptions were reasonable when made.

The said estimates are based on the facts and events, that existed as at the date of statement of financial position, or that occurred after that date but provide additional evidence about conditions existing as at the statement of financial position date.

Estimates and assumptions that have a significant risk of causing a material adjustment to the carrying values of assets and liabilities within the next financial year are discussed below.

i) Useful lives of Property, Plant and Equipment (PPE)

Property, Plant and Equipment are depreciated on a straight-line basis at rates that can be used to write down their cost to their estimated residual values at the end of their useful lives. The estimates of the useful lives and residual values of the flight equipment are made by the Company on the basis of past experience and fleet operation performance in the industry which are detailed in the accounting policy vide Note 1 (B). Changes in the expected level of usage, technological developments, and level of wear and tear could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised and could have an impact on the profit in future years.

ii) Retirement benefit obligations

Costs of retirement benefits and present value of the retirement benefit obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation and its long-term nature, retirement benefit obligations are sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

iii) Provision for doubtful debts

As at each Statement of Financial Position date, the Company assesses recoverability of trade receivables. Provision for doubtful debts is recognized based on the historical experience of collectability of debts. The Company estimates the portion of its outstanding receivables that cannot be collected based on aging schedules at an increasing percentage of each aging category. Actual doubtful debts could differ from these estimates.

iv) Frequent Flyer Program

The Company has a "HappinesSmiles" program through which members can convert accumulated mileage to a cabin upgrade, free tickets and other member reward. A portion of passenger revenue attributable to the rewards for the frequent flyer program is deferred. The entity recognizes this deferred revenue as revenue only when the entity has fulfilled its obligations on the granting of rewards or when the period for converting the mileage to rewards has expired. The liability for frequent flyer program is provided based on the actuarial method which is determined from the redemption rate, loyalty points accrued and cost per point.

v) Impairment of aircraft and related equipment

Impairment of aircraft and related equipment was based on the recoverable amount of those assets, which is the higher of fair value less costs to sell or value-in-use of those assets. Any changes in the market price or future cash flows will affect the recoverable amount of those assets and may lead to recognition of additional or reversal of impairment losses.

vi) Fair Value for Financial Instruments

Fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Company uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates. The chosen valuation techniques and assumptions determine the fair value of financial instrument

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Note 3: Property, Plant and Equipment (PPE), Work-In-Progress (WIP)

(Amount in Nu.)

Particulars	Cost								Net Book Value
	Balance as at January 1, 2023	Additions for the year	Disposal during the year	Balance as at December 31, 2023	Balance as at January 1, 2023	Depreciation for the year	Disposal for the year	Balance as at December 31, 2023	December 31, 2023
Aircraft - Fixed Wing	12,761,122,499	126,611,692	-	12,887,734,191	5,845,616,130	735,567,108	-	6,581,183,237	6,306,550,953
Aircraft - Heli-copter	582,636,461	-	(226,216,892)	356,419,570	187,621,333	29,026,079	(105,416,134)	111,231,279	245,188,291
Furniture & Fixture	27,938,480	405,914	-	28,344,395	11,701,449	2,417,961	(220,380)	13,899,030	14,445,365
Office Equipment	49,188,809	3,732,685	-	52,921,494	30,443,090	3,599,819	(1,258,006)	32,784,903	20,136,590
Electrical Fitting & Equipment	16,117,761	1,100,869	-	17,218,630	8,747,726	1,446,131	(267,067)	9,926,790	7,291,840
Ramp Equipment	67,391,237	9,520,362	-	76,911,599	57,409,797	1,869,415	(3,262,082)	56,017,131	20,894,468
Engineering Equip-ment	26,663,901	-	(10,019)	26,653,882	25,001,619	412,632	(10,018)	25,404,232	1,249,650
Building	50,437,094	3,364,511	-	53,801,605	12,865,520	1,539,898	-	14,405,419	39,396,186
Motor Vehicle	85,694,682	-	(8,672,410)	77,022,272	60,283,430	8,339,766	(6,806,020)	61,817,176	15,205,096
Miscellaneous Asset	20,585,752	147,597	-	20,733,349	10,060,765	1,857,286	(430,280)	11,487,771	9,245,579
Catering Equip-ment	8,361,637	100,800	-	8,462,437	5,727,582	440,900	-	6,168,482	2,293,955
Tools & Spares	196,059,976	3,414,667	-	199,474,643	130,784,621	10,536,431	(3,559,343)	137,761,708	61,712,935
AFT Equipment - Heli	9,190,788	-	-	9,190,788	8,384,156	501,818	-	8,885,974	304,814
GSE-Heli	4,966,007	-	-	4,966,007	3,801,610	504,278	-	4,305,888	660,119
Tools & LLP - Heli	15,508,909	-	-	15,508,909	11,669,940	2,096,992	-	13,766,932	1,741,977
Capital work in progress	5,198,760		(3,379,134)	1,819,626	-	-	-	-	1,819,626
Total of PPE	13,927,062,752	148,399,097	(238,278,454)	13,837,183,396	6,410,118,767	800,156,515	(121,229,330)	7,089,045,952	6,748,137,444

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Note 4: Intangible Asset

(Amount in Nu.)

Particulars	December 31, 2023	December 31, 2022
Opening balance 1 January	32,157,218	32,000,952
Additions	529,062	156,266
Disposals	-	-
Closing Balance 31 December	32,686,281	32,157,218
Opening Accumulated Amortization (iii)	(11,835,861)	(8,890,686)
Additions	(1,283,357)	(2,945,175)
Depreciation on Disposal/Adjustments	-	-
Closing Accumulated Amortization (iv)	(13,119,218)	(11,835,861)
Net Carrying Value (ii-iv)	**19,567,063**	**20,321,357**

Note 5: Lease

Right of use assets (Amount in Nu.)

Particulars	Land	Building
Cost		
Balance as at January 1, 2023	2,777,029	66,209,511
addition	8,738,720	24,524,298
Modification of leases		
Disposals/adjustment	-	(27,007,715)
Balance as at December 31, 2023	11,515,749	63,726,094
Depreciation/Amortization		
Balance as at January 1, 2023	1,017,941	26,476,391
addition	385,486	15,867,090
Modification of leases		
Disposals		(27,007,715)
Balance as at December 31, 2023	1,403,427	15,335,766
Net Book Value	**10,112,322**	**48,390,328**

Other liabilities include the following lease labilities: (Amount in Nu.)

Lease	December 31, 2023	December 31, 2022
Opening Balance - January, 2023	2,327,745	41,139,783
Additions	8,738,720	24,524,298
Repayments	(583,704)	(18,460,024)
Interest Expense	467,400	3,575,687
Closing Balance - December 31, 2023	**10,950,161**	**50,779,743**

(Amount in Nu.)

Lease	December 31, 2023	December 31, 2022
Current	182,343	13,397,890
Non-current	10,767,818	37,381,854

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Note 6: Trade and other receivables

(Amount in Nu.)

Particular	December 31, 2023	December 31, 2022
Non-Current		
Trade debtors	2,462,619	8,697,083
Less: Provision for doubtful debts	(394,955)	(7,775,607)
Total	**2,067,663**	**921,477**
Current		
Trade debtors	133,583,091	145,140,807
Security deposit paid	76,387,255	75,658,504
Accrued income	1,324,792	1,893,275
Insurance claim receivable	-	41,581,238
RGoB subsidy receivable	40,244,920	48,548,565
Total	**251,540,058**	**312,822,389**

Note 7: Investments

(Amount in Nu.)

Particular	December 31, 2023	December 31, 2022
Non-Current		
Term Deposit	99,644,138	98,409,446
Accrued interest	6,339,740	4,020,353
Total	**105,983,877**	**102,429,800**
Current		
Term Deposit	58,712,246	109,245,381
Accrued interest	4,843,606	8,405,955
Total	**63,555,851**	**117,651,336**

Note 8: Deferred tax asset & Liability

(Amount in Nu.)

Particular	December 31, 2023	December 31, 2022
Deferred Tax Asset	571,106,472	914,273,373
Total	**571,106,472**	**914,273,373**

Refer Note 29 (c) for details on deferred tax

Note 9: Capital Advances

(Amount in Nu.)

Particular	December 31, 2023	December 31, 2022
Capital Advances	-	78,916,709
Total	**-**	**78,916,709**

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Note 10: Inventories

(Amount in Nu.)

Particular	December 31, 2023	December 31, 2022
In-flight catering & duty-free stocks	96,517,065	81,631,606
Stock of tickets	716,927	764,867
Gift stocks	803,464	803,464
Aircraft maintenance consumables	89,361,370	72,949,411
Uniform stocks	2,645,468	3,211,227
Other stock	2,473,055	887,645
Total	**192,517,349**	**160,248,220**

Note 11: Cash and cash equivalents

(Amount in Nu.)

Particular	December 31, 2023	December 31, 2022
Cash and cheques in hand	971,753	2,471,224
In current account with banks	779,185,296	435,691,733
Total	**780,157,048**	**438,162,957**

Note 12: Loans and advances

(Amount in Nu.)

Particular	December 31, 2023	December 31, 2022
Advance to parties	503,311,036	87,151,876
Advance to employee	5,221,784	1,239,170
Prepaid expenses	48,279,600	24,154,987
Advance tax paid	30,319,880	30,994,425
Total	**587,132,300**	**143,540,458**

Note 13: Share capital

(Amount in Nu.)

Particular	December 31, 2023	December 31, 2022
Authorized		
50,000,000 equity shares of Nu 100 each	5,000,000,000	5,000,000,000
Issued, subscribed, and fully paid up		
43,086,239 Equity shares of Nu 100 each, fully paid in cash	4,308,623,900	3,608,525,100
Total	**4,308,623,900**	**3,608,525,100**

Note 13.1: All ordinary shares are ranked equally. Fully paid shares carry one vote per share and the right to dividends. There are no restrictions on the transfer of shares in the Company or on voting rights between holders of shares. Entire share capital is held by the Holding Company, DHI.

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Note 13.2: Reconciliation of Share capital

(Amount in Nu.)

Particular	December 31, 2023	December 31, 2022
At the beginning of the year		
- Number of shares	43,086,239	36,085,251
- Amount (in Nu.)	4,308,623,900	3,608,525,100
Add: issued during the year		
- Number of shares	-	7,000,988
- Amount (in. Nu)	-	700,098,800
Less: Redeemed during the year	-	-
- Number of shares	-	-
- Amount (in Nu)	-	-
At the end of the year	-	-
- Number of shares	**43,086,239**	**43,086,239**
- Amount (in. Nu)	**4,308,623,900**	**4,308,623,900**

Note 14: Borrowing

(Amount in Nu.)

Particular	December 31, 2023	December 31, 2022
Non-Current		
Drukair Bonds from National Pension and Provident Fund	624,341,406	840,684,759
Interest free loan from RGOB	59,168,668	101,432,002
Loan from National Pension and Provident Fund	2,399,073,474	2,492,706,595
SDF Loan	592,222,222	706,333,333
COVID relief measure loan from BOB	379,802,251	425,107,142
Overdraft loan from BOB	1,393,024	546,672,536
Total	**4,056,001,045**	**5,112,936,368**
Current		
Drukair Bonds from National Pension and Provident Fund	216,343,353	-
Interest free loan from RGOB	33,810,667	8,452,667
Loan from National Pension and Provident Fund	198,718,275	199,883,695
SDF Loan	118,444,444	117,722,222
Inter-group Borrowing	1,235,000,000	1,138,423,889
COVID relief measure loan from BOB	127,927,517	83,709,590
Accrued interest but not due on Bonds	55,220,103	55,220,103
Accrued interest but not due on NPPF loan	431,759,421	280,496,708
Accrued interest but not due for SDF Loan	14,319,885.24	14,367,573.02
Accrued interest but not due OD Loan	2,260,274	81,490,591
Total	**2,433,803,940**	**1,979,767,039**

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Nature of Security, Interest Rate and terms of repayments:

Note 14.1 Bonds

Following series of Bonds were issued to NPPF for the purchase of aircraft – JSW. These bonds are secured on the same aircraft. The coupon for these bonds were paid by MoF and the same has been treated as government revenue grant. The coupon expense amounting to Nu. 56,899,886 has been treated as interest subsidy as shown under non-operating revenue Note 20.

i. Drukair Bond series I of Nu.246,886,529 at coupon rate of 9% p.a. repayable within 10 years in 10 annual installments with last installment due on 24 February 2024.

ii. Drukair Bond series I of Nu.286,039,000 at coupon rate of 9% p.a. repayable within 10 years in 10 annual installments with last installment due on 25 August 2024.

iii. Drukair Bond series I of Nu.1,630,508,000 at coupon rate of 8.5% p.a. repayable within 10 years in 10 annual installments with last installment due on 3 March 2025.

Note 14.2 Royal Government of Bhutan - Interest free loan

Interest-free loan of Nu.507,160,012.12 was obtained for the purchase of aircraft BAE-146 and is repayable within 15 years in 60 quarterly equal installments.

Note 14.3 National Pension and Provident Fund

A term loan was availed amounting to Nu.2,709,754,345 equivalent to USD37,375,922 at an interest rate of 7.15% p.a. repayable within 10 years in 40 quarterly equal installments for the purchase of A320 Neo (JKW). The loan is secured against the sovereign guarantee provided by the Ministry of Finance (MoF).

Note 14.4 SAARC Development Fund

A term loan was availed amounting to Nu.942,500,000 equivalent of USD13,000,000 at an interest rate of USD 6 months LIBOR rate + 2% p.a. repayable within 10 years semi-annually for the purchase of ATR 42-600 aircraft. This loan is secured against the sovereign guarantee provided by the Ministry of Finance (MoF) and the applicable interest on the loan thereon amounting to Nu.55,642,156 was paid by the MoF. The same has been treated as government revenue grant which is reflected as interest subsidy under non-operating income under Note. 20.

Note 14.5 Bank of Bhutan

i. COVID relief measure loan

The term loan was availed amounting to Nu.459,600,000 (previous year Nu.459,600,000) at an interest rate of 5% p.a. repayable within four years in 48 monthly installments to meet the working capital of the Company.

ii. Overdraft loan

The overdraft loan amounting to Nu.1 billion at an interest rate of 7.02% p.a. was availed in 2020. The same has been renewed in 2023. Nu 1,393,024 is outstanding as on 31 December 2023.

Note 14.6 Druk Holding & Investment – Interest-free Inter-group borrowing

Interest-free inter-group borrowing of Nu.788,423,889 is outstanding as on 31 December 2022. The loan amounting to Nu. 725,000,000 was approved in 2021 and additional loan Nu. 508,000,000 was sanctioned during the year. Currently, there is a loan balance of Nu.635,000,000 against this loan.

Note 14.7 Druk Green Power Corporation (DGPC)

Intercompany borrowing of Nu.600,000,000 at 2.5% p.a. was availed from DGPC during the year and same amount is outstanding as on 31 December 2023.

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Note 15: Provisions

(Amount in Nu.)

Particular	December 31, 2023	December 31, 2022
Non-Current		
Provisions for gratuity	93,198,013	104,297,160
Provisions for leave encashment	-	32,495,630
Provision For Travel Allowance	1,536,103	1,174,618
Provision For Transfer Grant	1,536,103	1,174,618
Liability for frequent flyer program	1,891,962	2,904,245
Total	98,162,180	142,046,271
Current	6,349,942	122,084,866
Corporate income tax liability	6,349,942	122,084,866
Provisions for gratuity	25,012,266	15,456,609
Provisions for leave encashment	3,844,870	3,844,870
Provision For Travel Allowance	3,291,070	3,842,454
Provision For Transfer Grant	3,291,070	3,842,454
Liability for frequent flyer program	3,783,924	5,808,489
Total	**45,573,142**	**154,879,742**

Provision for Gratuity, Leave Encashment, and frequent flyer program are based on the actuarial valuation. The details are reflected in Note 36. Reconciliation of corporate tax liability is as shown below.

Current tax liability

(Amount in Nu.)

Particular	December 31, 2023	December 31, 2022
Balance as at 1 January	122,084,866	111,883,528
Income tax outside Bhutan	8,905,323	13,777,775
Earlier year Tax	2,076,294	-
Paid during the year	(126,716,542)	(3,576,436)
Balance at 31 December	**6,349,942**	**122,084,866**

Note 16: Trade and other payables

(Amount in Nu.)

Particular	December 31, 2023	December 31, 2022
Current		
Trade creditors	151,898,637	89,487,601
Accrued expenses	77,337,222	56,479,147
Deposits received	199,369,005	203,957,781
Employee's payables	38,735,734	5,465,160
Total	**467,340,597**	**355,389,689**

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Note 17: Other liabilities

(Amount in Nu.)

Particular	December 31, 2023	December 31, 2022
Non-Current		
Deferred liability for credit memo	94,310,182	99,936,142
Deferred Government Grant for Domestic Operations	3,776,253	4,531,504
Total	**98,086,435**	**104,467,646**
Current		
Deferred revenue on sale of tickets	516,582,837	340,997,674
Deferred liability for credit memo	5,757,109	5,757,109
Liability for stale cheque	3,600,646	3,549,265
Taxes and duties payable	81,574,528	39,378,331
Deferred Government Grant for Domestic Operations	755,250	755,250
Total	**608,270,369**	**390,437,629**

Note 18: Traffic revenue

(Amount in Nu.)

Particular	December 31, 2023	December 31, 2022
Passenger revenue	3,051,284,036	1,110,473,672
Insurance & Fuel Surcharge	621,713,718	256,643,569
Helicopter services revenue	113,560,603	67,770,324
Excess Baggage	39,134,262	26,081,212
Cargo	147,702,571	168,354,737
Chartered sales	470,966,461	178,090,516
Administrative fee	9,763,778	5,475,141
No show charges	-	5,841
Cancellation charges	37,534,294	15,595,784
Total	**4,491,659,722**	**1,828,490,796**

Note 19: Other operating revenue

(Amount in Nu.)

Particular	December 31, 2023	December 31, 2022
Duty free sales	27,967,466	19,563,719
Commission earned	754,074	237,974
B3 Catering sales	8,081,932	2,069,431
Drukair holidays sales	-	2,860,163
Cargo Transhipment and handling charges	2,454,287	1,353,369
Total	**39,257,759**	**26,084,655**

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Note 20: Non-operating revenue

(Amount in Nu.)

Particular	December 31, 2023	December 31, 2022
Liability Written back	-	12,475,122
Subsidy on Interest Expense	92,542,042	80,972,441
Interest income	8,728,633	7,370,831
Gain on sale of property, plant, and equipment	137,624,824	-
Rent Recovery	278,229	84,000
RGoB subsidy for COVID 19	-	76,299,501
Miscellaneous Revenue	50,275,107	5,842,598
Amortization on credit memorandum	7,121,531	7,110,680
Amortization of deferred government grant	1,285,774	755,250
Total	**297,856,140**	**190,910,423**

Note 21: Flight operation costs

(Amount in Nu.)

Particular	December 31, 2023	December 31, 2022
Aircraft fuel and oil	1,043,812,509	551,857,766
Aircraft overflying and navigation charges	147,858,492	74,486,896
Aircraft landing and parking fees	89,430,328	30,890,393
Aircraft ground handling and security charges	315,186,319	102,148,062
Simulator expenses	21,441,772	18,743,028
Chartered Expenses	234,094,844	72,412,124
Crew meal and outstation expenses	68,604,195	12,889,309
Quarantine Expenses	-	4,992,699
Total	**1,920,428,458**	**868,420,277**

Note 22: Other operation costs

(Amount in Nu.)

Particular	December 31, 2023	December 31, 2022
In- flight catering expenses	148,680,076	68,814,445
Drukair Holidays Expenses	-	337,085
Disrupted flight expenses	3,188,366	2,230,978
Loss baggage claim/Deportees	109,215	378,724
Purchase of duty-free items	17,272,609	12,437,655
Service charges	9,415,259	3,031,949
Cargo transport & handling charges	1,130,704	1,247,569
Total	**179,796,228.68**	**88,478,405**

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Note 23: Aircraft maintenance costs

(Amount in Nu.)

Particular	December 31, 2023	December 31, 2022
Consumption stores and spares	23,595,149	9,307,601
Aircraft maintenance	207,245,276	157,090,464
Less: Credit Memorandum Utilised	(3,839,034)	(11,187,617)
Freight charges	14,473,820	8,358,386
Stores & scrap written off	9,833,449	457,650
Total	**251,308,659**	**164,026,483**

Reconciliation of credit memorandum (Amount in USD)

Particulars	CFM	B/E Aerospace	ATR	Saint Gobain Sully	Airbus	Total
Balance as on January 1, 2023	**253,379**	**10,278**	**9,493**	**2,849**	**-**	**275,999**
add credits received					14,973	14,973
less credits utilized	(22,121)	(834)	(9,493)		(14,369)	(46,817)
Balance as on December 31, 2023	**231,258**	**9,445**	**-**	**2,849**	**603**	**244,154**

i. The credit memorandum from CFM was received for the purchase engine of A320 neo (JKW) in 2020. During the year USD 22,121 was utilised for the maintenance of aircraft equipment.

ii. B/E Aerospace has provided Credit Memorandum against the purchase of equipment for airbus A319 (JSW) and A32 Neo. During the year USD 834 was utilised for the maintenance of aircraft equipment.

iii. In 2019, for the purchase of ATR MSN 1412, ATR had provided Credit Memorandum of USD150,000 as per Credit Note No.90607847 against goods & services and USD 4,000 as per Credit Note No.90607849 against Letter of Agreement No.6. During the year USD 9,493 was utilised for the maintenance of aircraft equipment.

iv. USD 2,849 credit with Saint Gobain was received for the replacement of windshield. This same amount is being carried forward.

v. In 2023, credit of USD 14,973 was received from Airbus for the RGF cabin refurbishment. USD 14,369 was utilized during the year against aircraft maintenance.

Note 24: Other maintenance costs

(Amount in Nu.)

Particular	December 31, 2023	December 31, 2022
Ground transport maintenance	1,223,411	1,793,649
Maintenance of ground transport equipment	3,981,259	4,119,843
Maintenance of hanger and workshop	537,415	391,640
Other maintenance	9,396,939	4,741,556
Total	**15,139,025**	**11,046,688**

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Note 25: Employee costs

(Amount in Nu.)

Particular	December 31, 2023	December 31, 2022
Pay and allowances	492,520,722	389,908,470
Leave travel allowance	7,229,115	7,458,338
Productivity Allowance	15,446,702	7,500,000
Bonus and variable pay	46,752,707	-
Overtime	779,334	388,911
Uniform/make up expenses	14,306,676	6,792,111
Medical expenses	1,076,332	1,260,315
Staff welfare	269,795	146,977
Staff training and development	22,294,142	8,599,670
Leave encashment	18,123,083	12,985,612
Provident fund contribution	15,400,921	19,192,710
Retirement benefits	17,014,496	16,217,912
Transfer grant	1,673,430	10,364,169
Total	**652,887,456**	**480,815,193**

Note 26: Marketing and Sales promotion

(Amount in Nu.)

Particular	December 31, 2023	December 31, 2022
Marketing sales promotion	4,292,203	1,869,059
Agent Commission	67,343,382	46,423,918
Advertisement & souvenir	360,690	403,506
Total	71,996,274	48,696,483

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Note 27: Other cost

(Amount in Nu.)

Particular	December 31, 2023	December 31, 2022
Board meeting expenses	951,485	173,520
Fee & subscriptions	22,840,431	18,336,961
Printing and stationery	6,675,672	4,224,291
Office Tea expenses	1,378,849	884,368
Lease rent (non-aircraft)	1,611,477	3,512,736
Interest Expense for Lease Liability	4,043,087	3,761,908
Travelling expenses	11,406,624	7,783,854
Transportation expenses	3,566,660	3,331,905
Rates and taxes	1,824,101	53,686
Insurance	72,069,024	53,698,137
In-flight magazine	1,360,023	777,000
Communication expenses	30,473,647	24,669,947
Security Services	1,304,853	1,186,966
Electricity charges	1,105,127	1,087,499
Brand Management Fee	1,795,469	-
Entertainment expenses	101,721	432,911
Books & periodicals	-	16,240
Employee Engagement & religious expenses	3,379,878	1,727,977
Consulting fees	2,399,697	2,248,456
Audit fees	1,287,753	1,077,226
Forex loss	25,284,055	73,192,087
Loss of sale of PPE	-	1,450,946
Interline expenses	-	826,825
Total	**194,859,632**	**204,455,447**

Note 28: Finance costs

(Amount in Nu.)

Particular	December 31, 2023	December 31, 2022
Bank charges	28,921,797	12,414,658
Interest on borrowing & others	402,830,803	436,858,076
Total	**431,752,600**	**449,272,735**

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Note 29: Taxes

a. Tax (charge)/ (credit) in the income statement

(Amount in Nu.)

Particular		December 31, 2023	December 31, 2022
i	Income tax expense		
	Current tax on profit for the year	(195,950,083)	-
	Tax for operation outside	(8,905,323)	(13,777,775)
	Total current tax	**(204,855,406)**	**(13,777,775)**
ii	Deferred tax		
	Deferred tax income for the year	(149,293,112)	272,216,082
	Total deferred tax	**(149,293,112)**	**272,216,082**
	Total Tax expense	**(354,148,518)**	**258,438,308**

b. Current tax liability

(Amount in Nu.)

Particular	December 31, 2023	December 31, 2022
Balance as at January 1, 2023	122,084,866	111,883,528
Income tax outside Bhutan	8,905,323	13,777,775
Paid during the year	2,076,294	-
	(126,716,542)	(3,576,436)
Balance at December 31, 2023	**6,349,942**	**122,084,866**

c. Deferred tax

(Amount in Nu.)

Particular	31 December 2023	31 December 2022
Balance as at 1 January	914,273,373	728,887,812
less: Adjusted of tax expense 2023	195,950,083	272,216,082
Less: Tax credit on loses for 2020 written back	(539,116,984)	(86,830,522)
Balance at 31 December	**571,106,472**	**914,273,373**

d. Reconciliation of total tax charged in the income statement

(Amount in Nu.)

Particular	December 31, 2023	December 31, 2022
Accounting (loss)/profit before tax	291,343,725	(1,146,235,728)
Tax calculated at the standard rate of corporate tax in Bhutan of 30%	(87,403,117)	343,870,718
Non-deductible expense	(108,546,966)	(71,654,636)
Tax paid outside Bhutan	(8,905,323)	(13,777,775)
Deferred tax expense /(income)for the year	(149,293,112)	-
Balance at December 31	**(354,148,518)**	**258,438,308**

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Note 30: Earnings Per Share (EPS)

Reconciliations of net profit for the year and ordinary shares used in the computation of basic and diluted EPS are as follows:

(Amount in Nu.)

Basic EPS attributable ordinary shares	December 31, 2023	December 31, 2022
Net profit/loss attributable to the owners of the company	(62,804,794)	(887,797,420)
Issued and outstanding ordinary shares at the beginning of the year	43,086,239	36,085,251
Share allotted to DHI during the year	-	7,000,988.00
Outstanding ordinary shares at the end of the year	43,086,239	43,086,239
Weighted average number of ordinary shares	43,086,239	39,084,941
Basic and Diluted EPS attributable to ordinary shares	**(1.46)**	**(22.71)**

Note 31: Fair Value Measurement

Financial instrument by category

Particulars	December 31, 2023			December 31, 2022		
	FVPL	FVOCI	Amortized Cost	FVPL	FVOCI	Amortized Cost
Financial assets						
Security deposit paid	-	-	76,387,255	-	-	75,658,504
Cash and cash equivalents	-	-	780,157,048	-	-	438,162,957
Trade receivables	-	-	135,650,754	-	-	146,062,284
Other receivables	-	-	1,324,792	-	-	1,893,275
Total financial assets	**-**	**-**	**993,519,850**	**-**	**-**	**661,777,021**
Financial liabilities						
Borrowing	-	-	6,489,804,985	-	-	7,092,703,406
Trade payables	-	-	151,898,637	-	-	89,487,601
Security deposit received	-	-	199,369,005	-	-	203,957,781
Other payables	-	-	38,735,734	-	-	5,465,160
Total financial liabilities	**-**	**-**	**6,879,808,360**	**-**	**-**	**7,391,613,948**

i) Fair value hierarchy

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

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

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

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

ii) Valuation techniques used to determine fair value

Specific valuation techniques used to value financial instruments include the fair value of the financial instruments as determined using discounted cash flow analysis.

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

Particulars	December 31, 2023		December 31, 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Investment	-	-	-	-
Trade receivables	135,650,754	135,650,754	146,062,284	146,062,284
Total Financial Asset	**135,650,754**	**135,650,754**	**146,062,284**	**146,062,284**
Financial liabilities				
Borrowing	6,489,804,985	6,464,937,036	7,067,835,457	6,682,501,218
Total financial liabilities	**6,489,804,985**	**6,464,937,036**	**6,678,688,967**	**6,682,501,218**

i) The carrying amounts of current sundry debtor, cash and cash equivalents, current investment, interest accrued, other receivables, security deposit given and paid, trade payables and other payables are considered to be the same as their fair values, due to their short-term nature

ii) The fair values for financial instruments were calculated based on cash flows discounted using current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs including counterparty credit risk. The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Company uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

Note 32: Capital Management

Risk management

The Company is formed as a wholly owned subsidiary of Druk Holding & Investments Limited (DHI).

For the purpose of the Company's capital management, capital includes issued capital, General Reserve, Translation Reserve and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Company's capital management is to maximize the shareholder value and ensure that funds are available to meet future commitments. The Company manages its capital structure and makes adjustments in light of the changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

Capital expenditure is mostly met from operating cash flows. Fixed term borrowings are only made for major capital projects. Such borrowings are repaid when the project is completed and generating positive cash flows. In addition to commitments to outside parties, the company has a requirement to meet dividend and tax expectations, as contained in the Annual Compact with the parent company and RGoB. The amount mentioned under total equity in balance sheet is considered as capital by the Company.

RINZING FINANCIAL PRIVATE LIMITED

Note 33: Financial Risk Management

The Company's activities expose it to credit risk, liquidity risk and market risk (i.e., foreign currency risk, interest rate risk and price risk).

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

Risk	Exposure arising from	Measurement	Management
Credit risk	Cash and cash equivalents, trade receivables, financial assets measured at amortized cost	Aging analysis	Diversification of customer base
Liquidity risk	Borrowings and other liabilities	Cash flow forecasts	Availability of committed facilities
Market risk – foreign exchange	Future commercial transactions and recognized financial liabilities not denominated in Bhutanese Ngultrum (Nu.)	Cash flow forecasting Sensitivity analysis	Diversification of liability
Market risk – interest rate	Long-term borrowings at fixed rates	Sensitivity analysis	Portfolio of loan contains fixed interest loans from financial institutions

A. MARKET RISK

i) Foreign currency risk

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

The Company is in aviation industry and has its operation in various countries. As a result, the Company is exposed to foreign currency exposure through its operational activities. The risk is measured through a forecast of highly probable foreign currency cash flows. Further the Company manages its foreign currency risk by maintaining its foreign currency exposure, as approved by Board as per established risk management policy.

Foreign currency risk exposure

The Company's exposure to foreign currency risk at the end of the reporting period expressed in Nu. are as follows:

(Amount in Nu.)

Particulars	December 31, 2023		December 31, 2022	
	USD	SGD	USD	SGD
Financial assets	25,801,829	59,635,159	63,386,903	10,150,611
Financial liabilities	(18,559,422)	(42,634,795)	(44,932,180)	(3,269,344)
Net exposure to foreign currency risk	**7,242,407**	**17,000,364**	**18,454,723**	**6,881,267**

Particulars	December 31, 2023		December 31, 2022	
	Thai Baht	NPR	Thai Baht	NPR
Financial assets	24,417,676	82,902,966	1,601,723	3,906,913
Financial liabilities	(17,667,961)	(17,495,643)	(1,210,039)	(3,511,368)
Net exposure to foreign currency risk	**6,749,715**	**65,407,324**	**391,684**	**395,545**

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Particulars	December 31, 2023		December 31, 2022	
	Taka	INR	Taka	INR
Financial assets	6,219,230	111,498,609	14,794	10,299,403
Financial liabilities	(14,409,613)	(45,305,161)	(4,516,050)	(2,977,709)
Net exposure to foreign currency risk	**(8,190,383)**	**66,193,448**	**(4,501,256)**	**7,321,694**

Sensitivity

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

(Amount in Nu.)

	Impact on profit before tax	
	31 December 2023	**31 December 2022**
SGD sensitivity		
Nu. depreciate by 5%	850,018	344,063
Nu. appreciate by 5%	(850,018)	(344,063)
USD sensitivity		
Nu. depreciate by 5%	362,120	922,736
Nu. appreciate by 5%	(362,120)	(922,736)
NPR sensitivity		
Nu. depreciate by 5%	3,270,366	19,777
Nu. appreciate by 5%	(3,270,366)	(19,777)
Thai Baht sensitivity		
	337,486	19,584
Nu. appreciate by 5%	(337,486)	(19,584)
Taka sensitivity		
Nu. depreciate by 5%	(409,519)	(225,063)
Nu. appreciate by 5%	409,519	225,063

Holding all other variables constant. As the value of INR is equivalent to Nu. historically, the company is not exposed to foreign exchange risk arising from foreign currency transactions in INR.

i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates.

The Company has only fixed rate borrowings and are carried at amortized cost. Further the loan given and investment made by the Company is at fixed rate interest. Interest expenses/income, are therefore not subject to interest rate risk as defined in IFRS 7, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

i) Price Risk

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

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B. Liquidity risk

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

Management monitors rolling forecasts of the Company's liquidity position and cash and cash equivalents on the basis of expected cash flows. This is generally performed in accordance with practice and limits set by the Company.

Maturities of financial liabilities

The tables below analyze the group's financial liabilities into relevant maturity groupings based on the contractual maturities for all financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

(Amount in Nu.)

Contractual maturities of financial assets December 31, 2023	Less than 1 year	More than 1 years	Total
Trade and Other Payables	467,340,597	-	467,340,597
Borrowings	1,930,244,257	4,056,001,045	5,986,245,301
Interest	503,559,684	-	503,559,684
Total financial liabilities	**2,901,144,538**	**4,056,001,045**	**6,957,145,582**

(Amount in Nu.)

Contractual maturities of financial assets December 31, 2022	Less than 1 year	More than 1 years	Total
Trade and Other Payables	355,389,689	-	355,389,689
Borrowings	1,548,192,063	5,112,936,368	6,661,128,431
Interest	431,574,975	-	431,574,975
Total financial liabilities	**2,335,156,727**	**5,112,936,368**	**7,448,093,095**

C. Credit risk

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

i) Trade receivables

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management.

The Company's long term trade receivable usually from government bodies and management expects to recover the entire amount subsequently. However, the management has evaluated the long-term trade receivable for time value of money impact and considered it for impairment as per BFRS 9. Other trade receivables are from sale agents with a credit tenure of 30-45 days.

However, from financial year 2015, the Company has instituted a policy to either furnish bank guarantee or make advance payments from the sale agents before issuing the ticket vouchers to them for further sale to the customers. Trade receivables are usually from government bodies which are non-interest bearing and are generally on credit term of 30-45 days. The Company regularly monitors its outstanding customer receivables.

The ageing of trade receivables as of balance sheet date is given below. The age analysis has been considered from the due date:

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The requirement for impairment is analyzed at each reporting date. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 31.

(Amount in Nu.)

Particulars	Less than six months	More than six months less than 3 years	More than 3 years	Total
Trade receivable as on 31 December 2023 (Gross)	94,953,407	38,629,684	2,462,619	136,045,709
Less: Provision for impairment loss	-	-	(394,955)	(394,955)
Trade receivable as on December 31, 2023 (Net)	**94,953,407**	**38,629,684**	**2,067,663**	**135,650,754**

ii) Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Company's finance department. Investments of surplus funds are made only with approved counterparties in accordance with the Company's policy. Counterparty credit limits are reviewed by the Companies' Board of Directors on an annual basis. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through counterparty's potential failure to make payments. For banks and financial institutions, only high rated banks/institutions are accepted.

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Note 34: Related Party Transactions

The Company is a wholly owned subsidiary of DHI. The Company considers that for the purpose of BAS 24 the RGoB is in a position of control over it, and therefore regards the Royal Government of Bhutan and its controlled companies/corporations as related parties for the purpose of the disclosures required by BAS 24.

A summary of the Company's transactions with the RGoB and its related entities is included below:

(Amount in Nu.)

Name of related party	Relationship	Nature of transaction with related party	Amount in Nu.
Druk Holding & Investment	Holding company	a) Sale of air tickets	5,747,904
		b) Intra group Borrowing	635,000,000
		c) Interest on borrowing	18,880,431
		d) Rental	5,318,568
		e) Trade receivable	147,093
		d) Consultation and professional fee	240,352
Bank of Bhutan Limited	Fellow Subsidiary	a) Sale of air tickets	1,374,658
		b) Bank Charges	9,512,505
		c) Loans	1,393,024
		d) Trade Payable	482,413
		e) Borrowing	507,729,767
		f) Short-term Bank deposit	50,311,003
		g) Balances with BOBL	204,193,678
		h) Accrued income	268,276
		i) Interest from long term Deposit	373,474
Bhutan Power Corporation Limited	Fellow Subsidiary	a) Sale of air tickets	2,057,216
		b) Electricity Charges	794,401
Bhutan Telecom Limited	Fellow Subsidiary	a) Sale of air tickets	1,249,434
		b) Telephone and Internet Charges	4,174,748
		c) Trade receivable	33,320
Dungsum Cement Corporation Limited	Fellow Subsidiary	a) Sale of air tickets	65,702
Druk Green Power Corporation Limited	Fellow Subsidiary	a) Sale of air tickets	2,122,274
		b) Borrowing	600,000,000
		c) Trade Payable	70,523
		d) Interest accrued	2,260,274
State Trading Corporation Limited	Fellow Subsidiary	a) Sale of air tickets	941,021
		b) Trade receivable	132,243
Thimphu Tech Park Limited	Fellow Subsidiary	a) Trade Payable	241,553
Dagachhu Hydro Power Corporation	Fellow Subsidiary	a) Commission	2,769
		b) Sale of Air Ticket	194,464
Construction Development private Limited	Fellow Subsidiary	a) Commission	2,316
		b) Sale of Air Ticket	103,673
State Mining Corporation Limited	Fellow Subsidiary	a) Borrowing	407,423,889
		b) Interest On Borrowing	4,343,836
Natural Resources Development Corporation Limited	Fellow Subsidiary	a) Commission	4,199

Key management personnel ('KMP')

KMPs are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly including any director whether executive or otherwise. Key management personnel of the company for the purpose of disclosure of compensation include the Chief Executive Officer as required by the Companies Act of Bhutan 2016.

Summary of compensation paid to the KMP:

(Amount in Nu.)

For the year ended December 31	December 31, 2023	December 31, 2022
Basic Salary, Allowance, PF and leave encashment	3,697,979	2,604,300
Sitting Fees	112,000	-
Leave Travel Concession	15,000	15,000
Total	**3,824,979**	**2,619,300**

As the liabilities for gratuity and leave encashment are provided on actuarial basis for the Company as a whole, the amounts pertaining to KMP are not included above.

Note 35: Contingent Liabilities

i. On behalf of Air India, the Embassy of India has sent a reminder vide letter No THI/Adm/551/1/2015 dated 07.12.2015 to settle outstanding due payable to Air India at the earliest possible. This outstanding amount of Rs.21.70 million is purported to be the pax compensation on the 5th freedom sector under commercial agreement which was applicable up to 11.09.2006. The Liabilities against this claim has not been provided in the current year accounts in light of the matter being appealed at the highest level of both governments.

ii. Starting from the Fiscal Year 2014-2015 till 2018-2019, Nepal Tax Department has raised total tax demand amounting to NPR 86.8 m till date, of which NPR 35.3 m (NPR 24.2 m paid to the Tax Department and NPR 11.1 m paid to the Tribunal Court) has been paid as security deposits. The balance payable tax amount is NPR 51.5 m. This tax dispute is being taken up at the Supreme Court in Kathmandu, Nepal.

iii. A show cause cum demand notice dated 31.12.2020 for Rs.11,738,403.00 on account of service tax (including cess) for the period 2014-15 to 2017-18 was raised by Additional Commissioner, CGST & CX, Kolkata, Audit-I Commissionerate. This was raised based on the assumption that all passengers travelled by "business class". The case is being pursued at the First Appellate Authority, Kolkata, India. To process the case, a refundable fee of 10%, amounting to Rs. 1,173,840 was deposited to the Government of India.

Note 36: Employee Benefits

i) Gratuity

Defined Benefit Plans

Valuation in respect of Gratuity has been carried out by independent actuary, Druk infinity consulting firm, Bhutan. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit (PUC) Method.

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Disclosure as per BAS 19, 'Employees Benefit' for defined benefit scheme (Gratuity)

A. Liability recognised in the statement of financial position

Present value of define benefit obligation	118,210,279	119,753,769
Fair value of plan assets	-	-
Funded status - surplus/(deficit)	(118,210,279)	(119,753,769)
Effect of asset ceiling	-	-
Net defined benefit asset/(liability)	(118,210,279)	(119,753,769)

B. Composition of defined benefit cost

	December 31, 2023	December 31, 2022
Expense recognised in profit or loss	17,014,496	16,906,999
Expense recognised in other comprehensive income	2,150,272	1,761,397
Defined benefit cost	19,164,768	18,668,396

C. Expense recognised in statement of profit or loss

	December 31, 2023	December 31, 2022
Current service cost	8,809,523	9,058,334
Past service cost	-	-
Loss/(Gain) on settlement	-	-
Interest on DBO	8,204,973	7,848,665
Less: Expected interest on plan asset	-	-
Expenses recognised in profit or loss	17,014,496	16,906,999

D. Amount recognised as other comprehensive income

	December 31, 2023	December 31, 2022
Actuarial (gain) or loss due to experience adjustments	2,150,272	1,761,397
Actuarial (gain) or loss due to changes in financial assumptions	-	-
Actuarial (gain) or loss due to changes in demographic assumptions	-	-
Return on plan assets (greater) or less than discount rate	-	-
Expenses recognised as OCI	2,150,272	1,761,397

E. Reconciliation of changes in present value of defined benefit obligation

DBO at the beginning of period	119,753,769	108,212,357
Add: Current service cost	8,809,523	9,058,334
Add: Past service cost	-	-
Add: Interest cost	8,204,973	7,848,665
Less: Benefits paid by the plan	-	-
Less: Benefits paid by the employer	(20,708,258)	(7,126,984)
Actuarial (gain) or losses due to experience adjustment	2,150,272	1,761,397
Actuarial (gain) or losses due to change in financial assumptions	-	-
Actuarial (gain) or losses due to change in demographic assumptions	-	-
DBO at the end of period	118,210,279	119,753,769

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F. Bifurcation between current & non-current liability

	December 31, 2023	December 31, 2022
Current liability	25,012,266	15,456,609
Non-current liability	93,198,013	104,297,160
Net Liability	118,210,279	119,753,769

G. Actuarial assumptions

Financial assumptions

Parameter	December 31, 2023	December 31, 2022
Discount rate	7.50%	7.50%
Salary growth rate	7.00%	7.00%

Demographic assumptions

Parameter	December 31, 2023	December 31, 2022
Mortality rate		100% of IALM (2012-14)
Employee turnover rate	5.00%	5.00%

ii) Travel allowances

This has been determined by actuarial method at Nu. 4,827,173 the following is the summary of travel allowance as per the actuary valuation report:

The table below shows a summary of the key results for the year ending 31 December 2023:

A. Liability recognised in the statement of financial position

Present value of define benefit obligation	4,827,173	5,017,072
Fair value of plan assets	-	-
Funded status - surplus/(deficit)	(4,827,173)	(5,017,072)
Effect of asset ceiling	-	-
Net defined benefit asset/(liability)	(4,827,173)	(5,017,072)
B. Composition of defined benefit cost		
Expense recognised in profit or loss	836,582	5,578,707
Expense recognised in other comprehensive income	992,118	-
Defined benefit cost	1,828,700	5,578,707

C. Expense recognised in statement of profit or loss

	December 31, 2023	December 31, 2022
Current service cost	535,999	486,879
Past service cost	-	5,091,828
Loss/(Gain) on settlement	-	-
Interest on DBO	300,583	-
Less: Expected interest on plan asset	-	-
Expenses recognised in profit or loss	836,582	5,578,707

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D. Amount recognised as other comprehensive income

	December 31, 2023	December 31, 2022
Actuarial (gain) or loss due to experience adjustments	992,118	-
Actuarial (gain) or loss due to changes in financial assumptions	-	-
Actuarial (gain) or loss due to changes in demographic assumptions	-	-
Return on plan assets (greater) or less than discount rate	-	-
Expenses recognised as OCI	992,118	-

E. Reconciliation of changes in present value of defined benefit obligation

	December 31, 2023	December 31, 2022
DBO at the beginning of period	5,017,072	-
Add: Current service cost	535,999	486,879
Add: Past service cost	-	5,091,828
Add: Interest cost	300,583	-
Less: Benefits paid by the plan	-	-
Less: Benefits paid by the employer	(2,018,599)	(561,635)
Actuarial (gain) or losses due to experience adjustment	992,118	-
Actuarial (gain) or losses due to change in financial assumptions	-	-
Actuarial (gain) or losses due to change in demographic assumptions	-	-
DBO at the end of period	4,827,173	5,017,072

F. Bifurcation between current & non-current liability

	December 31, 2023	December 31, 2022
Current liability	1,536,103	1,174,618
Non-current liability	3,291,070	3,842,454
Net Liability	4,827,173	5,017,072

G. Actuarial assumptions

Financial assumptions

Parameter	December 31, 2023	December 31, 2022
Discount rate	7.50%	7.50%
Salary growth rate	7.00%	7.00%

Demographic assumptions

Parameter	December 31, 2023	December 31, 2022
Mortality rate	100% of IALM (2012-14)	
Employee turnover rate	5.00%	5.00%

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iii) Transfer grant

This has been determined by actuarial method at Nu. 4,827,173 the following is the summary of travel allowance as per the actuary valuation report:

The table below shows a summary of the key results for the year ending 31 December 2023:

A. Liability recognised in the statement of financial position

	December 31, 2023	December 31, 2022
Present value of define benefit obligation	4,827,173	5,017,072
Fair value of plan assets	-	-
Funded status - surplus/(deficit)	(4,827,173)	(5,017,072)
Effect of asset ceiling	-	-
Net defined benefit asset/(liability)	(4,827,173)	(5,017,072)

B. Composition of defined benefit cost

	December 31, 2023	December 31, 2022
Expense recognised in profit or loss	836,848	5,666,631
Expense recognised in other comprehensive income	984,752	-
Defined benefit cost	1,821,600	5,666,631

C. Expense recognised in statement of profit or loss

	December 31, 2023	December 31, 2022
Current service cost	535,999	486,879
Past service cost	-	5,179,752
Loss/(Gain) on settlement	-	-
Interest on DBO	300,849	-
Less: Expected interest on plan asset	-	-
Expenses recognised in profit or loss	836,848	5,666,631

D. Amount recognised as other comprehensive income

	December 31, 2023	December 31, 2022
Actuarial (gain) or loss due to experience adjustments	984,752	-
Actuarial (gain) or loss due to changes in financial assumptions	-	-
Actuarial (gain) or loss due to changes in demographic assumptions	-	-
Return on plan assets (greater) or less than discount rate	-	-
Expenses recognised as OCI	984,752	-

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E. Reconciliation of changes in present value of defined benefit obligation

	December 31, 2023	December 31, 2022
DBO at the beginning of period	5,017,072	-
Add: Current service cost	535,999	486,879
Add: Past service cost	-	5,179,752
Add: Interest cost	300,849	-
Less: Benefits paid by the plan	-	-
Less: Benefits paid by the employer	(2,011,499)	(649,559)
Actuarial (gain) or losses due to experience adjustment	984,752	-
Actuarial (gain) or losses due to change in financial assumptions	-	-
Actuarial (gain) or losses due to change in demographic assumptions	-	-
DBO at the end of period	4,827,173	5,017,072

F. Bifurcation between current & non-current liability

	December 31, 2023	December 31, 2022
Current liability	1,536,103	1,174,618
Non-current liability	3,291,070	3,842,454
Net Liability	4,827,173	5,017,072

G. Actuarial assumptions

Financial assumptions

Parameter	December 31, 2023	December 31, 2022
Discount rate	7.50%	7.50%
Salary growth rate	7.00%	7.00%

Demographic assumptions

Parameter	December 31, 2023	December 31, 2022
Mortality rate	100% of IALM (2012-14)	
Employee turnover rate	5.00%	5.00%

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Note 37: Additional Disclosure

i) Liability for Frequent Flyer Programme

This has been determined by actuarial method at Nu. 5,675,886 (Previous Year 8,712,734). The following Actuarial estimates were used to determine the Actuarial Liability in 2021:

Redemption Rate-	33%
Loyalty Points accrued-	9,731,383
Cost Per mile-	1.90

ii) Segment Information

For management purposes, the company has only one operating segment viz. transport of people and cargo by air, mainly from Bhutan to neighboring countries. The company also transports people and cargo from India to third countries and also domestically within Bhutan, but these activities are part of the main activity. Therefore, the company's profit and loss account and balance sheet represent the results of this sole segment. During the year 2023, the company carried 201,979 number of revenue passengers, 547,888 kg of cargo (PY: 91,126 no. revenue passengers and 197,234 kg of cargo) and helicopter flight hour 763.44 (PY: 441.88 flight hours).

iii) Government grants

Grants from RGoB and other organizations relating to costs are recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate. During the year the Company recognised revenue grant of Nu. 92,542,042 (Nu. 36,899,885 for subsidy on interest expense and Nu. 55,642,156 for coupon on Bond).

iv) Benefit of interest free loan

There is an interest free loan outstanding and due to the RGoB to the extent of Nu.110 million (PY Nu.110 million) as on 31 December 2022. The estimated interest expenses of this loan have not been accounted for in the books of the Company. If the interest is considered at 9% p.a., the expenses on account of this interest for the year 2021 would be Nu 9.88 million (PY Nu.9.88 million).

A. Helicopter accident

On 3rd of March 2023, a Druk Air's Helicopter A5-BHT crashed at Wachey in Lunana at 2:25 pm BST before reaching its destination. The helicopter was carrying a family of four (father, mother and two daughters). The mother and a daughter, who were travelling onboard at the time of the accident lost their lives. The father and the other daughter survived with injuries. The expatriate pilot suffered severe injuries. The Helicopter was enroute to Wachey, Lunana from Punakha.

The Helicopter was insured under the insurance certificate reference number - Drukair

Corporation Limited/C001 A5-BHT with RICBL. The details of the insurance settlement are as follows:

B. Hull Settlement

The damage to the helicopter was assessed as major, and Charles Taylor Adjusting (CTA), London independent loss assessor was deputed for inspection and assessment of the damages. The hull settlement detail are as follows:

Payment details

Total assessed amount	: USD 3,467,500
Amount received upfront	: USD (2,900,339)
Balance amount receivable for Hull	: USD 567,161
Add other expenses	: USD 22,314
Total Balance to be received	: USD 589,475

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C. Passenger liability

As of date Drukair is yet to receive claim for the affected passengers. The passenger liability is covered through insurance under the following heads:

Liabilities

The insured's legal liability arising of their Aviation Operations including Aircraft Third Party Legal Liability, Passenger Legal Liability, Baggage liability (including personal effects), Cargo Legal Liability, for a Combined Single Limit (Bodily Injury/ Property Damage including Passenger Legal Liability) USD 20,000,000 (or currency equivalent) anyone occurrence/each aircraft.

Passenger Voluntary settlement

USD 200,000 (or currency equivalent) any one person, being within the Combined Single limit and not in addition thereto.

Druk Air will claim insurance payout from RICBL for any claims covered under the insurance policy. As of date, there has been no claim filed and as such, Druk Air is unable to estimate any liability.

Signatures for note "1 to 37" of the financial statements for and on behalf of the Board of Directors

For Rinzing Financial Private Limited:

Ms. Tashi Rinzing Schmidt, CPA
Audit Partner
CPA License No. 34762
Date: March 27, 2024
Place: Thimphu, Bhutan

RINZING FINANCIAL PRIVATE LIMITED

For Drukair Corporation Limited:

Ms. Pema Choden
Chairperson, BOD

Mr. Tandi Wangchuk
Chief Executive Officer

Ms. Dechen Peldon
General Manager, FCSD

RATIO ANALYSIS

Sl.no	Particulars	December 31, 2023	December 31, 2022
A. Ratios for assessing financial health (In numbers)			
I	Current Ratio	0.53	0.43
II	Debt equity Ratio	4.27	4.56
III	Liquid Ratio	0.31	0.33
IV	Fixed Assets to Equity	4.49	4.87
V	Fixed Assets Turnover	0.66	0.24
B. Ratios of assessing profitability (In percentage)			
I	Return on equity (%)	-4%	-57%
II	Return on Capital employed (%)	4%	-13%
III	Operation and Maintenance expenses to Traffic Revenue	6%	10%
IV	Earning Per Share	-1.46	-22.71
C. Ratios for assessing cashflow efficiency (In numbers)			
I	Cash flow turnover	0.24	0.10
II	Operation Index	17.23	0.21

RINZING FINANCIAL PRIVATE LIMITED

Drukair Corporation Limited
PO Box 1219, Paro 12001, Bhutan

www.drukair.com.bt

Drukair
Royal Bhutan Airlines
A dhi company