



# AUDIT REPORT ON THE FINANCIAL STATEMENTS OF BHUTAN TELECOM LIMITED

PERIOD: 1ST JANUARY 2021 to 31ST DECEMBER 2021

**FEBRUARY 2022** 



AUDITEDBY: KARMA & ASSOCIATE
BUILDING 109, FLAT 302, TABA LAM 14, LOWER TABA, THIMPHU;
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# TITLE SHEET

| litle:                                 | Financial Audit Report of Bhutan Telecom Limited, Thimphu  |
|--|--|
| Chairman of the Board                  | Mr. Pema L Dorji, Dept. of Immigration<br>(CID No.11407001126)   |
| Head of the Agency:                    | Mr. Karma Jurme, CEO<br>(CID No.11503000632)   |
| Drawing & Disbursing<br>Officer:       | Authorized/Joint Signatories:  1. Mr. Chendra Dorji, General Manager, Finance, (CID No.10807001758)  2. Mr. Phuntsho, General Manager, CSD; (CID No.11004000755).  3. Mr. Jichen Thinley, General Manager, CPS; (CID No. 11915000455).  4. Mr. Jambay Sither, General Manager, Operations; (CID No.11608002286)  5. Mr. Dawa Sonam, General Manager, IT; (CID No. 11410001703).  6. Mr. Jigme Thinley, General Manager, Marketing; (CID No.11512004080).  7. Mr. Sangay Wangdi, Director Business; (CID No. 11007001270).  8. Mr. Karma Tshewang, Director Technical; (CID No. 10711001986).  9. Mr. Karma Jurme, CEO; (CID No.11503000632). |
| Finance Personnel:                     | <ol> <li>Mr. Chendra Dorji, General Manager, Finance,<br/>(CID No.10807001758)</li> <li>Mr. Chokey Wangchuk, AGM, Accounts Section<br/>(CID 11503001270)</li> <li>Mr. Ugyen. Manager, Finance;<br/>(CID No. 10102002346)</li> </ol>  |
| Period Audited:                        | 1st January to 31st December 2021  |
| Schedule of Audit:                     | Planning: 28th - 9th February 2022<br>Field Audit: 2nd - 12th February 2022  |
| Composition of Audit Team:             | Karma & Associates:  1. Mr. Chimmi Dorji, FCCA, Managing Partner, CID No. 10505000244  2. Mr. Pemba Tshering, Team Leader, CID No. 10601001356  3. Mr. Tenzin Dorji, Auditor, CID No. 10716001053  4. Mr. Kinley Rinzin, Auditor, CID No. 10608003387  |
| Supervising Officer & Focal<br>Person: | Mr. Chimmi Dorji, FCCA, Managing Partner,<br>CID No. 10505000244<br>Email: kassociate2019@gmail.com  |
| Engagement Letter:                     | RAA(SA-07)/COAD/2021/2316<br>Dated: 10th December 2021   |
| Date of Audit Exit Meeting:            | 11th February 2022   |

#### **ACRONYMS & ABBREVIATION**

AASBB: Accounting and Auditing Standard Board of Bhutan ACCA: Association of Chartered Certified Accountants

BAS: Bhutanese Accounting Standards

BFRS: Bhutanese Financial Reporting Standards

BTL Bhutan Telecom Limited
CEO: Chief Executive Officer
CIB: Credit Information Bureau
CID: Citizenship Identity Card
CPA: Certified Practicing Accountants
DBO: Defined Benefit Obligation

DCCL Dungsam Cement Corporation Limited

DRP Disaster Recovery Plan
EIR: Effective Interest Rate
EPS: Earnings Per Share
F&A: Finance & Accounts

DHI

FVTOCI: Fair Value Through Other Comprehensive Income

Druk Holding Investment

FVTPL: Fair Value Through Profit & Loss

GAAP: Generally Accepted Accounting Principles

IALM: Indian Assured Life Mortality

IASB: International Accounting Standard Board

IESBA: International Ethics Standards Board for Accountants

IFRS: International Financial Reporting Standards

ISA: International Standards on Auditing

KMP: Key Management Personnel MAR: Management Appraisal Report

MD: Managing Director MoF: Ministry of Finance

NLC: National Land Commission

Nu. Ngultrum

OCI: Other Comprehensive Income

P&L: Profit & Loss

PPE: Property, Plant and Equipment

PUC: Projected Unit Method
RAA: Royal Audit Authority
R&D: Research & Development
RGoB: Royal Government of Bhutan
R&M: Repairs & Maintenance
RMA: Royal Monetary Authority
ROCE: Return on Capital Employed

SPPI: Solely Payments of Principal and Interest

SOCIE Statement of Changes in Equity

TDS: Tax Deducted at Source

TFMR: Total Fixed Monthly Remuneration

TSM Tivoli Storage Manager

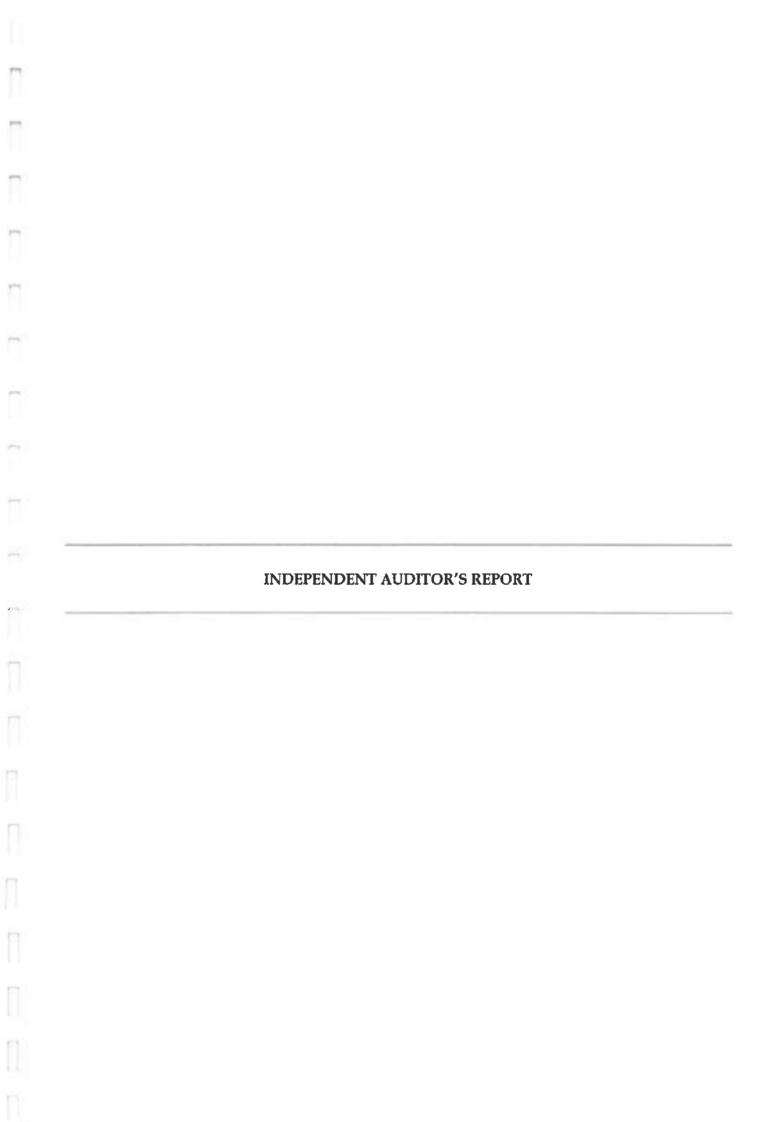
NLCS: National Land Commission Secretariat

URC: User Right Certificate

FAD: Finance and Administration Division

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#### INDEPENDENT AUDITORS' REPORT



To,
The Members of
Bhutan Telecom Limited (BTL)

## Report on the Audit of the Financial Statements

## Opinion

We have audited the financial statements of Bhutan Telecom Limited (the company), which comprise the Statement of Financial Position as at December 31, 2021, the Statement of Comprehensive Income, the Statement of Cash Flow and the Statement of Changes in Equity for the year then ended, and Notes to the financial statements, including significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and its financial performance and its cash flows for the year then ended in accordance with Bhutanese Accounting Standards (BAS).

## **Basis for Opinion**

We conducted our audit in accordance with the 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 requirements in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

# 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 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 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.

# Information other than financial statement & Auditor's Report thereon

The company's board of directors is responsible for the other information. The other information comprises the information included in Annual Report but does not included the financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit report 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.

When we read the Annual Report, if we conclude that there is material misstatement therein, we are required to communicate the matter to those charged with governance and if required issue a revised Audit report on standalone financial statement.

#### Auditor's 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 misstatement, whether due to fraud or error, and to issue an audit 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 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 have exercised professional judgment and maintained professional skepticism throughout the audit. Our responsibilities are to:

- 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 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 audit 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.

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, related safeguards. 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 the public interest benefits of such communication.

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 auditor's 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:

- We have obtained all the information and explanations, which to the best of our a) knowledge and belief were necessary for the purposes of our audit;
- In our opinion, proper books of account as required by law have been kept by the b) Company in so far as it appears from our examination of those books;
- The Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows dealt with by this report have been prepared in accordance with BAS; and
- Based on the information, explanations and management representations received during d) the course of our audit, the Company has complied with other legal and regulatory requirements to the extent applicable to the Company.

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For Karma & Associate Chartered Accountants

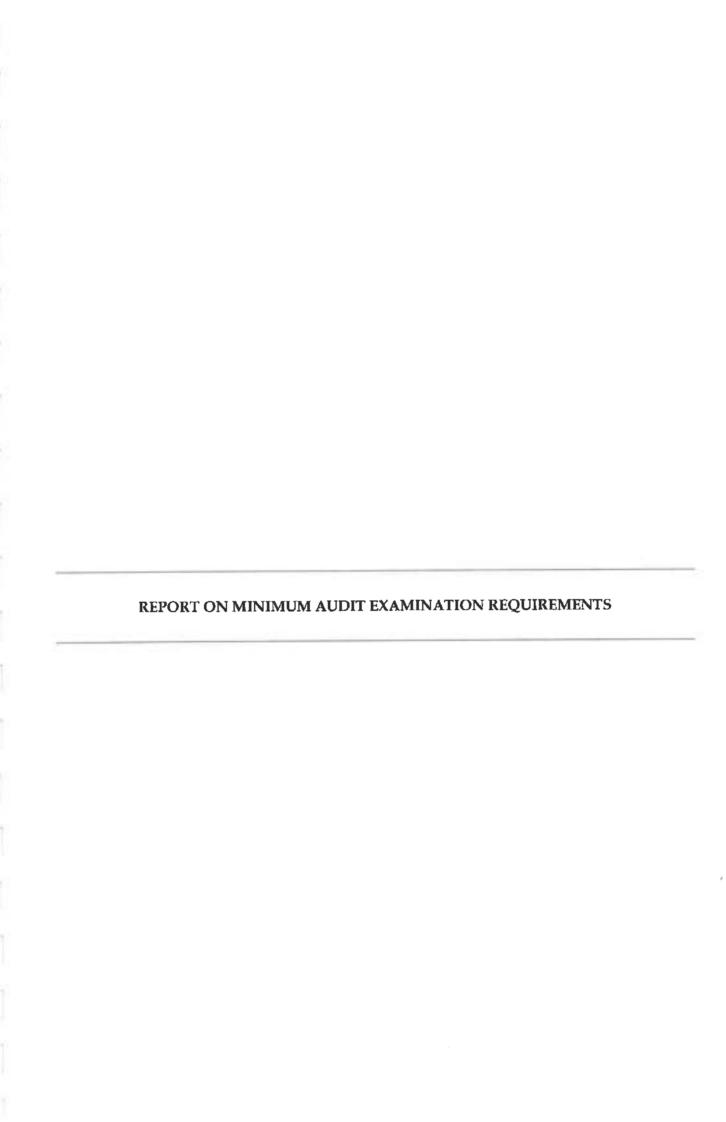
Firm Registered No.: BH-08

(Chimmi Dorji)

Partner

Place: Thimphu

Date: / 6





# MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENTS As required by Section 266 of the Companies Act of Bhutan, 2016

As required 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:

#### General:

- a) Company have adhered to the Corporate Governance Guidelines and Regulations as applicable to them.
- b) The governing board/authority pursue a prudent and sound financial management practice in managing the affairs of the company
- c) The financial statements are prepared applying the Bhutanese Accounting Standards issued by the Accounting and Auditing Standards Board of Bhutan (AASBB).
- d) The proper books of accounts have been maintained and financial statements are in agreement with the underlying accounting records.
- e) The adequate records as specified under Section 228 of the Companies Act of Bhutan 2016 have been maintained.
- f) Mandatory obligations social or otherwise, if any, entrusted are being fulfilled.
- g) The amount of tax is computed correctly and reflected in the financial statements.

Regulatory norms in examining the accounts of the corporations subject to such statutory audit contains the following:

- 1.a) The Company has maintained Property, Plant & Equipment (PPE) Register showing full particulars including quantitative details and situation of PPE.
  - b) Due to large size of regional offices and assets located at various locations, BT has decided to conduct physical verification for each region annually by the management, apart from asset custodians appointed at regional levels to conduct physical verification of fixed assets under their respective profit centres, and there were material variances that were identified in between the asset register and the physical assets on floor, the discrepancies have been properly dealt with in the books of accounts.
  - c) Bhutanese Accounting Standards (BAS)-16 Property, Plant and Equipment states that the residual value and the useful life of an asset shall be reviewed at least at each financial yearend. The Company have adequate policy to review residual value and useful life of assets in relation to the size of the Company and the nature of its business.
- The fixed assets of the Company have not been revalued during the year under audit.

- As explained to us, physical verification of inventories has been conducting at reasonable intervals by a committee nominated by the management for reconciling Inventories between the System and actual physical inventories.
- In our opinion, the procedures followed for physical verification of inventories are considered reasonable and adequate in relation to the size of the Company and the nature of its business.
- 5. According to information given to us, the Company is conducting physical verification of Inventory in quarterly basis and no material discrepancies were noticed during review of quarterly reports. Quantitative reconciliation has been carried out during the year in respect of all major items of inventories at the end of the accounting period.
- 6. On the basis of our examination and information's given to us, the Company has maintained reasonable system of recording receipts, issues and consumption of materials and stores and allocating materials consumed to the respective jobs, commensurate with its size and nature of its business.
- 7. In our opinion and basis of information given to us, the quantitative reconciliation is carried out at least at the end of accounting year in respect of all major items of inventories by the Company.
- The Company has adequately created provision for obsolete, damaged, slow moving and surplus goods/inventories which is based on policy of the Company. Provision made for the year is Nu. 7.98 million.
- 9. As explained to us, the unserviceable or damaged inventories were disposed through open auction at regular interval as per the inventory management manual 2019.
- 10. According to information given to us, the approval of appropriate authority is obtained for writing off amounts due to material loss/discrepancies in physical/book balances of inventories including Tele equipments, stores and spares.
- 11. On the basis of our examination of stock records, we are satisfied that the valuation is fair and proper in accordance with the applicable Accounting Standards issued by the Accounting and Auditing Standard Board of Bhutan (AASBB). The basis of valuation of stock is same as that in the previous year. In addition, the Company has adequate provision for impairment in value of inventory lying for long time (refer to note 8 of this clause).
- 12. As informed to us, the Company has liquidated both the NPPF and BOBL secured loan during year and no secured/unsecured loans were availed during year. Hence, said clause in not applicable.
- 13. In our opinion and information given to us, the Company have refrained from granting loans to other parties which are ultra-vires to the Article of Incorporation and other relevant Acts and regulations.
- 14. The advances granted to officers/staffs are in keeping with the provision of service rules. No excessive/frequent advances are granted and accumulation of large advances against particular individual is avoided.
- 15. In our opinion and according to the information and explanations given to us, the Company has established system of internal control in place to ensure completeness, accuracy, and reliability of accounting records, for carrying out the business in an orderly and efficient manner, to safeguard the assets of the Company as well as to ensure adherence to the rules & regulations, systems and procedures.

- 16. According to the information and explanation given to us, the Company has reasonable system of authorization at proper levels, and adequate system of internal control commensurate with the size of the Company and nature of its business, on issue of stores and allocation of materials and labour to jobs.
- 17. In our opinion and according to information and explanations given to us, the Company has reasonable system of obtaining competitive bids/quotations from the vendors in respect of purchase of stores, plant & machinery, equipment and other assets commensurate with the size of the Company and nature of its business.
- 18. (a) As informed to us, there is no transaction for purchase and sale of goods and services made in pursuance of contracts or agreements entered into with the directors or any other parties related to directors or with the Company or firms in which the directors are directly or indirectly interested.
  - (b) The examination of records does not reveal any transaction entered into by the Company which is prejudicial to the interest of the Company wherein the directors are directly or indirectly interested.
- 19. According to the information and explanations given to us, the expenses charged to the Company accounts represent legitimate business expenses and no personal expenses have been debited to the Statement of Comprehensive Income, excepting those payable under contractual obligations.
- 20. According to the records, no unserviceable or damaged inventories, Tele equipments or spares parts were determined during year 2021 if any have been properly dealt in books of account.
- 21. As explained to us, the Company, in generally, has a reasonable system of ascertaining and identifying point of occurrence of breakage/damages of stores, spares and capital goods while in transit, during loading/unloading in storage and during handling etc. so that responsibility could be fixed and compensation sought from those responsible.
- 22. Since Company is majorly into service sector, it is maintaining records related to service inventory as well as consumable inventory on proper basis. Proper controls have been put in place to ensure the safety of inventory of the Company.
- 23. The Company is maintaining reasonable records for sales and disposal of unusable and scrap items.
- 24. According to the records, the Company is generally regular in depositing rates and taxes, duties etc. and other statutory dues with the appropriate authorities during the year 2021. Provision for Corporate Income Tax is adequate and necessary adjustments have been made to compute the amount of tax required to be paid under The Rules on the Income Tax Act of Bhutan, 2001, and has been appropriately disclosed in the financial statement.
- 25. According to the books records and the computation of tax, Company has payable of Corporate Income Tax (CIT) Nu. 436.81 million for year 2021 and no other undisputed amount payable in respect of rates and taxes, royalties, provident funds and other statutory deductions at the yearend.
- 26. The Company is a service oriented organization and not a manufacturing concern and there is no system of allocating man hours utilized to the respective jobs etc.
- 27. The said clause is not applicable in view of its nature of business.

- 28. The credit sales policy and credit rating of customers is not applicable for the Company.
- 29. The Company has engaged some agents in connection with BT products and services through appropriate screening. The agency commission structure is in keeping with the industry norms / market conditions. Generally the Company has adequate system of evaluating performance of each agent on a periodic basis.
- 30. We are given to understand that, the Company has reasonable system of follow-up with debtors and other parties for recovery of outstanding amounts. The management have also done age-wise analysis of outstanding amount to realize the old debts and follow-up action.
- 31. According to records, the management of liquid resources particularly cash / bank and short-term deposits etc. are reasonably adequate in respect of nature and size of the business. During the year, Company could not deposit excess Cash in the interest-bearing deposits with any financial institutions in the country, due to excess liquidity with banks and their denial to accept any term deposits from corporate entities.
- 32. According to the information and explanations given to us and on the basis of examination of books and records on test check basis, the activities carried out by the Company are in our opinion lawful and intra-vires the Articles of Incorporation of the Company.
- 33. According to the information and explanations given to us, the Company has a system of approval of the Board for all capital investment decision and investments in new projects are made only after ascertaining the technical and economic feasibility.
- 34. The Company has established an adequate and effective budgetary control system.

- 35. The Company does not have a costing system to ascertain cost of its services and the current practice is based on estimation. The Company is going to upgrade its systems for having better revenue allocation and cost management.
- 36. The details of remuneration to the Board of Directors including the Chief Executive Officer have been indicated in the Notes to the Accounts.
- 37. In our opinion and on the basis of information and explanations given to us, the directives of the Board issued have been complied with.
- 38. According to the information and explanations, we are given to understand that the officials of the Company have not transmitted any price sensitive information, which is not made publicly available, unauthorized to their relatives/friends/associates, or close persons, which would directly or indirectly benefit themselves. We have however relied on the management assertion on the same and cannot independently verify the same.
- 39. According to our examination of books and records, the Company have maintained proper records for inter unit transaction/ service. The periodic reconciliations also done between its units.
- 40. In our opinion, the Company has maintained reasonable records related to leases and other items. As of date there is no machinery/ equipment's are acquired on lease or leased out to others.
- 41. To the extent revealed by our examination, the Company maintains a reasonable system of costing to ascertain the cost of its services and enable 1.50 make proper pricing decisions for its services.

# **Computerized Accounting Environment**

- The Company has introduced and operating in SAP ERP environment since 2014. In our
  opinion the system development controls and other internal control system were adequate
  with respect to size and nature of computer installations.
- 2. In our opinion, the Company appears to have taken adequate measures and back up facilities commensurate with the size and nature. As explained, the Company has a main system at Thimphu and standby server installed at Phuentsholing and backup is going on daily basis with complete backup with two way process. Firstly, data backup are going on system and then it takes it to TSM server on daily basis.
- 3. The Company has a Disaster Recovery Plan (DRP) in place, the Company keeps a back-up data for the entire Company in a standby server installed at Phuentsholing and the same is being maintained at Thimphu.
- 4. The operational controls in the Company are adequate to ensure correctness and validity of input data and output information.
- 5. According to the information and explanations given to us, measures to prevent unauthorized access to the computer installation and files are adequate.
- 6. Since, no data migration to new system during year, the said clause is not applicable.

#### **GENERAL**

# 1. Going Concern Issues

On the basis of the attached Financial Statements as at 31 December, 2021 and according to the information and explanations given to us, the financial position of the company is healthy and we have no reason to believe that the Company is likely to become sick in the near future.

#### 2. Ratio Analysis

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

# 3. Compliance of Companies Act of Bhutan, 2016:

The Company has complied with the provisions of The Companies Act of Bhutan 2016 concerning conducting of meetings, filing requirements, maintenance of records, issue of shares, raising of loans and all other matters specified in the said Act.

# 4. Adherence of Laws, Rules & Regulations:

The audit of the Company is governed by the Companies Act of Bhutan, 2016 and the scope of audit is limited to examination and review of the financial statements, as produced to us by the management. In the course of audit, we have reviewed compliance to the Companies Act and its Articles of Incorporation and as explained to us, the Company has been complying with appropriate laws, rules and regulations, systems, procedures and practices.

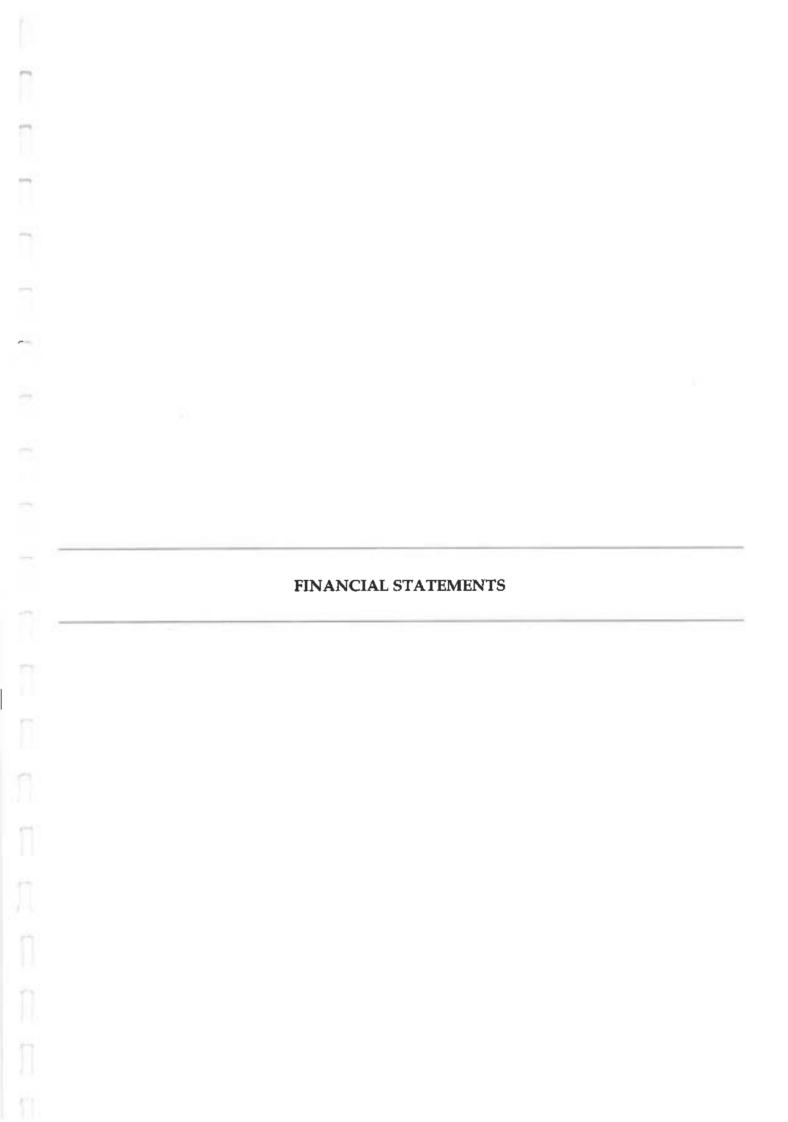
For Karma & Associate Chartered Accountants Firm Registered No.: BH-08

(Chimmi Dorji) Partner

Place: Thimphu

Date: 16/2/2022

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| Bhutan Telecom Limited                                    |
|---|
| Statement of Financial Position as at 31st December, 2021 |

| Particulars   | Note<br>no. | As at 31st<br>December,2021 | As at 31st<br>December,2020 |
|---|-------------|-----------------------------|-----------------------------|
| I. ASSETS:  |             |                             |                             |
| Non-current assets                                  |             |                             |                             |
| Property, plant and equipment                       | 2(a)        | 3,083,111,657               | 3,410,461,431               |
| Intangible assets                                   | 2(b)        | 704,978,376                 | 840,939,889                 |
| Capital work-in-progress                            | 2(c)        | 883,010,095                 | 78,625,176                  |
| Investments   | 3           | 4,276,493                   | 15,847,192                  |
| Other receivable                                    | 4           | -                           | 1,000,000                   |
| Deferred tax assets (net)                           | 5           | 397,739,024                 | 429,165,698                 |
| Other non-current assets                            | 6           | 156,139                     | 4,615,616                   |
| Total Non-current Assets                            |             | 5,073,271,784               | 4,780,655,001               |
| Current assets                                      |             |                             |                             |
| Investments   | 7           | 16,849,534                  | 602,849,126                 |
| Inventories   | 8           | 146,617,242                 | 34,071,870                  |
| Trade receivables                                   | 9           | 89,774,006                  | 116,014,798                 |
| Cash and bank balances                              | 10          | 2,056,469,063               | 1,163,196,976               |
| Loans   | 11          | -                           | 400,000,000                 |
| Other receivable                                    | 12          | 717,492                     | 893,149                     |
| Other current assets                                | 13          | 68,416,230                  | 10,373,541                  |
|   |             | 2,378,843,567               | 2,327,399,459               |
| Asset classified as held for distribution to owners | 14          | 5,964,125                   | 99,285,178                  |
| Total Current Assets                                |             | 2,384,807,692               | 2,426,684,638               |
| Total Assets  |             | 7,458,079,475               | 7,207,339,638               |
| II. EQUITY AND LIABILITIES:                         |             |                             |                             |
| EQUITY  |             |                             |                             |
| Equity share capital                                | 15          | 4,000,000,000               | 4,000,000,000               |
| Other equity  | 16          | 1,825,502,021               | 1,483,260,741               |
| Total equity  |             | 5,825,502,021               | 5,483,260,741               |
| Non-current Liabilities                             |             |                             |                             |
| Long term borrowings                                | 17          | -                           | 84,279,486                  |
| Other payables                                      | 18          | 31,439,832                  | 62,523,889                  |
| Deferred government grants                          | 19          | 450,417,819                 | 563,775,802                 |
| Employee benefit obligation                         | 20          | 38,670,675                  | 123,373,504                 |
| Total non-current liabilities                       | S Asso      | 520,528,326                 | 833,952,680                 |

| Current Liabilities          |    |               |               |
|------------------------------|----|---------------|---------------|
| Trade and other payables     | 21 | 260,964,372   | 67,226,23     |
| Other payables               | 22 | 64,528,669    | 164,397,24    |
| Short term provision         | 23 | 512,159,534   | 527,228,90    |
| Other current liabilities    | 24 | 259,556,309   | 115,677,32    |
| Employee benefit obligation  | 25 | 14,840,243    | 15,596,51     |
| Total Current Liabilities    |    | 1,112,049,128 | 890,126,218   |
| Total Liabilities            |    | 1,632,577,454 | 1,724,078,897 |
| Total Equity and Liabilities |    | 7,458,079,475 | 7,207,339,638 |

For Karma & Associate

Chartered Accountants

Asso

arreved No

(Firm Reg. No. BH08)

(Chimmi Dorji)

Partner

Place: Thimphu

Date: 8/3/22

For and on behalf of board of directors

Chairman

# Bhutan Telecom Limited Statement of Comprehensive Income for the year ended 31st December,2021

| Particulars   | Note No. | 31December,2021             | 31December,2020             |
|---|----------|-----------------------------|-----------------------------|
| Income:   |          |                             |                             |
|   | 24       | 5,336,295,311               | 4,708,529,145               |
| Income from operations Other income                             | 26<br>27 | 46 501 075                  | 77 225 554                  |
| Other income  | 27       | 46,521,275<br>5,382,816,586 | 77,225,556<br>4,785,754,700 |
| Expenses:   |          | 3,302,010,300               | 4,703,734,700               |
| Network operating expenses                                      | 28       | 620,186,544                 | 551,380,137                 |
|   |          | 247 001 047                 | 25 4/0 415                  |
| Cost of trading goods   | 29       | 247,891,946                 | 27,468,417                  |
| Employee benefit expenses                                       | 30       | 407,553,310                 | 384,172,154                 |
| Depreciation and amortization                                   | 31       | 887,994,358                 | 944,928,543                 |
| Finance cost  | 32       | 13,996,848                  | 34,130,668                  |
| Other expenses  | 33       | 288,963,575                 | 571,938,143                 |
| Profit Before Tax   |          | 2,466,586,582               | 2,514,018,063               |
| Profit Before Tax   |          | 2,916,230,004               | 2,271,736,639               |
| Tax expenses:   | 34       |                             |                             |
| Prior Period Tax  |          | 18,205,314                  |                             |
| Current tax   |          | 886,452,853                 | 750,776,588                 |
| Deferred income tax   |          | 31,426,672                  | (17,280,115)                |
| Total tax expense   |          | 936,084,840                 | 733,496,473                 |
| Profit after tax for the year                                   |          | 1,980,145,165               | 1,538,240,166               |
| Other comprehensive income                                      |          |                             |                             |
| Re-measurement (gains)/losses on defined<br>benefit plans       |          | (5,423,505)                 | (16,568,365)                |
| Income tax relating to component for other comprehensive income |          | 1,627,052                   | 4,970,510                   |
| Other comprehensive income, net of tax                          |          | (3,796,454)                 | (11,597,856)                |
| Total comprehensive income for the year                         |          | 1,983,941,618               | 1,549,838,021               |
| Earnings Per Share  | 35       | 495                         | 461                         |

For Karma & Associate Chartered Accountants

(Firm Reg. No. BH08)

(Chimmi Dorji)

Partner

Place: Thimphu

Date: 8 3 22

For and on behalf of board of directors

Chairman

# Bhutan Telecom Limited Statement Of Changes In Equity For The Year Ended 31st December, 2021

| Particulars  | Share capital | Retained<br>earnings | Total Equity    |  |  |
|--|---------------|----------------------|-----------------|--|--|
| Balance as at 31 December,2019   | 854,082,000   | 3,786,007,427        | 4,640,089,427   |  |  |
| Profit for the year 2020 * Note: Prior period expense of Nu. 6,336 adjusted with retained earnings |               | 1,538,246,502        | 1,538,246,502   |  |  |
| Other Comprehensive Income   |               | 11,597,856           | 11,597,856      |  |  |
| Dividend for the year  |               | (771,758,326)        | (771,758,326)   |  |  |
| Bonus share issue during the year  | 3,145,918,000 | (3,145,918,000)      |                 |  |  |
| Add back: Depreciation   | 50            | 45,891,111           | 45,891,111      |  |  |
| Add back: Brand & Management fee   |               | 19,194,171           | 19,194,171      |  |  |
| Balance at 31 December,2020  | 4,000,000,000 | 1,483,260,741        | 5,483,260,741   |  |  |
| Profit for the year 2021   | 1.00          | 1,980,145,165        | 1,980,145,165   |  |  |
| Other Comprehensive Income   |               | 5,423,505            | 5,423,505       |  |  |
| Dividend for the year  |               | (1,550,000,000)      | (1,550,000,000) |  |  |
| Land transferred to DHI  |               | (93,321,053)         | (93,321,053)    |  |  |
| Balance at 31 December,2021  | 4,000,000,000 | 1,825,502,021        | 5,825,502,021   |  |  |

For Karma & Associate

Chartered Accountants

(Firm Reg. No. BH08)

(Chimmi Dorji)

Tered No

Partner

For and on behalf of board of directors

Chairman

Place: Thimphu

Date: 8 3

| Bhutan Telecom Limited                                     |  |
|--|--|
| Cash flow statement for the year ended 31st December, 2021 |  |

| Particulars   | 31st December,<br>2021       | 31st December<br>2020       |  |  |
|---|------------------------------|-----------------------------|--|--|
| Cash flow from operating activities   |                              |                             |  |  |
| Net profit before tax   | 2,936,062,370                | 2,271,742,975               |  |  |
| Add/Less: Gain on sale of property plant and equipment  | (4,054,266)                  | (5,280)                     |  |  |
| Add/Less: Gain or loss on scrapping/retirement of assets  | 3,070,595                    | 10,903,592                  |  |  |
| Add/Less: Inventory loss (gain) on physical verification Add/Less: Provision for loss allowance | 9,180,518                    | 9,529,411                   |  |  |
| Add/Less: BAS adj on interest expense on License fee<br>Add/Less: PPE adj related to last year  | 7,766,404                    | (33,482,192)                |  |  |
| Add/Less: Adj for last year accounted in SOCIE  | -                            | 65,085,283                  |  |  |
| Add/Less: Provision for old inventories Add/Less: Foreign exchange loss/(gain)                  | -                            | _                           |  |  |
| Add: Less: Re-measurement gain/loss   | 5,423,505                    | 16,568,365                  |  |  |
| Net profit before tax and after adjustment of provisions  | 2,957,449,126                | 2,340,342,155               |  |  |
| Adjustment for:   |                              |                             |  |  |
| Depreciation during the year  | 887,994,358<br>11,918,855    | 1,060,139,308<br>32,526,659 |  |  |
| Interest paid<br>Interest received  | (17,435,796)                 | (43,507,186)                |  |  |
| Net profit from operating activities before working capital changes                             | 3,839,926,543                | 3,389,500,936               |  |  |
| Adjustment for:   | (440 E4E 050)                | 2 721 220                   |  |  |
| Inventories Non-current/current financial and other assets                                      | (112,545,372)<br>993,649,682 | 3,721,229<br>150,246,099    |  |  |
| Non-current/current financial and other liabilities/provisions                                  | 86,099,094                   | (300,450,494)               |  |  |
| Cash generated from operating activities  | 4,807,129,948                | (146,483,167)               |  |  |
| Income tax paid   | (950,975,972)                | (525,787,898)               |  |  |
| Net cash flow from operating activities   | 3,856,153,972                | 2,717,229,867               |  |  |
| Cash flow from investing activities   |                              |                             |  |  |
| Payment for property plant and equipment  | (360,319,580)                | (474,919,041)               |  |  |
| Payment for intangible assets   | (179,565,754)                | (266,415,545)               |  |  |
| Payment for capital work in progress Sale of property plant and equipment (actual cash          | (804,384,919)<br>10,150,912  | (41,391,471)<br>252,619     |  |  |
| received) Interest earned on fixed deposits   | 17,435,796                   |                             |  |  |
| Net cash used in investing activities   | (1,316,683,544)              | (738,966,252)               |  |  |

| Cash flow from financing activities                              |                 |                 |
|--|-----------------|-----------------|
| Term loan (long term borrowings)                                 | (84,279,486)    | (117,303,534)   |
| Payment of dividend  | (1,550,000,000) | (771,758,326)   |
| Interest paid on Loans   | (11,918,855)    | (32,526,659)    |
| Net cash used in financing activities                            | (1,646,198,340) | (1,436,799,285) |
| Net Increase/(decrease) in cash and cash equivalents             | 893,272,087     | 541,464,332     |
| Cash and cash equivalents at the beginning of the financial year | 1,163,196,976   | 621,732,645     |
| Effect of exchange rate changes on cash and cash equivalents     |                 |                 |
| Closing cash and cash equivalents                                | 2,056,469,063   | 1,163,196,976   |
| Increase/(decrease) in cash and cash equivalents                 | 893,272,087     | 541,464,331     |

For Karma & Associate

Chartered Accountants (Firm Reg. No. BH08)

(Chimmi Dorji) Partner

Place: Thimphu

Date: 8/3 22

For and on behalf of board of directors

Chairman

| NOTES TO FINANCIAL STAT | <b>TEMENTS</b> |  |
|-------------------------|----------------|--|
|                         |                |  |
|                         |                |  |

Note: 2(a)(b)(c) Property, Plant and Equipment Notes to the standalone financial statements as at 31st December, 2021 **Bhutan Telecom Limited** 

| Assets: Software 2,113,819,430 179,565,754 - 2,293,385,184 1,343,892,586 280,020,745 applications# License# 532,597,835 532,597,835 461,584,790 35,506,522  Total (A) 2,646,417,265 179,565,754 - 2,825,983,019 1,805,477,376 315,527,267 | 2,113,819,430 179,565,754 - 2,293,385,184 1,343,892,586 532,597,835 - 532,597,835 461,584,790 | NIALA D. Internation                                 | raticulars 01.01.2021 Addition Adjustment 31.12.2021 01.01.2021 Addition Adjustment | Gross Block Accumulated Depreciation | Total (A) 10,787,284,257 360,319,580 28,578,214 11,119,025,623 7,376,822,824 685,825,074 26,733,9 | Vehicles# 114,685,186 15,167,683 9,581,203 120,271,665 76,349,021 11,992,970 9,477,625 | Furniture and 24,374,686 850,904 27,588 25,198,002 15,148,917 1,696,592 25,6 | Power system and 2,360,204,555 121,939,045 2,107,622 2,480,035,978 1,451,585,844 159,518,053 1,304,037 cables# | Office equipments# 105,454,705 12,840,100 1,143,794 117,151,011 80,502,375 9,696,651 1,247,351 | Telephone 7,374,793,932 200,727,617 15,718,006 7,559,803,543 5,486,025,028 471,410,931 14,679,277 | Assets:  Buildings# 807,771,193 8,794,231 - 816,565,424 267,211,639 31,509,878 | Note A: Tangible | raticulars 01.01.2021 Addition Adjustment 31.12.2021 01.01.2021 Addition Adjustment | Gross Block Accumulated Depreciation |
|---|---|--|---|--------------------------------------|---|--|--|--|--|---|--|------------------|---|--------------------------------------|
| Accumulated D Addition A 280,020,745 315,527,267  | Accumulated D Addition A 280,020,745 35,506,522   | 685,825,074 Accumulated D Addition A                 | 685,825,074 Accumulated D   | 685,825,074                          | 11,592,570  | 11 000 070   |  | 159,518,053  | 9,696,651  | 471,410,931   |  |                  | Addition  | Accumulated Depr                     |
| 26,733,931 8,035,913,967 3,083,111,655 3,410,461,432  repreciation  | 33,931 8,035,913,967 aciation timent 31.12.2021 - 1,623,913,331 497,091,312                   | 33,931 8,035,913,967<br>eciation<br>tment 31.12.2021 | 33,931 8,035,913,967  | 33,931 8,035,913,967                 |   | 77,625 78,864,366  | 25,641 16,819,867  | 04,037 1,609,799,860   | 47,351 88,951,675  | 79,277 5,942,756,682  | 298,721,517  |                  | tment 31.12.2021  | ciation                              |
| 3,083,111,655<br>Net I<br>31.12.2021<br>369,471,852<br>35,506,523<br>704,978,376  | 3,083,111,655<br>Net J<br>31.12.2021<br>669,471,852<br>35,506,523                             | 3,083,111,655<br>Net I<br>31.12.2021                 | 3,083,111,655<br>Net  | 3,083,111,655                        | 41,407,299  |  | 8,378,135  | 870,236,117  | 28,199,335   | 1,617,046,860   | 517,843,907  |                  | 31.12.2021  | Net Block                            |
| ,655 3,410,461,432  Net Block 21 31.12.2020  ,852 769,926,844 ,523 71,013,045  ,376 840,939,889   | 3,410,461,432<br>Block<br>31.12.2020<br>769,926,844<br>71,013,045                             | 3,410,461,432<br>Block<br>31.12.2020                 | 3,410,461,432<br>3lock  | 3,410,461,432                        |   | 38,336,164   | 9,225,770  | 908,618,711  | 24,952,329   | 1,888,768,904   | 540,559,554  |                  | 31.12.2020  | llock                                |



| Particulars                                   | Dec 31, 2021 | Dec 31, 2020 |
|---|--------------|--------------|
|   |              |              |
| Investment in fixed deposits                  | 4,000,000    | 15,000,000   |
| Accrued income on investments                 | 276,493      | 847,192      |
|   |              |              |
| Total   | 4,276,493    | 15,847,192   |
| Note: 4 Other Receivable : Non-Current        |              |              |
| Particulars                                   | Dec 31, 2021 | Dec 31, 2020 |
| Security deposit with BOB                     | -            | 1,000,000    |
| Total   | -            | 1,000,000    |
| ote: 5 Deferred Tax Assets (Net)              | .,           |              |
| Particulars                                   | Dec 31, 2021 | Dec 31, 2020 |
| Deferred Tax Assets                           |              |              |
| Property, plant and equipment                 | 352,942,378  | 398,522,874  |
| Staff training cost                           | -            | -            |
| Provision for leave encashment                | 7,191,165    | 6,131,151    |
| Provision for doubtful debt                   | 10,501,089   | 12,254,575   |
| Provision for bonus                           | 21,463,462   | 11,029,127   |
| Deferred rent                                 | 175,398      | 178,214      |
| Provision for Salary Indexation               | 1,800,000    | -            |
| Provision for separation allowance            | 2,493,032    | 2,339,045    |
| Provision for carriage allowance              | 1,124,758    | 1,146,878    |
| Provision for travel allowance                | 2,493,032    | 2,339,045    |
| Amortisation of licence fees                  | 2,1,0,002    | _,557,010    |
| Total   | 400,184,313  | 433,940,908  |
| Deferred Tax Liability                        |              |              |
| Deferred liability on account of licence fees | 2,445,289    | 4,775,210    |
|   | 2,445,289    | 4,775,210    |
| Total   | 397,739,024  | 429,165,698  |
| ote: 6 Other Non-Current Assets               |              |              |
| Particulars                                   | Dec 31, 2021 | Dec 31, 2020 |
| Prepaid expense - noncurrent                  | _            | 4,468,400    |
| Deferred Rent                                 | 156,139      | 147,21       |
|   |              | 4,615,61     |



| Note: 7 Investments: current Particulars                                    | Dec 31, 2021                | Dec 31, 2020               |
|---|-----------------------------|----------------------------|
| Investment in short term deposits with FIs<br>Accrued income on investments | 16,000,000<br>849,534       | 600,000,000<br>2,849,126   |
| Total   | 16,849,534                  | 602,849,126                |
| Note: 8 Inventories   |                             |                            |
| Particulars   | Dec 31, 2021                | Dec 31, 2020               |
| Inventory-Consumables<br>Inventory - Traded Goods                           | 8,004,885<br>146,598,605    | 6,280,684<br>35,844,991    |
| Provision for Inventories   | (7,986,249)                 | (8,045,813)                |
| Total Inventories   | 146,617,242                 | 34,071,870                 |
| Note: 9 Trade receivables - current   |                             |                            |
| Particulars   | Dec 31, 2021                | Dec 31, 2020               |
| Unsecured, considered good  | 123,906,807                 | 156,863,380                |
| Less:- Loss allowance   | (34,132,801)                | (40,848,582)               |
| Total   | 89,774,006                  | 116,014,798                |
| Note: 10 Cash and bank balances   |                             |                            |
| Particulars   | Dec 31, 2021                | Dec 31, 2020               |
| Cash in hand<br>Balances lying with bank and current account                | 11,827,386<br>2,044,641,678 | 2,873,945<br>1,160,323,031 |
| Total   | 2,056,469,063               | 1,163,196,976              |
| Note: 11 Loans  |                             |                            |
| Particulars   | Dec 31, 2021                | Dec 31, 2020               |
| Secured Inter corporate loans given -DoCs                                   | _                           | 400,000,000                |
| Total   | -                           | 400,000,000                |
| Note: 12 Other receivables - current  |                             |                            |
| Particulars   | Dec 31, 2021                | Dec 31, 2020               |
| Security deposit - others   | 717,492                     | 893,149                    |
| Total   | 717,492                     | 893,149                    |



| Particulars   | Dec 31, 2021          | Dec 31, 2020 |
|---|-----------------------|--------------|
| Advance to suppliers  | 48,991,842            | 142,000      |
| Advance to others   | 801,264               | 805,613      |
| Prepaid expense   | 15,563,275            | 4,750,823    |
| Balance with government authority:                                      |                       |              |
| Tax Deducted at Source-Asset  | 3,059,850             | 4,675,103    |
| Advance Income Tax  |                       |              |
| Total   | 68,416,230            | 10,373,543   |
| Note: 14 Asset classified as held for distribution to or<br>Particulars | wners<br>Dec 31, 2021 | Dec 31, 2020 |
|   |                       |              |
| Asset classified as held for distribution to owners                     | 5,964,125             | 99,285,17    |

#### NOTE:-

In the meeting of the Board of Directors of the company held on 18th January 2018, the Board has decided to transfer the ownership of lands to its holding Company i.e. Druk holding & investment limited (DHI) in accordance with the DHI land policy 2016 and also the letter received from DHI with reference number DHI/DOI/PIU/Lands/2017/654 dated 8th November 2017. The transfer is to be done at book value and no consideration will be received from the holding company.

Non cash asset transfer has been accounted in the books of the company in compliance with the requirements of Accounting Standard Interpretation - 17 " Distributions of non-cash assets to owners", issued by Accounting and Auditing Standards Board of Bhutan. ASI 17 requires to recognise a liability in the books to distribute non cash asset as a dividend to its shareholder at fair value of the assets to be distributed with a corresponding liability for dividend payable.

Measurement of Land: - Due to the large volume of the land and the distinct location of many of the lands, it was impracticable for the company to determine the fair value of the lands and hence, the transaction has been accounted at carrying value of the lands. As on 31.12.2021, Bhutan Telecom has transferred land worth Nu. 93,321,053 to DHI, these lands are located in various Dzongkhags in the country.



| Note: 15 Equity share capital  |               |               |
|--|---------------|---------------|
| Particulars  | Dec 31, 2021  | Dec 31, 2020  |
| Authorized equity share capital  |               |               |
| 5,000,000 equity shares of Nu. 1000 each   | 5,000,000,000 | 5,000,000,000 |
| Issued, subscribed and fully paid-up equity share capital 4,000,000 equity Shares of Nu. 1000 each | 4,000,000,000 | 4,000,000,000 |
|  | 4,000,000,000 | 4,000,000,000 |

(i) Terms / rights attached to equity shares

The Company has only one class of equity shares having a par value of Nu.1000/- per share. Each holder of equity shares is entitled to one vote per share. Each holder of these ordinary shares are entitled to receive dividends as and when declared by the company.

(ii) Details of shareholding of the company

|                                 | Dec 3            | 31, 2021     | Dec 31        | , 2020       |
|---------------------------------|------------------|--------------|---------------|--------------|
| Particulars Particulars         | No. of<br>Shares | % of holding | No. of Shares | % of holding |
| Druk Holdings & Investment Ltd. | 4,000,000        | 100          | 4,000,000     | 100          |
| Total                           | 4,000,000        | 100          | 4,000,000     | 100          |

iii Reconciliation of number of shares

|   | Dec 31,2021      |               | Dec 31,2021   |               |
|---|------------------|---------------|---------------|---------------|
| Particulars   | No. of<br>Shares | Amount        | No. of Shares | Amount        |
| Equity shares At the beginning of the year Issued during the year | 4,000,000        | 4,000,000,000 | 4,000,000     | 4,000,000,000 |
| Outstanding at the end of the year                                | 4,000,000        | 4,000,000,000 | 4,000,000     | 4,000,000,000 |

Note 16: Other equity

| Particulars  | Dec 31,2021     | Dec 31,2020     |
|--|-----------------|-----------------|
| Retained Earnings  | 1,483,254,405   | 3,786,007,427   |
| Particulars  | 31 Dec,2021     | 31 Dec,2020     |
| Opening balance  | 1,483,254,405   | 3,786,007,427   |
| add: Add back of depreciation<br>and Provision for brand &<br>management fee | -               | 65,085,283      |
| Reduction retained earnings due to insurance of bonus shares                 | -               | (3,145,918,000) |
| Land transferred to DHI  | (93,321,053)    |                 |
| Add: Profit for the year   | 1,980,145,165   | 1,538,240,166   |
| Add: Other compressive income for the year                                   | 5,423,505       | 11,597,856      |
| Less: Dividend for the year  | (1,550,000,000) | (771,758,326)   |
| Closing balance  | 1,825,502,021   | 1,483,260,741   |

Retained earnings are the profit that the company has earned till the reporting date, less any transfer to general reserve, dividends or other distribution made to shareholders.



| Note: 17 - Long term borrowings |             |             |
|---------------------------------|-------------|-------------|
| Particulars                     | Dec 31,2021 | Dec 31,2020 |
| Long term loan - BOB & NPPF     | -           | 84,279,486  |
|                                 | -           | 84,279,486  |

The Company has borrowed funds from Bank of Bhutan (BOB) amounting to Nu. 450,000,000 as on 1 October 2017. The term loan is subject to 1 year's moratorium period and thereafter 7% p.a. repayable in 20 equal quarterly instalments of Nu. 26,890,000 each. The said loan is secured by hypothecation of property (vehicles, PPE and tools) to BOB by way of first charge as security. During the year, management has decided to liquidate entire principal outstanding along with applicable interest on the said loan on 1st October,2021

Note: 18 Other Payables - Non-current

| Particulars                             | Dec 31,2021  | Dec 31,2020  |
|---|--------------|--------------|
| License fees payable                    | 61,782,630   | 90,639,198   |
| Less:- Current maturity (refer note 22) | (38,850,000) | (38,850,000) |
|   | 30,699,034   | 61,782,630   |
| Deferred Rent                           | 740,799      | 741,259      |
| Total                                   | 31,439,832   | 62,523,889   |

Note: 19 Deferred government grants

| Particulars                 | Dec 31,2021 | Dec 31,2021 |
|-----------------------------|-------------|-------------|
| Grant from RGoB*            | 47,137,317  | 69,691,138  |
| Grant from RGoB             | 18,617,639  | 18,617,639  |
| Grant from RGoB             | 28,519,678  | 51,073,498  |
| Grant from JICA**           | 403,280,502 | 494,084,664 |
| Grant from JICA             | 2,238,705   | 2,238,705   |
| Grant from JICA             | 401,041,797 | 491,845,959 |
| Deferred government grants# | 450,417,819 | 563,775,802 |

- \* Monitory grant received against investment in property, plant and equipment in rural areas. The same is treated as deferred income and is recognised in the statement of comprehensive income on a systematic or rational basis over the useful life of the assets.
- \* Non-monetary grant received in the form of property, plant and equipment, where the grant and the corresponding PPE have been accounted on the fair value on the receipt, Subsequently, the same is treated as deferred income and is recognized in the statement of comprehensive income on a systematic or rational basis over the useful life of the assets.

# Amortization of grant during the year is Nu. 113,357,982.56 (FY 2020: Nu. 115,210,765.70 )

Note: 20 Employee benefit obligation

| Particulars Particulars            | Dec 31,2021 | Dec 31,2020 |
|------------------------------------|-------------|-------------|
| Provision for leave encashment     | 21,939,713  | 18,826,018  |
| Provision for gratuity             | -           | 86,297,129  |
| Provision for separation allowance | 6,872,510   | 7,374,039   |
| Provision for carriage allowance   | 2,985,942   | 3,502,279   |
| Provision for travel allowance     | 6,872,510   | 7,374,039   |
| Total & A.                         | 38,670,675  | 123,373,504 |

| Particulars  | Dec 31,2021 | Dec 31, 2020 |
|--|-------------|--------------|
| Sundry creditors   |             |              |
| Sundry creditors - domestic  | 83,513,562  | 16,648,480   |
| Sundry Creditors - international   | 177,300,811 | 48,781,442   |
| Other payables   | 150,000     | 1,796,313    |
| Total  | 260,964,372 | 67,226,235   |
| Note: 22 Other payables - current  |             |              |
| Particulars  | Dec 31,2021 | Dec 31, 2020 |
| Current maturity for license payable   | 38,850,000  | 38,850,000   |
| Current maturity of long term loan   | -           | 108,429,804  |
| Security deposits - customer   | 3,290,000   | 3,270,000    |
| Security deposits - vendor   | 22,388,669  | 13,793,53    |
| Payable to employees   | -           | 53,911       |
| Total  | 64,528,669  | 164,397,24   |
| Note: 23 Short term provision  |             |              |
| Particulars  | Dec 31,2021 | Dec 31, 2020 |
| Income tax payable (Net of advance tax paid as on 31 December 2021 Nu.439,703,975) | 439,703,975 | 490,465,14   |
| Provision for bonus  | 66,455,558  | 36,763,75    |
| Provision for salary indexation  | 6,000,000   |              |
| Total  | 512,159,534 | 527,228,90   |
| Note: 24 Other current liabilities   |             |              |
| Particulars  | Dec 31,2021 | Dec 31, 2020 |
| Payable to government authority  | -           | 183,042      |
| Tax deducted at source (TDS)   | -           | 9,673        |
| Tax on Telecom Service Payable (ST)  |             | 173,369      |
| Contract liability*  | -           | -            |
| Advances from customer   | 132,090,000 | -            |
| Advances from customer - deposit work  | 7,736,732   | 2,628,791    |
| Advance from postpaid customer   | 4,377,416   | 3,948,711    |
| Liability for unearned income  | 112,702,161 | 107,266,779  |
| Advances from Customer - DHI Intra Company   |             |              |
|  |             | 1 450 001    |
| Other deductions   | 2,650,000   | 1,650,001    |
|  | 2,650,000   | 1,00,000     |

<sup>\*</sup>The services are being provided on the basis of usage by the subscribers. Un-provided services will be availed by the subscribers in the following year.

| Particulars                           | Dec 31,2021 | Dec 31, 2020 |
|---------------------------------------|-------------|--------------|
| Contracts liabilities                 |             |              |
| Advances from customer                | 132,090,000 | -            |
| Advances from customer - deposit work | 7,736,732   | 1,577,730    |
| Advance from post-paid customer       | 4,377,416   | 3,948,711    |
| Liability for unearned income         | 112,702,161 | 107,266,779  |
| Total Contracts liabilities           | 256,906,309 | 112,793,220  |

# (i) Significant changes in contract assets and liabilities

There has been significant change in the contract liabilities, The total contractual liability has increased from Nu. 112,793,220 in 2020 to Nu. 256,906,309 in 2021, The increase in contractual liability is mainly attributed from liability from unearned income amounting to Nu. 112,702,161 and an advance received from Bhutan Info-comm and Media Authority (BICMA) for implementation of Rural Communication Project Phase VI, the total contract price of Nu. 176,120,000.

It was agreed that BICMA shall release the fund in three instalments, 50% in first instalment and remaining 50% in two equal instalments. As on 31.12.2021 Bhutan Telecom has received 75% of the RCP cost and the remaining 25% will be release by BICMA in 2022, the mobile connectivity sites identified in the contract are expected to be completed in the following year.

Note: 25 Employee benefit obligation - current

| Trote. 25 Employee Bellette obligation teament | TD 84 0004  | D - 01 0000  |
|--|-------------|--------------|
| Particulars                                    | Dec 31,2021 | Dec 31, 2020 |
| Provision for carriage allowance               | 910,716     | 320,645      |
| Provision for separation allowance             | 1,437,603   | 422,783      |
| Provision for travel allowance                 | 1,437,603   | 422,783      |
| Provision for gratuity                         | 9,023,485   | 12,819,151   |
| Provision for leave encashment                 | 2,030,836   | 1,611,151    |
| Total  | 14,840,243  | 15,596,513   |

Note:26 Income from operations

| Particulars                           | Dec 31,2021     | Dec 31, 2020       |
|---------------------------------------|-----------------|--------------------|
| Revenue from contracts with customers |                 |                    |
| Service revenue                       |                 |                    |
| -Landline                             | 61,935,034      | <b>72,115,41</b> 6 |
| -Mobile                               | 4,584,073,495   | 4,250,518,575      |
| -Internet                             | 366,837,498     | 337,420,498        |
| -Others                               | 36,332,825      | 30,666,475         |
| Total                                 | 5,049,178,852   | 4,690,720,964      |
| Sale of products                      |                 |                    |
| -Telecom products                     | 285,303,629     | 11,726,956         |
| -Accessories                          | 10,100          | 90,926             |
|                                       | 285,313,729     | 11,817,882         |
| Other operating revenue               |                 |                    |
| Income from depository works          | 1,802,730       | 5,990,299          |
| Total                                 | A.5,336,295,311 | 4,708,529,145      |

The following table shows reconciliation of revenue recognised with contract price.

| Particulars   | Dec 31,2021  | Dec 31,2020  |
|---|--|--|
| Contract price  |  |  |
| Adjustments for:  | 5,223,593,150  | 4,601,262,366  |
| Contract liabilities - Liability for unearned income  | 112,702,161  | 107,266,779  |
| Revenue from operations   | 5,336,295,311  | 4,708,529,145  |
| Timing of revenue recognition   |  |  |
| Particulars   | Dec 31,2021  | Dec 31,2020  |
| Products and services transferred at a point in time  | 285,313,729  | 11,817,882   |
| Products and services transferred over time   | 5,049,178,852  | 4,690,720,964  |
| Total   | 5,334,492,581  | 4,702,538,846  |
| Note:27 Other income  |  |  |
| Particulars   | Dec 31,2021  | Dec 31,2020  |
| Income from Fine & Penalty  | 5,956,073  | 7,711,862  |
| Interest income from investments*   | 17,435,796   | 43,507,186   |
| Miscellaneous income  | 23,012,830   | 24,504,153   |
| Total   | 46,521,275   | 77,225,556   |
| to Nu. 10.08 million for the period from March 1, 2021 to A   | August,31.2021. Further a  | s per the decision   |
| on intercorporate loan amounting to Nu. 400 million give to Nu. 10.08 million for the period from March 1, 2021 to a of the board, BT has received entire Nu. 400 million from Note:28 Network operating expenses   | August,31.2021. Further a DCCL.  | s per the decision   |
| to Nu. 10.08 million for the period from March 1, 2021 to A of the board, BT has received entire Nu. 400 million from Note:28 Network operating expenses  Particulars   | August,31.2021. Further a DCCL.  Dec 31,2021   | s per the decision  Dec 31,2020  |
| to Nu. 10.08 million for the period from March 1, 2021 to A of the board, BT has received entire Nu. 400 million from Note:28 Network operating expenses  Particulars  Internet band-with & leased line charges   | August,31.2021. Further a DCCL.  Dec 31,2021 292,320,362   | Dec 31,2020<br>264,038,17  |
| to Nu. 10.08 million for the period from March 1, 2021 to A of the board, BT has received entire Nu. 400 million from Note:28 Network operating expenses  Particulars  Internet band-with & leased line charges  Power and fuel   | August,31.2021. Further a DCCL.  Dec 31,2021 292,320,362 56,385,930  | Dec 31,2020<br>264,038,17<br>49,089,08   |
| to Nu. 10.08 million for the period from March 1, 2021 to A of the board, BT has received entire Nu. 400 million from Note:28 Network operating expenses  Particulars  Internet band-with & leased line charges Power and fuel Repair and maintenance   | August,31.2021. Further a DCCL.  Dec 31,2021  292,320,362 56,385,930 251,550,443   | Dec 31,2020<br>264,038,17<br>49,089,08<br>221,964,96   |
| to Nu. 10.08 million for the period from March 1, 2021 to A of the board, BT has received entire Nu. 400 million from Note:28 Network operating expenses  Particulars  Internet band-with & leased line charges Power and fuel Repair and maintenance Others  | August,31.2021. Further a DCCL.  Dec 31,2021 292,320,362 56,385,930 251,550,443 9,514,031  | Dec 31,2020<br>264,038,17<br>49,089,08<br>221,964,96<br>8,092,76   |
| to Nu. 10.08 million for the period from March 1, 2021 to A of the board, BT has received entire Nu. 400 million from Note:28 Network operating expenses  Particulars  Internet band-with & leased line charges Power and fuel Repair and maintenance Others Rent   | August,31.2021. Further a DCCL.  Dec 31,2021  292,320,362  56,385,930  251,550,443  9,514,031  10,415,778  | Dec 31,2020<br>264,038,17<br>49,089,08<br>221,964,96<br>8,092,76<br>8,195,14   |
| to Nu. 10.08 million for the period from March 1, 2021 to A of the board, BT has received entire Nu. 400 million from Note:28 Network operating expenses  Particulars  Internet band-with & leased line charges Power and fuel Repair and maintenance Others Rent  Total  | August,31.2021. Further a DCCL.  Dec 31,2021 292,320,362 56,385,930 251,550,443 9,514,031  | Dec 31,2020<br>264,038,17<br>49,089,08<br>221,964,96<br>8,092,76<br>8,195,14   |
| to Nu. 10.08 million for the period from March 1, 2021 to A of the board, BT has received entire Nu. 400 million from Note:28 Network operating expenses  Particulars  Internet band-with & leased line charges Power and fuel Repair and maintenance Others Rent  Total  Note:29 Cost of trading goods   | August,31.2021. Further a DCCL.  Dec 31,2021 292,320,362 56,385,930 251,550,443 9,514,031 10,415,778 620,186,544   | Dec 31,2020<br>264,038,17<br>49,089,08<br>221,964,96<br>8,092,76<br>8,195,14   |
| to Nu. 10.08 million for the period from March 1, 2021 to A of the board, BT has received entire Nu. 400 million from Note:28 Network operating expenses  Particulars  Internet band-with & leased line charges Power and fuel Repair and maintenance Others Rent  Total  Note:29 Cost of trading goods Particulars   | August,31.2021. Further a DCCL.  Dec 31,2021 292,320,362 56,385,930 251,550,443 9,514,031 10,415,778 620,186,544  Dec 31,2021  | Dec 31,2020 264,038,17 49,089,08 221,964,96 8,092,76 8,195,14 551,380,13  Dec 31, 2020   |
| to Nu. 10.08 million for the period from March 1, 2021 to A of the board, BT has received entire Nu. 400 million from Note:28 Network operating expenses  Particulars  Internet band-with & leased line charges Power and fuel Repair and maintenance Others Rent  Total  Note:29 Cost of trading goods   | August,31.2021. Further a DCCL.  Dec 31,2021 292,320,362 56,385,930 251,550,443 9,514,031 10,415,778 620,186,544   | Dec 31,2020 264,038,17 49,089,08 221,964,96 8,092,76 8,195,14 551,380,13  Dec 31, 2020 27,468,417  |
| to Nu. 10.08 million for the period from March 1, 2021 to a of the board, BT has received entire Nu. 400 million from Note:28 Network operating expenses  Particulars  Internet band-with & leased line charges Power and fuel Repair and maintenance Others Rent  Total  Note:29 Cost of trading goods  Particulars  Cost of trading goods  Total  | August,31.2021. Further a DCCL.  Dec 31,2021 292,320,362 56,385,930 251,550,443 9,514,031 10,415,778 620,186,544  Dec 31,2021 247,891,946  | Dec 31,2020 264,038,17 49,089,08 221,964,96 8,092,76 8,195,14 551,380,13  Dec 31, 2020 27,468,417  |
| to Nu. 10.08 million for the period from March 1, 2021 to a of the board, BT has received entire Nu. 400 million from Note:28 Network operating expenses  Particulars  Internet band-with & leased line charges Power and fuel Repair and maintenance Others Rent  Total  Note:29 Cost of trading goods  Particulars  Cost of trading goods  Total  Note:30 Employee benefit expenses   | August,31.2021. Further a DCCL.  Dec 31,2021 292,320,362 56,385,930 251,550,443 9,514,031 10,415,778 620,186,544  Dec 31,2021 247,891,946 247,891,946  | Dec 31,2020 264,038,17 49,089,08 221,964,96 8,092,76 8,195,14 551,380,13  Dec 31, 2020 27,468,417 27,468,417   |
| to Nu. 10.08 million for the period from March 1, 2021 to a of the board, BT has received entire Nu. 400 million from Note:28 Network operating expenses  Particulars  Internet band-with & leased line charges Power and fuel Repair and maintenance Others Rent  Total  Note:29 Cost of trading goods  Particulars  Cost of trading goods  Total  Note:30 Employee benefit expenses  Particulars  | Dec 31,2021  Dec 31,2021  292,320,362  56,385,930  251,550,443  9,514,031  10,415,778  620,186,544  Dec 31,2021  247,891,946  247,891,946  Dec 31,2021   | Dec 31,2020 264,038,17 49,089,08 221,964,96 8,092,76 8,195,14 551,380,13  Dec 31, 2020 27,468,417 27,468,417 Dec 31, 2020  |
| to Nu. 10.08 million for the period from March 1, 2021 to a of the board, BT has received entire Nu. 400 million from Note:28 Network operating expenses  Particulars  Internet band-with & leased line charges Power and fuel Repair and maintenance Others Rent  Total  Note:29 Cost of trading goods  Particulars  Cost of trading goods  Total  Note:30 Employee benefit expenses  Particulars  Salaries and bonus  | Dec 31,2021  Dec 31,2021  292,320,362  56,385,930  251,550,443  9,514,031  10,415,778  620,186,544   Dec 31,2021  247,891,946  247,891,946  Dec 31,2021  353,975,939   | Dec 31,2020 264,038,17 49,089,08 221,964,96 8,092,76 8,195,14 551,380,13  Dec 31, 2020 27,468,417 27,468,417 Dec 31, 2020 323,791,520                                |
| to Nu. 10.08 million for the period from March 1, 2021 to a of the board, BT has received entire Nu. 400 million from Note:28 Network operating expenses  Particulars  Internet band-with & leased line charges Power and fuel Repair and maintenance Others Rent  Total  Note:29 Cost of trading goods  Particulars  Cost of trading goods  Total  Note:30 Employee benefit expenses  Particulars  Salaries and bonus Provident Fund Contribution                                      | Dec 31,2021  Dec 31,2021  292,320,362  56,385,930  251,550,443  9,514,031  10,415,778  620,186,544   Dec 31,2021  247,891,946  247,891,946  Dec 31,2021  353,975,939  30,120,165   | Dec 31,2020 264,038,17 49,089,08 221,964,96 8,092,76 8,195,14 551,380,13  Dec 31, 2020 27,468,417 27,468,417  Dec 31, 2020 323,791,520 29,884,139                    |
| to Nu. 10.08 million for the period from March 1, 2021 to a of the board, BT has received entire Nu. 400 million from Note:28 Network operating expenses  Particulars  Internet band-with & leased line charges Power and fuel Repair and maintenance Others Rent  Total  Note:29 Cost of trading goods  Particulars  Cost of trading goods  Total  Note:30 Employee benefit expenses  Particulars  Salaries and bonus Provident Fund Contribution Expense on Gratuity                  | Dec 31,2021  Dec 31,2021  292,320,362  56,385,930  251,550,443  9,514,031  10,415,778  620,186,544   Dec 31,2021  247,891,946  247,891,946  247,891,946  247,891,946  10,415,778  10,415,7 | Dec 31,2020 264,038,17 49,089,08 221,964,96 8,092,76 8,195,14 551,380,13  Dec 31, 2020 27,468,417 27,468,417 27,468,417 29,884,139 21,422,859                        |
| to Nu. 10.08 million for the period from March 1, 2021 to a of the board, BT has received entire Nu. 400 million from Note:28 Network operating expenses  Particulars  Internet band-with & leased line charges Power and fuel Repair and maintenance Others Rent  Total  Note:29 Cost of trading goods  Particulars  Cost of trading goods  Total  Note:30 Employee benefit expenses  Particulars  Salaries and bonus Provident Fund Contribution Expense on Gratuity Medical Expenses | Dec 31,2021  Dec 31,2021  292,320,362  56,385,930  251,550,443  9,514,031  10,415,778  620,186,544   Dec 31,2021  247,891,946  247,891,946  247,891,946  Dec 31,2021  353,975,939  30,120,165  14,121,043  203,319   | Dec 31,2020 264,038,17 49,089,08 221,964,96 8,092,76 8,195,14 551,380,13  Dec 31, 2020 27,468,417 27,468,417  Dec 31, 2020 323,791,520 29,884,139 21,422,859 445,815 |
| to Nu. 10.08 million for the period from March 1, 2021 to a of the board, BT has received entire Nu. 400 million from Note:28 Network operating expenses  Particulars  Internet band-with & leased line charges Power and fuel Repair and maintenance Others Rent  Total  Note:29 Cost of trading goods  Particulars  Cost of trading goods  Total  Note:30 Employee benefit expenses  Particulars  Salaries and bonus Provident Fund Contribution Expense on Gratuity                  | Dec 31,2021  Dec 31,2021  292,320,362  56,385,930  251,550,443  9,514,031  10,415,778  620,186,544   Dec 31,2021  247,891,946  247,891,946  247,891,946  247,891,946  10,415,778  10,415,7 | Dec 31,2020 264,038,17 49,089,08 221,964,96 8,092,76 8,195,14 551,380,13  Dec 31, 2020 27,468,417 27,468,417 27,468,417 29,884,139 21,422,859                        |

Expense on Separation Allowance

1,109,894

1,158,926

| Total                          | 407,553,310 | 384,172,154 |
|--------------------------------|-------------|-------------|
| Provision for Travel Allowance | 1,158,926   | 1,109,894   |
| Expense on Carriage Allowance  | 549,152     | 577,590     |

| Particulars   | Dec 31,2021 | Dec 31, 2020 |
|---------------|-------------|--------------|
| Depreciation* | 685,825,074 | 715,519,11   |
| Amortization* | 202,169,285 | 229,409,43   |
| Total         | 887,994,358 | 944,928,54   |

<sup>\*</sup> Depreciation expense amounting to Nu. 113,357,983 has been netted off with amortisation of government grant.

Note:32 Finance cost

| Particulars        | Dec 31,2021 | Dec 31, 2020 |
|--------------------|-------------|--------------|
| Interest on loans* | 11,918,855  | 32,526,659   |
| Bank charges       | 2,077,994   | 1,604,009    |
| Total              | 13,996,848  | 34,130,668   |

Note: The company has received Nu 5,300,234.71 as interest waiver on loans from Bank of Bhutan and National Pension & Provident Fund as Covid relief fund. The same has been adjusted with the principal loan outstanding.

Note:33 Other expenses

| Particulars                         | Dec 31,2021 | Dec 31, 2020 |
|-------------------------------------|-------------|--------------|
| Fines and penalty                   | 28,300      | -            |
| Rates and taxes                     | 282,325     | 210,389      |
| Provision for loss allowance        | 9,180,518   | 9,529,411    |
| Deposit work expenses               | 685,286     | 4,795,802    |
| Communication (fax, mail, post)     | 323,236     | 228,954      |
| Business promotion                  | 4,933,373   | 2,566,259    |
| Advertisement                       | 1,326,438   | 2,092,938    |
| Commission                          | 185,770,762 | 208,291,603  |
| Brand and management fees           | 32,392,047  | 26,442,496   |
| Carriage outward and inward         | 1,197,365   | 1,497,117    |
| Vehicle running expense - POL       | 9,501,793   | 7,183,177    |
| Audit Fees                          | 150,000     | 150,000      |
| Audit expenses                      | 173,143     | 469,921      |
| Printing and stationery             | 1,093,894   | 956,762      |
| Insurance                           | 891,240     | 861,067      |
| Loss on sale or retirement of asset | (4,054,266) | 10,898,312   |
| Professional fees                   | 1,664,575   | 1,859,406    |
| Charity and donation                | 3,721,877   | 258,952,695  |
| Travel-Foreign                      | -           | 6,875        |
| Travel                              | 15,046,524  | 14,411,835   |
| R&M building - service              | 6,324,844   | 6,960,546    |
| Repair and maintenance others       | 10,582,594  | 11,660,776   |
| Other expenses                      | 7.747.705   | 1,918,676    |
| Total                               | 288,963,575 | 571,938,143  |

| Particulars   | Dec 31,2021                  | Dec 31, 2020                  |
|---|------------------------------|-------------------------------|
| Deferred tax income   | 31,426,672                   | (17,280,115)                  |
| Deferred tax expense  |                              |                               |
| Corporate income tax paid   | 886,452,853                  | 750,776,588                   |
| Tax expense related to prior period   | 18,205,314                   |                               |
| Total   | 936,084,840                  | 733,496,473                   |
| -   |                              |                               |
| Note: 35 Earning per share  | Dec 31,2021                  | Dec 31, 2020                  |
| Note: 35 Earning per share  Particulars  a) Profit for the attributable to equity holders of the  | Dec 31,2021<br>1,980,145,165 | Dec 31, 2020<br>1,538,246,502 |
| Particulars  a) Profit for the attributable to equity holders of the company b) Weighted average number of equity shares  |                              |                               |
| (Refer note 36 for tax expense reconciliation)  Note: 35 Earning per share  Particulars  (a) Profit for the attributable to equity holders of the company  (b) Weighted average number of equity shares outstanding for calculating earnings per share.  (e) Nominal value of Equity Share (in Nu.) | 1,980,145,165                | 1,538,246,502                 |

Note 36: Income tax expense

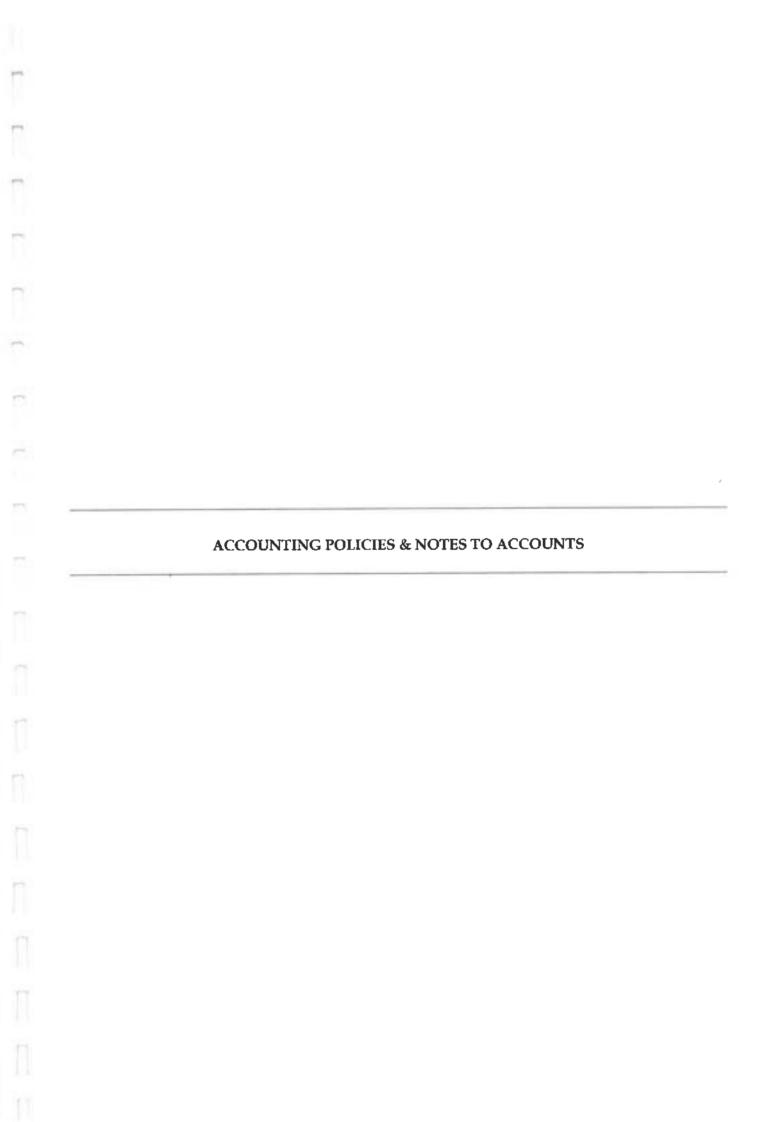
This note provides an analysis of the Company's income tax expense showing amounts that are recognised in profit or loss or other comprehensive income and how the tax expense is affected by non-assessable and non-deductible items.

| Particulars Particulars  | Dec 31,2021 | Dec 31, 2020 |
|--|-------------|--------------|
| (a) Income tax expense   |             |              |
| Current tax  | 886,452,853 | 750,776,588  |
| Current tax on profits for the year  |             |              |
| Current income tax charge for the year   |             |              |
| Adjustment for current tax of prior periods  | 18,205,314  | -            |
| Total current tax expenses   | 904,658,167 | 750,776,588  |
| Deferred tax   |             |              |
| Decrease (increase) in deferred tax assets   | 33,756,595  | (17,280,115) |
| (Decrease) increase in deferred tax liabilities                                      | (2,329,921) | (2,998,029)  |
| Total deferred tax expense/(benefit)   | 31,426,673  | (14,282,087) |
|  | 936,084,841 | 736,494,502  |
| Particulars  | Dec 31,2021 | Dec 31, 2020 |
| Current tax expense recognised in profit or loss Current tax on profits for the year | 886,452,853 | 750,776,588  |

| Total current tax expense (A)                                | 904,658,167 | 750,776,588 |
|--|-------------|-------------|
| Profit and loss  Adjustment for current tax of earlier years | 18,205,314  | -           |

| Deferred taxes.   | 31,426,673  | (17,280,115)                                 |
|---|---|--|
| Total deferred tax expense recognised in profit or loss (B)   | 31,426,673  | (17,280,115)                                 |
| Total deferred tax expense recognised in Other comprehensive income (c)   | 1,627,052   | 4,970,510                                    |
| Total deferred tax for the year (B+C)   | 33,053,725  | (12,309,605)                                 |
| Total income tax expense recognized in profit & loss (A+B)  | 936,084,841   | 733,496,473                                  |
| Total income tax recognized in Other comprehensive (c)  | 1,627,052   | 4,970,510                                    |
| Total income tax expense (A+B+C)  | DAD HOS BHO   | F00 466 000                                  |
| (b) Reconciliation of tax expense and the accounting profit multi   |   |  |
|   |   |  |
| (b) Reconciliation of tax expense and the accounting profit multi<br>Particulars  | plied by tax rate                                       |  |
| (b) Reconciliation of tax expense and the accounting profit multi<br>Particulars<br>Profit before tax   | plied by tax rate<br>Dec 31,2021                        | Dec 31, 2020                                 |
| (b) Reconciliation of tax expense and the accounting profit multi<br>Particulars  Profit before tax   | plied by tax rate<br>Dec 31,2021<br>2,916,230,004       | Dec 31, 2020                                 |
| (b) Reconciliation of tax expense and the accounting profit multi-Particulars  Profit before tax  Tax at the rate of 30% (December 31, 2021– 30%) | plied by tax rate Dec 31,2021 2,916,230,004 874,869,001 | Dec 31, 2020<br>2,271,736,639<br>681,520,992 |





#### **Bhutan Telecom Limited**

# Notes to the Standalone financial statements as at December 31, 2021

#### Significant Accounting Policies:

Bhutan Telecom Limited ("Company") was formed as a public corporation by virtue of Telecommunication Act of Kingdom of Bhutan, 1999. The principal activities of Bhutan Telecom Limited are providing the telecom services like landline service, mobile service, internet and other allied services. Company is also engaged in providing data centre and contact centre services. The holding company is Druk Holding and Investments Limited.

The financial statements were approved and authorized for issue in accordance with the resolution of the Company's Board of Directors on ......

The accounting policies adopted in the preparation of these financial statements are set out as below: -

#### 1. Basis of Preparation:

The financial statements have been prepared on accrual and going concern basis. The accounting policies are applied consistently to all the periods presented in the financial statements. The financial statements are presented in Nu and all values are rounded off to the nearest Nu.

#### a). Compliance with BAS/BFRS:

The separate financial statements of the Company has been prepared in accordance with Bhutanese Accounting Standards (BAS) Phase I, Phase II and Phase III standards.

The 'Accounting and Auditing Standards Board of Bhutan' (AASBB) has decided to adopt International Financial Reporting Standards (IFRS) in a phase manner with minor changes. As per the roadmap issued by AASBB total of 18 standards are to be implemented in first phase (Phase I) commencing in 2013 for a period of 3 years, while 9 standards will be implemented in second phase (Phase II) and 10 standards in third phase (Phase III) from 2016 and 2018 respectively. The Company in compliance with the Companies Act of Bhutan has decided to adopt all the applicable Standards from 2016.

#### b). Historical cost convention:

The financial statements have been prepared on a historical cost basis, except assets held for sale which are measured at fair value less cost of disposal.

#### 2. Use of estimates:

The preparation of Financial Statements in conformity with BAS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, the disclosures of contingent assets and contingent liabilities at the date of financial statements, income and expenses during the period. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods which are affected.

The areas involving critical estimates or judgments are:

- (a) Estimation of defined benefit obligation Note No. 41 to 45
- (b) Estimation of useful life of Property plant and equipment/Intangible Asset Note "2 (a & b)"

- (c) Income Taxes: Significant judgments are involved in determining the provision for income taxes, including amount expected to be paid/recovered for uncertain tax positions. Note No. 36
- (d) Recognition of deferred tax asset Note No.37
- (e) Estimation of Impairment of Trade Receivable- Note No. 40

### 3. Current and non-current Classification:

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is treated as current when:

- (a) It expects to realise the asset, or intends to sell or consume it, in its normal operating cycle;
- (b) It holds the asset primarily for the purpose of trading;
- (c) It expects to realise the asset within twelve months after the reporting period; or
- (d) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current maturities of non-current asset are also termed as current assets.

All other assets are classified as non-current.

An entity shall classify a liability as current when:

- (a) It expects to settle the liability in its normal operating cycle;
- (b) It holds the liability primarily for the purpose of trading;
- (c) The liability is due to be settled within twelve months after the reporting period; or
- (d) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

Current maturities of non-current liabilities are also termed as short-term liability.

Company always classifies deferred tax assets (liabilities) as non-current assets (liabilities). All other liabilities are classified as non-current.

The operating cycle of a company is the time between the acquisition of assets for processing and their realization in cash or cash equivalents. When the entity's normal operating cycle is not clearly identifiable, it is assumed to be twelve months.

## 4. Revenue recognition:

Revenue is recognised upon transfer of control of promised products or services to the customer at the consideration, which the Company has received or expects to receive in exchange of those products or services, net of any taxes / duties, discounts, and process waivers. When determining the consideration to which the Company is entitled for providing promised products or services via intermediaries, the Company assesses whether it is primarily responsible for fulfilling the performance obligation and whether it controls the promised service before transfer to customers. To the extent that the intermediary is considered a principal, the consideration to which the Company is entitled is determined to be that received from the intermediary.

Revenue is recognized when, or as, each distinct performance obligation is satisfied. The main categories of revenue and the basis of recognition are as follows:

### a). Service revenue:

Service revenues mainly pertain to usage, subscription and customer on boarding charges for voice, data, messaging and value-added services. It also includes revenue from interconnection / roaming charges for usage of the Company's network by other operators for voice, data, messaging and signalling services.

Telecommunication services (comprising voice, data and SMS) are considered to represent a single performance obligation as all are provided over the Company's network and transmitted as data representing a digital signal on the network. The transmission consumes network bandwidth and therefore, irrespective of the nature of the communication, the customer ultimately receives access to the network and the right to consume network bandwidth.

The Company recognizes revenue from these services as they are provided. Revenue is recognized based on actual units of telecommunication services provided during the reporting period as a proportion of the total units of telecommunication services to be provided. Subscription charges are recognized over the subscription pack validity period. Customer on boarding revenue and associated cost is recognized upon successful on boarding of customer i.e. upfront. Revenues in excess of invoicing are classified as contract assets while invoicing / collection in excess of revenue are classified as contract liabilities.

Service revenues also includes revenue from interconnection / roaming charges for usage of the Company's network by other operators for voice, data, messaging and signalling services. These are recognized upon transfer of control of services being transferred over time. Certain business services revenues include revenue from registration and installation, which are amortized over the period of agreement since the date of activation of service. Revenues from long distance operations comprise of voice services and bandwidth services (including installation), which are recognised on provision of services and over the period of respective arrangements

### b). Sale of Trading goods:

Revenue from the sale of goods mainly pertain to sale of telecommunication equipment and related accessories for which revenue is recognized when the control of equipment is transferred to the customer, i.e. transferred at a point in time when the risk and rewards of the goods are transferred to the buyer. However, in case of equipment sale forming part of multiple-element revenue arrangements which is not a distinct performance obligation, revenue is recognized over the customer relationship period.

## c). Interest income:

Interest income is recorded using the effective interest rate (EIR) for the long-term investments, and any interest income earned from short term deposits with banks and bank balances are recorded at prevailing market interest rates offered by respective financial institutions.

### d). Rental income:

Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of comprehensive income due to its operating nature.

### d). Other Claims:

All other miscellaneous incomes are booked in the accounts only when collection is made.

# 5. Property, Plant and Equipment

a). PPE is initially recognized at cost. The company follows cost model for Property, plant and equipment and are stated at cost less accumulated depreciation and where applicable accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Only those costs are recognized as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the entity and the cost can be measured reliably.

Cost of software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

The Property, plant and equipment are derecognized when no future economic benefits are expected from its use or on disposal.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net within "other income / other expenses" in Statement of comprehensive income.

## b). Subsequent costs:

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other costs incurred for the running and maintenance of property, plant and equipment are expensed off in the year in which they are incurred.

### c). Depreciation:

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

| Asset type                      |                  | Useful life |
|---------------------------------|------------------|-------------|
| 1. Land                         |                  | NA          |
| 2. Building                     |                  |             |
| a. Permanent structure          |                  | 50 yrs      |
| b. Semi-permanent structure     |                  | 15 yrs      |
| c. Temporary structure          |                  | 5 yrs       |
| 3. Tele-equipment               |                  |             |
| a. Tower                        |                  | 30 yrs      |
| b. Rest                         |                  | 7 yrs       |
| 4. Power systems & cable        |                  |             |
| a. Air conditioner              |                  | 5 yrs       |
| b. Rest                         |                  | 10 yrs      |
| 5. Furniture                    |                  | 10 yrs      |
| 6. Office equipment             |                  | 5 yrs       |
| 7. Vehicle                      | 22 & Ass         | 5 yrs       |
| 8. Software application         | S. C.            | 5 yrs       |
| 9. License (based on agreement) | Lina & Associate | 15 yrs      |
| ,                               | x   x   u        |             |

## 6. Capital work in progress:

Expenditure on material, labour, contract expenses and directly attributable cost such as employee costs and overheads, project management expenses incurred during construction period for executing the particular project are included in CWIP till these are capitalized. Indirect expenditures and overheads incurred is expensed off and are not capitalized. Work, which is still in progress relating to civil construction, is accounted for under capital work-in-progress after settling the project system in SAP on monthly basis. Capitalization of work-in-progress has been done on the basis of completion certificate issued by the concerned authority.

## 7. Intangible assets:

# a) Software:

The intangible assets are initially measured at cost and carried as per cost model. Intangible assets having finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the intangible asset.

## Subsequent Expenditure:

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other expenditure, including expenditure on internally generated goodwill and brands, are expensed off in the year in which they are incurred.

### b). Amortization:

These costs are amortized over their estimated useful lives of 5 years. Costs associated with maintaining computer software programs are recognized as an expense as incurred. Intangible assets include license fees which is amortized over the period of license.

### 8. Borrowing cost:

General and specific borrowing costs directly attributable to the acquisition, construction, or production of a major capital project, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets is substantially ready for their intended use. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs. Further, exchange losses arising from foreign currency borrowings should be regarded as an adjustment to the interest cost to the extent these losses do not exceed the difference between the cost of borrowing in functional currency when compared to the cost of borrowing in foreign currency.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in Statement of comprehensive income in the period in which they are incurred.

### 9. Leases:

At the inception of a lease, the lease arrangement is classified as either a finance lease or an operating lease, based on the substance of the lease arrangement.

### Company as a lessee:

Assets on operating lease are not recognized as part of company's asset. Payments made for operating leases are recognized in Statement of comprehensive income on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern of the user's benefit.

## Company as a lessor:

Leases in which the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income.

### Lease Income

Lease income from operating lease is recognized in statement of comprehensive income on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern of the user's benefit.

### 10. Government grants:

Grants from Government and Government agencies including non-monetary grants are recognized when there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. Grants related to income are recognized in the Statement of comprehensive income on a systematic basis over the periods in which the entity recognizes expenses and the related costs for which the grants are intended. The unallocated portion of such grant is presented as part of deferred income in the Statement of Financial Position. Government grants related to depreciable assets is treated as deferred income and are recognised in comprehensive income statement on a systematic basis over the useful life of asset. Government Grants related to assets are presented in the statement of financial position by setting up the grant as deferred income. Amount of depreciation on property, plant and equipment acquired through grant has been transferred to statement of comprehensive income by reducing depreciation expense. A government grant received or that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs shall be recognized in Statement of comprehensive income in the year it is received or becomes receivable. A government grant may take form of a transfer of a non-monetary asset, such as land or other resources, for the use of company. In these circumstances, the fair value of the non-monetary asset is assessed, and both the grant and asset are accounted for at that fair value. Grants relating to the period prior to 30th June 2000 are not identifiable and as such merged with the deferred government grants.

### 11. Employee benefits:

Employee benefits are accrued in the period in which the associated services are rendered by employees of the company as detailed below:

### a). Defined Contribution Plan (Pension and Provident Fund):

As required by National Pension & Provident Fund, both the employee and employer make monthly contributions to the provident fund, which is a Defined Contribution Plan, equal to a specified percentage of employee's basic salary. The company has no further obligations under the plan beyond its monthly contributions. The company does not have any legal or constructive obligation to pay further contributions if the Fund does not have sufficient assets to pay all of the employee's entitlements. Obligation for contributions to the plan is recognized as an employee benefit expense in a flement of comprehensive income when the contribution to the Fund becomes due.

## b). Defined Benefit Plans (Gratuity):

In accordance with the BTL service rule, the company provides for gratuity, a defined benefit retirement plan (the Gratuity Plan) covering all employees. The Gratuity Plan provides a lump sum payment to vested employees, at retirement or termination of employment, an amount based on the respective employee's last drawn salary and the years of employment with the company. The company's net obligation in respect of the gratuity plan is calculated by estimating the amount of future benefits that the employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The calculation is performed annually by a qualified actuary using the projected unit credit method and amount of obligation is provided in the statement of comprehensive income. Measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur and presented in other comprehensive income.

## c). Short Term Benefits:

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. All employee benefits payable wholly within twelve months of rendering the service are classified as short-term employee benefits and they are recognized in the period in which the employee renders the related service. The Company recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for services rendered as a liability (accrued expense) after deducting any amount already paid.

### d). Earned Leave Encashment:

The employees of the company are entitled for earned leave. The employees can carry forward a portion of the unutilized earned leave subject to the limit set as per BTL service manual and utilize it in future periods or compensated in cash during retirement or termination of employment for the unutilized accrued earned leave based on the salary at the time. The company's net obligation in respect of the earned leave is calculated by estimating the amount of future benefits that the employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The calculation is performed annually by a qualified actuary and amount of obligation is provided in statement of comprehensive income. The plan is unfunded.

### e). Other Long-Term Benefits

As per company's service rules, the employee who have rendered minimum three years of service are entitled to Traveling allowance of an amount equal to one month's last basic pay of the employee, Transfer grant of an amount equal to one month's last basic pay of the employee and Carriage charges at the time of leaving the service. One-month basic pay for this purpose is the pay at the time of leaving the service. The company's net obligation in respect of this terminal benefit is calculated by estimating the amount of benefits that the employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The calculation is performed annually by a qualified actuary and amount of obligation is provided in Statement of comprehensive income. The plan is unfunded.

### 12. Fair value measurement:

The Company measures some financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer diability in an orderly transaction between market participants at the measurement date. The Company uses

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valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date:

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs other than quoted prices included in level 1 that are observed for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company recognizes transfers between levels of the fair value hierarchy at the end of reporting period during which the change has occurred. The management has an established control framework with respect to fair value measurement. This includes a valuation team that has an overall responsibility for overseeing all significant fair value measurement, including level 3 fair values, and reports directly to the management.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. This note summarizes accounting policy for fair value. Other fair value related disclosures are given in the relevant notes.

- Disclosures for valuation methods, significant estimates, and assumptions
- Financial instruments (including those carried at amortized cost)."

### 13. Current & deferred income tax:

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Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes (Tax Base).

Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects either accounting nor taxable profit or loss.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the tax authority on the taxable entity, further they intend to settle current tax liabilities and assets on a net basis, or their tax assets and liabilities will be realized simultaneously. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiary, associate, and joint venture where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

### 14. Provision:

Provisions are recognized if, as a result of a past event, the entity has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic resources will be required to settle the obligation. Provisions are measured at the management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost. A provision for onerous contracts is recognized when the expected benefits to be derived by the entity from a contract are lower than the unavoidable cost of meeting its obligations under the contract

## 15. Contingent Liabilities and Contingent Assets:

Contingent liabilities is not recognized but disclosed for all possible obligations that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets is also not recognized but disclosed for all possible assets that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

## 16. Foreign Currency:

Transactions in foreign currency are initially recognized in the financial statements in functional currency using exchange rates prevailing on the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated to the relevant functional currency at the exchange rates prevailing at the reporting date. Foreign exchange gains and losses are generally recognised in statement of comprehensive income. Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the Statement of comprehensive income on a net basis within other income or other expenses.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary assets and liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction.

### 17. Inventories:

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

Traded goods: Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on weighted average basis. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Consumables and Stores & Spares: The Stock of stores & spare parts are charged to revenue account except loose tools. Stores are valued at cost calculated on the basis of yearly weighted average method. Provisions are made for unserviceable, damage of the stores of the moving,

defective stores and spares identified during the physical stock taking."

## 18. Segmental reporting:

The company is in the Business of providing telecom services and its operating facilities are all situated in the Royal Kingdom of Bhutan only. Under the broad segment of telecom services, the company has subsidiary segments of fixed line service, mobile service, data center and cloud service and internet service. Further as the company's share are not listed with any stock exchange market, the provision of BFRS-8 - Operating segments is not applicable to the company.

## 19. Impairment:

At the end of each reporting period, entity assesses whether there is any indication that an asset (tangible or intangible) may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset. Asset is impaired when its carrying value exceeds its recoverable amount. Where an indication of impairment exists, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

## 20. Investments & other financial assets:

## a) Initial measurement:

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

### b) Classification and subsequent measurement:

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

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

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

### i. Financial assets measured at amortized cost:

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

- a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows; and
- b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

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

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

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

- a) The objective of the business model is achieved by both collecting contractual cash flows and selling financial assets; and
- b) The asset's contractual cash flow represent SPPI.

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

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

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

### c. Impairment of financial assets:

The Company assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets measured at amortised cost is impaired. Impairment losses are incurred, if and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset.

Loss events are events which have an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The amount of loss is recognized in statement of profit or loss.

## d. De-recognition of financial assets:

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

- i. the rights to receive cash flows from the asset have been transferred, or
- ii.the company retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.

When the company has transferred an asset, it evaluates whether it has substantially transferred all risks and rewards of ownership of the financial asset. In such cases, the financial asset is derecognized. When the company has not transferred substantially all the risks and rewards of ownership of a financial asset, the financial asset is not derecognised. When the company has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is derecognised if the entity has

not retained control of the financial asset. When the entity retains control of the financial asset, the asset is continued to be recognized to the extent of continuing involvement in the asset.

## e. Income recognition:

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

### 21. Financial liabilities:

## a) Initial recognition and measurement:

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

### b) Subsequent measurement:

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

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

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. Gains or losses on liabilities held for trading are recognised in the profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in 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/ loss are not subsequently transferred to P&L. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the Statement of comprehensive income. The Company has not designated any financial liability as at fair value through profit and loss.

### ii. Borrowings:

Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in Statement of comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates. Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Where there is a breach of a material provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable or demand on the reporting date,

the entity classify the liability as current, if the lender does not agreed not to demand payment as a consequence of the breach before reporting date.

### iii.Embedded derivatives:

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract - with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative cause some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through statement of comprehensive income. If the hybrid contract contains a host that is a financial asset within the scope of BAS 9, the Company does not separate embedded derivatives. Rather, it applies the classification requirements contained in BAS 9 to the entire hybrid contract. Derivatives embedded in all other host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though statement of comprehensive income. These embedded derivatives are measured at fair value with changes in fair value recognised in statement of comprehensive income, unless designated as effective hedging instruments.

## iv.Trade and other payables:

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

### c) De-recognition:

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

### Financial guarantee contracts:

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with BAS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less cumulative amortisation, where appropriate. The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee or the estimated amount that

would be payable to a third party for assuming the obligations. Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

## 22. Offsetting:

Financial assets and financial liabilities or income and expenses are offset and the net amount reported in the Statement of Financial Position and Statement of Comprehensive Income when, and only when, the entity has a legal right and is allowed by the standard to offset the amounts and intends either to settle on a net basis or to realize the assets and settle the liability simultaneously.

### 23. Cash & cash equivalents:

Cash and cash equivalents include cash in hand, demand deposits with banks, other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position.

#### 24. Trade & other receivables:

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

## 25. Trade & other payables:

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

#### 26. Assets held for sale:

Non-current assets or disposal groups comprising of assets and liabilities are classified as 'held for sale' when all of the following criteria's are met: (i) decision has been made to sell. (ii) the assets are available for immediate sale in its present condition. (iii) the assets are being actively marketed and (iv) sale has been agreed or is expected to be concluded within 12 months of the Statement of financial position date.

Subsequently, such non-current assets and disposal groups classified as 'held for sale' are measured at the lower of its carrying value and fair value less costs to sell. Non-current assets held for sale are not depreciated or amortized.

### 27. Earnings per share:

### a. Basic earnings per share:

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

### b. Diluted earnings per share:

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

| - tl | ne   | weighted  | average   | number    | of   | additional   | ordinary    | shares    | that  | would  | have | been |
|------|------|-----------|-----------|-----------|------|--------------|-------------|-----------|-------|--------|------|------|
| 01   | ıtst | anding as | suming th | ie conver | sion | of all dilut | ive potenti | ial ordin | ary s | hares. |      |      |
|      |      |           |           |           |      |              |             |           |       |        |      |      |

Note 37: Deferred tax assets/ liabilities

Movement in deferred tax assets/ (liabilities)

|   |                                     |                                      |                                      |                           |                  |   |   |                                      |  | Provisio                    | Deferred                             |   |
|---|-------------------------------------|--------------------------------------|--------------------------------------|---------------------------|------------------|---|---|--------------------------------------|--|-----------------------------|--------------------------------------|---|
| Particulars   | Property,<br>plant and<br>equipment | Provision<br>for Leave<br>Encashment | Provision<br>for<br>doubtful<br>debt | Provision<br>for<br>bonus | deferred<br>rent | Provision<br>for<br>separation<br>allowance | Provision<br>for<br>carriage<br>charges | provision<br>for travel<br>allowance | Amortiza<br>tion of<br>License<br>fees | n for<br>Salary<br>Indexati | liability on account of license fees |   |
| At 1st December<br>2020                                   | 377,091,732                         | 4,757,121                            | 12,563,983                           | 15,175,536                | 178,897          | 2,318,762                                   | 1,241,854                               | 2,318,762                            | 4,012,174                              | ı                           | (7,773,240)                          |   |
| Charged/(credited):                                       |                                     |                                      |                                      |                           |                  |   |   |                                      |  |                             |                                      |   |
| - to profit or loss                                       | 21,431,141                          | 1,374,030                            | (309,408)                            | (4,146,409)               | (684)            | 20,283                                      | (94,976)                                | 20,283                               | (4,012,174)                            | ,                           | 2,998,029                            |   |
| <ul> <li>to other<br/>comprehensive<br/>income</li> </ul> |                                     |                                      |                                      |                           |                  | 1   |   |                                      |  |                             |                                      |   |
| At 31st December<br>2020                                  | 398,522,873                         | 6,131,151                            | 12,254,575                           | 11,029,127                | 178,213          | 2,339,045                                   | 1,146,878                               | 2,339,045                            |  | ι                           | (4,775,211)                          |   |
| Charged/(credited):                                       | ,                                   | •                                    | k                                    |                           | ,                | ı   |   | ı                                    | ì                                      | ·                           | ,                                    |   |
| - to profit or loss                                       | (45,580,495)                        | 1,060,014                            | (1,753,486)                          | 10,434,335                | (2,815)          | 153,987                                     | (22,120.00)                             | 153,987                              |  | 1,800,000                   | 2,329,921                            |   |
| <ul> <li>to other<br/>comprehensive<br/>income</li> </ul> |                                     |                                      |                                      |                           |                  |   |   |                                      |  |                             |                                      | - |
| At 31st December<br>2021                                  | 352,942,378                         | 7,191,165                            | 10,501,089                           | 21,463,462                | 175,398          | 2,493,032                                   | 1,124,758                               | 2,493.032                            | ٠                                      | 1,800,000                   | (2,445,290)                          |   |
|   |                                     |                                      |                                      |                           |                  |   |   |                                      |  |                             |                                      |   |



| Financial instruments by category    | 31st December, 2021 | 31st December,2020 |  |
|--------------------------------------|---------------------|--------------------|--|
| Particulars                          | Amortised cost      |                    |  |
| Financial assets                     |                     |                    |  |
| Investment in fixed deposits         | 4,000,000.00        | 15,000,000         |  |
| Security deposit with BOB            | -                   | 1,000,000          |  |
| Accrued income on investments        | 276,493             | 3,696,318          |  |
| Trade receivables                    | 89,774,006          | 116,014,798        |  |
| Cash and cash equivalent             | 2,056,469,063       | 1,163,196,976      |  |
| Security deposits                    | 717,492             | 893,149            |  |
| Income accrued but not due           | 849,534             | -                  |  |
| Other receivables                    | -                   | -                  |  |
| Inter-corporate loan given           | _                   | 400,000,000        |  |
| Total financial assets               | 2,152,086,588       | 1699,801,237       |  |
| Financial liabilities                | -                   |                    |  |
| Long term loan                       | -                   | 84,279,486         |  |
| Corporate bond                       | -                   | -                  |  |
| License fee payable                  | 30,699,034          | 61,782,630         |  |
| Deferred rent                        | 740,799             | 741,259            |  |
| Inter-corporate loan taken           | -                   |                    |  |
| Sundry creditors                     | 260,814,372         | 65,429,922         |  |
| Other payables                       | 150,000             | 1,796,313          |  |
| Current maturity for license payable | 38,850,000          | 38,850,000         |  |
| Current maturity of long term loan   | -                   | 108,429,804        |  |
| Payable to employees                 | -                   | 53,911             |  |
| Security deposits                    | 25,678,669          | 17,063,531         |  |
| Total financial liabilities          | 356,932,874         | 378,426,855        |  |

## i) Fair value hierarchy

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

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

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

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

Note: a) There have been no transfers between Level 1 and Level 2 for the years ended 31 December 2021, and 31 December 2020.

# (ii) Valuation technique used to determine fair value

Specific valuation techniques used to value financial instruments include:

(i) the fair value of the financial instruments is determined using discounted cash flow analysis.

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

|                              | 31st Dece       | mber, 2021 | 31st December,2020 |             |  |
|------------------------------|-----------------|------------|--------------------|-------------|--|
| Particulars                  | Carrying amount | Fair value | Carrying<br>amount | Fair value  |  |
| Financial assets             |                 |            |                    |             |  |
| Investment in fixed deposits | 4,276,493       | 4,276,493  | 15,000,000         | 15,000,000  |  |
| Security deposit with BOB    | -               | -          | 1,000,000          | 1,000,00    |  |
| Total financial assets       | 4,276,493       | 4,276,493  | 16,000,000         | 16,000,000  |  |
| Financial liabilities        |                 |            |                    |             |  |
| Long term loan               | 192,709,290     |            | 192,709,289        | 212,499,163 |  |
| Corporate bond               | -               | -          |                    | 304,217,164 |  |
| License fee payable          | 69,549,034      | 69,571,347 | 100,632,630        | 129,556,713 |  |
| Deferred Rent                | 740,799         | 740,799    | 741,259            | 741,259     |  |
| Total financial liabilities  | 262,999,122     | 70,312,146 | 294,083,178        | 647,014,300 |  |

- (a) Fair value of borrowings in table above is estimated by discounting expected future cash flows.
- (b) The management assessed that the fair values of remaining financial assets and liabilities at amortised cost approximate to their carrying amounts largely due to the short-term maturities of these instruments.
- (c) Management uses its best judgement in estimating the fair value of its financial instruments. However, there are inherent limitations in any estimation technique. Therefore, for substantially all financial instruments, the fair value estimates presented above are not necessarily indicative of the amounts that the Company could have realised or paid in sale transactions as of respective dates. As such, fair value of financial instruments subsequent to the reporting dates may be different from the amounts reported at each reporting date.

### Note 39: Capital management

### (a) Risk Management

### The company's objectives when managing capital are to;

- i. safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- ii. Maintain an optimal capital structure to reduce the cost of capital.

The Company is formed as a wholly owned subsidiary of Druk Holding & Investments Limited (DHI). The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. The funding requirement is met through a mixture of equity and long term borrowings.

The Company's policy is to maintain a stable and strong capital structure with a focus on total equity so as to maintain investors, creditors and market confidence and to sustain future development and growth of its business. The Company will take appropriate steps in order to maintain, or if necessary adjust, its capital structure. The Company is not subject to any externally imposed capital requirements.

The amount mentioned under total equity in balance specific is considered as Capital.

# (b) Dividends Paid and Proposed Remarks The value will be update after AGM on 25th Feb

| Particulars  | 2021          | 2020          |
|--|---------------|---------------|
| (i) Equity shares Final dividend for the year ended 31st December 2021- Nu.?????   | 1,550,000,000 | 771,758,326   |
| (ii) Dividends not recognised at the end of the reporting period In addition to the above dividends, since year end the board has recommended the payment of a final dividend of Nu.??????????. This proposed dividend is subject to the approval of shareholders in the ensuing annual general meeting. |               | 1,800,000,000 |

# Note 40: 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   | Measurement   | Management   |
|-----------------------------------|--|---|--|
| Credit risk                       | Cash and cash equivalents, trade receivables, financial assets measured at amortised cost. | Ageing<br>analysis                                  | Diversification of<br>bank deposits,<br>customer base and<br>credit limits           |
| Liquidity risk                    | Trade payables and other financial liabilities   | Rolling cash<br>flow forecasts                      | Availability of committed credit lines and borrowing facilities                      |
| Market risk – foreign<br>exchange | Recognised financial<br>assets and liabilities not<br>denominated in<br>ngultrum (Nu.)     | Cash flow<br>forecasting<br>Sensitivity<br>analysis | Diversification of liability   |
| Market risk – interest<br>rate    | Long-term borrowings at variable rates   | Sensitivity<br>analysis                             | Portfolio of loan<br>contains fixed<br>interest loans from<br>financial institutions |

### (A) Credit risk

The Company takes on exposure to credit risk, which is the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 38.

## (I) Trade and Other Receivables

1 1 1

Apart from cash and cash equivalents, company's majority of the financial assets are in the form of trade receivables only. Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. As significant portion of the company's sale is in cash (all prepaid services), total trade receivables outstanding at the reporting date are also not significant in comparison of the company's total revenue. These trade receivables are non-interest bearing and are generally on credit term of 60-90 days. The Company regularly monitors its outstanding customer receivables. The Company has a detailed review mechanism of overdue customer receivables at various levels within organisation to ensure proper attention and focus for realisation.

The credit risk related to the trade receivables is managed by the Company through established policy and procedures and control relating to customer credit risk management, by setting appropriate payment terms and credit period, and by setting and monitoring internal limits on exposure to individual customers. The credit period provided by the Company to its customers generally ranges 30-60 days.

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

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

The Company uses expected loss model to measure loss allowance on trade receivables which is based on provision matrix.

The ageing of trade receivables (net of provisions) as of balance sheet date is given below. The age analysis have been considered from the due date:

| Particulars                                 | Less than 180<br>days | More than 180<br>days | Total        |
|---|-----------------------|-----------------------|--------------|
| Trade receivables as at 31.12.2021 (gross)  | 91,681,405            | 32,200,516            | 123,906,807  |
| Less: Loss allowance                        | (5,763,437)           | (28,427,402)          | (34,190,839) |
| Trade receivables as at 31 12, 2021 (gross) | 85,917,968            | 3,773,114             | 89,774,006   |
| Particulars                                 | Less than 180<br>days | More than 180<br>days | Total        |
| Trade receivables as at 31.12.2020 (gross)  | 116,705,031           | 40,158,349            | 156,863,380  |
| Less: Loss allowance                        | (8,009,857)           | (32,838,726)          | (40,848,583) |
| Trade receivables as at 31.12.2020 (gross)  | 108,695,174           | 7,319,623             | 116,014,798  |

The Company performs on-going credit evaluations of its customers' financial condition and monitors the credit-worthiness of its customers in hich it grants credit in its ordinary course of business. The gross carrying amount of a time call as et is written off (either partially or in full) to the extent that there is no realistic prospect of receivery. This is generally the case when the

Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amount due. Where the financial asset has been written-off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit and loss.

# Financial Instruments and Cash Deposits

Credit risk from balances with banks and financial institutions is managed by the Company's finance division in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Companies' Board of Directors on an annual basis. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty's potential failure to make payments. None of the company's cash equivalents with banks, deposits and other receivables were past due or impaired as at 31st December 2021.

## (i) Credit Risk Management

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

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

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

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

## (B) Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting its 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.

## (i) Maturities of financial liabilities

The tables below analyse the Company's financial liabilities into relevant maturity groupings based on their contractual maturities.

Assoc

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

### **Contractual Maturities of Financial Liabilities:**

| Particulars                      | Less than 1 year | More than 1 year | Total           |
|----------------------------------|------------------|------------------|-----------------|
| 31 December,2021                 |                  |                  |                 |
| Long term loan                   | -                | -                | -               |
| Corporate bond                   | -                | -                | -               |
| License fee payable              | 38,850,000       | 30,699,034       | 69,549,034      |
| Deferred Rent                    | -                | 740,799          | 740,799         |
| Inter-corporate loan             | -                |                  | -               |
| Sundry creditors                 | 260,814,372      | -                | 260,814,372     |
| Other payables                   | 150,000          |                  | 150,000         |
| Payable to employees             | _                | -                | -               |
| Provision for Bonus              | -                | -                | -               |
| Security deposits                | 25,678,669       | -                | 25,678,669      |
| Total non-derivative liabilities | 325,493,041      | 31,439,832       | 356,932,874     |
| 31 December,2020                 |                  |                  |                 |
| Long term loan                   | -                | -                | -               |
| Corporate bond                   | 121,801,912      | 89,524,577       | 211,326,488     |
| Inter-corporate loan             | -                |                  | -               |
| License fee payable              | 38,850,000       | 61,782,630       | 100,632,630     |
| Deferred Rent                    |                  | 741,259          | <b>741,25</b> 9 |
| Sundry creditors                 | 65,429,922       |                  | 65,429,922      |
| Other payables                   | 1,796,313        | -                | 1,796,313       |
| Payable to employees             | 53,911           | -                | 53,911          |
| Provision for Bonus              | -                | -                | -               |
| Security deposits                | 17,063,531       | -                | 17,063,531      |
| Total Non-Derivative Liabilities | 244,995,589      | 152,048,465      | 397,044,054     |

## (C) Market Risk

## (i) Foreign Currency Risk

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

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

| n d 1                                 | December 31, 2021 | December 31, 2020 |
|---------------------------------------|-------------------|-------------------|
| Particulars                           | USD               | USD               |
| Financial assets                      | 163,850           | 212,986           |
| Financial liabilities                 | 38,285            | 499,353           |
| Net exposure to foreign currency risk | 125,565           | (286,367)         |
| Rus Oc.                               |                   | 17                |
| Daubien law V                         | December 31 2020  | December 31 2019  |

|                                       | Euro | Euro  |
|---------------------------------------|------|-------|
| Financial assets                      | 798  | 2,680 |
| Financial liabilities                 |      | -     |
| Net exposure to foreign currency risk | 798  | 2,680 |

## Sensitivity

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

|                      | Change in summanay               | Impact o          | Impact on profit before tax |  |  |
|----------------------|----------------------------------|-------------------|-----------------------------|--|--|
| Particulars          | Change in currency exchange rate | December 31, 2021 | December 31, 2020           |  |  |
| USD sensitivity      |                                  |                   |                             |  |  |
| Appreciation in Nu.* | 5%                               | 6,278             | (14,318)                    |  |  |
| Deprecation in Nu.*  | -5%                              | (6,278)           | 14,318                      |  |  |
| EURO sensitivity     |                                  | A                 |                             |  |  |
| Appreciation in Nu.* | 5%                               | 39.90             | 134                         |  |  |
| Deprecation in Nu.*  | -5%                              | (39.90)           | (134)                       |  |  |

<sup>\*</sup> Holding all other variables constant

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

## (ii) Interest Rate Risk

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

## (iii) Price Risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or by factors affecting all similar financial instruments traded in the market.

The Company does not have any financial asset investments which are exposed to price risk.

Note: 41 Disclosure as per BAS 19, 'Employees Benefit' as regards defined benefit scheme (Gratuity)

| A  | Change in Defined Benefit Obligation (DBO)    | 31-Dec-21    | 31-Dec-20    |
|----|---|--------------|--------------|
| 1  | DBO at end of prior period                    | 222,947,201  | 217,445,154  |
| 2  | Current service cost                          | 13,766,943   | 13,505,402   |
| 3  | Interest cost on the DBO                      | 17,481,676   | 16,923,024   |
| 4  | Curtailment (credit)/ cost                    | -            | -            |
| 5  | Settlement (credit)/ cost                     | -            | -            |
| 6  | Past service cost - plan amendments           | -            | -            |
| 7  | Acquisitions (credit)/ cost                   | -            | -            |
| 8  | Actuarial (gain)/loss - experience            | (10,205,880) | (13,111,683) |
| 9  | Actuarial (gain)/loss - demographic           | Assoc        | -            |
|    | assumptions                                   | 25 100 000   |              |
| 10 | Actuarial (gain)/loss - financial assumptions | 138,273      | _            |

| 11 | Benefits paid directly by the Company | 1 - 1       | - 1          |
|----|---------------------------------------|-------------|--------------|
| 12 | Benefits paid from plan assets        | (8,852,500) | (11,814,696) |
| 13 | DBO at end of current period          | 235,275,714 | 222,947,201  |

| В  | Statement of Profit & Loss                                    | 31-Dec-21    | 31-Dec-20    |
|----|---|--------------|--------------|
| 1  | Current service cost  | 13,766,943   | 13,505,402   |
| 2  | Past service cost - plan amendments                           | -            | -            |
| 3  | Curtailment cost / (credit)                                   | -            | -            |
| 4  | Settlement cost / (credit)                                    | -            | -            |
| 5  | Service cost  | 13,766,943   | 13,505,402   |
| 6  | Net interest on net defined benefit liability / (asset)       | 17,481,676   | 16,923,024   |
| -  | Immediate recognition of (gains)/losses - other long          |              |              |
| 7  | term employee benefit plans                                   |              |              |
| 8  | Cost recognized in P&L  | 31,248,619   | 30,428,426   |
| С  | Defined Benefit Cost  | 31-Dec-21    | 31-Dec-20    |
| 1  | Service cost  | 13,766,943   | 13,505,402   |
| 2  | Net interest on net defined benefit liability / (asset)       | 17,481,676   | 16,923,024   |
| 3  | Actuarial (gains)/ losses recognized in OCI                   | (5,097,559)  | (15,367,451) |
|    | Immediate recognition of (gains)/losses - other long          | ` '          | , i          |
| 4  | term employee benefit plans                                   |              | •            |
| 5  | Defined Benefit Cost  | 26,151,060   | 15,060,975   |
| D  | Development of Net Financial Position                         | 31-Dec-21    | 31-Dec-20    |
| 1  | Defined Benefit Obligation (DBO)**                            | 235,275,714  | 222,947,201  |
| 2  | Fair Value of Plan Assets (FVA)                               | 226,252,228  | 123,830,921  |
| 3  | Funded Status (Surplus/(Deficit))                             | (9,023,485)  | (99,116,280) |
| 4  | Net Defined Benefit Liability                                 | (9,023,485)  | (99,116,280) |
| E  | Reconciliation of Net Balance Sheet Position                  | 31-Dec-21    | 31-Dec-20    |
| 1  | Net defined benefit asset/ (liability) at end of prior period | 222,947,201  | 217,445,154  |
| 2  | Service cost  | 13,766,943   | 13,505,402   |
| 3  | Net interest on net defined benefit liability/ (asset)        | 17,481,676   | 16,923,024   |
| 4  | Actuarial (gain) or losses due to experience adjustment       | (10,205,880) | (13,111,683) |
| 5  | Amount recognized in Profit & Loss                            | -            | -            |
| 6  | Employer contributions  | -            | -            |
| 7  | Benefit paid directly by the Company                          | (8,852,500)  | (11,814,696) |
| 8  | Actuarial (gain) or losses due to financial assumptions       | 138,273      | -            |
| 9  | Withdrawals From the Plan Assets                              | -            | -            |
| 10 | Cost of termination benefits                                  | -            | -            |
|    | Net defined benefit liability at end of current period        | 235,275,712  | 222,947,201  |
| F  | Other Comprehensive Income ( OCI )                            | 31-Dec-21    | 31-Dec-20    |
| 1  | Actuarial (gain)/loss due to liability experience             | (10,205,880) | (13,111,683) |
| 2  | Actuarial (gain)/loss due to liability assumption changes     | 138,273      | , ,===,==,   |

| F | Other Comprehensive Income (OCI)                          | 31-Dec-21    | 31-Dec-20  |
|---|---|--------------|--|
| 1 | Actuarial (gain)/loss due to liability experience         | (10,205,880) | (13,111,683)   |
| 2 | Actuarial (gain)/loss due to liability assumption changes | 138,273      | -  |
| 3 | Actuarial (gain)/loss arising during period               | (10,067,607) | (13,111,683)   |
| 4 | Return on plan assets (greater)/less than discount rate   | 4,970,048    | (2,255,768)  |
| 5 | Actuarial (gains)/ losses recognized in OCI               | (5,097,559)  | (15,367,451)   |
| 6 | Adjustment for limit on net asset                         |              | - u  |
|   | Expense recognized as OCI                                 | (5,097,559)  | (15,367,451)   |
|   |   | 2 A 12       | The state of the s |

Actuarial (Gain) or Loss Recognized via OCI at Current Period End Color Reconciliation of changes in Fair Value of Plan Asset 31-Dec-21 31-Dec-20

|   | Television of the heading in a of the year                 | 123,830,921 | 174,689,696  |
|---|--|-------------|--------------|
| 1 | Fair value at the beginning of the year                    |             |              |
| 2 | Contribution paid into the plan                            | 99,116,280  | (50,305,414) |
| 3 | Return on plan assets                                      | 17,127,576  | 9,005,567    |
| 4 | Benefits paid from the plan                                | (8,852,500) | (11,814,696) |
| 5 | Return on plan assets greater or (less) than discount rate | (4,970,048) | 2,255,768    |
| - | Fair value at the end of period                            | 226,252,228 | 123,830,921  |

| Н | Expected benefit payments for the year ending | 31-Dec-21   | 31-Dec-20   |
|---|---|-------------|-------------|
|   | Less than a year                              | 34,677,298  | 27,185,103  |
|   | Between 1 - 2 years                           | 31,719,896  | 29,618,901  |
|   | Between 2 - 5 years                           | 102,895,711 | 105,689,836 |
|   | Over 5 years                                  | 635,398,484 | 621,905,679 |

(i) Expected employer contributions for the period ending 31 December, 2021 Not Applicable

(ii) Weighted average duration of defined benefit obligation

11.75 years

## (iii) Significant estimates: actuarial assumptions and sensitivity

| a | Discount Rate   | 31-Dec-21   | 31-Dec-20   |
|---|---|-------------|-------------|
|   | Discount Rate as at 31 December 2021                          | 0.50%       | 8.00%       |
|   | Effect on DBO due to 0.5% increase in Discount Rate           | (8,029,282) | (7,859,728) |
|   | Effect on DBO due to 0.5% decrease in Discount Rate           | 8,573,426   | 8,395,153   |
| ь | Salary Escalation rate  | 31-Dec-21   | 31-Dec-20   |
|   | Salary Escalation rate as at 31 December 2021                 | 0.50%       | 8.00%       |
|   | Effect on DBO due to 0.5% increase in Salary escalation rate  | 9,162,976   | 8,939,738   |
|   | Tree is a DDC due to 0.5% decrease in Colore acceletion water | (8,658,477) | (8,443,125) |
|   | Effect on DBO due to 0.5% decrease in Salary escalation rate  | (0,030,177) | (0,110,110) |

### (iv) Risk exposures

Valuing a defined benefit plan is fundamentally an exercise in estimating the future cost of the benefit, the exact value for which only time will reveal. It relies on a set of financial and demographic assumptions along with prevalent regulatory framework in valuing liability. Thus, the Plan is exposed to a variety of risk as discussed herein.

#### 1. Discount rate risk

The present value of the defined benefit obligation is heavily dependent on the discount rate. As such, the quantity is highly sensitive to the discount rate and a slight decrease in this assumption parameter will result in an ultimate cost that is significantly higher and vice versa.

### 2. Salary growth risk

As the gratuity benefit is a final-pay scheme, the actual cost of the plan will depend on the growth rate of salary over the years. As such, a higher than expected growth in salary will result in a cost which is higher than the estimate. Similarly, a slower salary growth will result in actual liability being lower than projected.

## 3. Employee turnover risk

Employee turnover experience of BTL will have a significant impact on the design of the benefit and consequently the overall cost of the plan. Furthermore, deviation in actual experience from assumption would also lead to change in the liability of the plan.

### 4. Demographic risk

In the absence of credible scheme-specific data, the IALM 2012-14 mortality rate has been used in projecting the benefits. Thus, deviation of the actual experience from the rates used will result in change in the cost of the plan.

## 5. Regulatory risk

The present value of the defined benefit obligation has been arrived at using the current set of regulatory frameworks. As such, any change in the relevant rules and regulations concerning gratuity benefit such as increase in gratuity ceiling, introduction of gratuity floor, change in vesting period or benefit accrual rate would eventually alter the liability.

## 6. Liquidity risk

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Finally, there is a risk that BTL may not be able to honour the gratuity payments in the short-run due to liquidity constraints.

### 7. Investment risk

As the gratuity scheme, there is a risk that the fund's investment is not able to earn the assumed rate of return. In such situation, the ultimate cost of the plan will be affected

# 8. Asset-liability mismatch risk

This risk arises from the unavailability of investments suitable and commensurate with the nature of liability, especially in the absence of well-developed capital market.

Note: 42 Disclosure as per BAS 19, 'Employees Benefit' as regards defined benefit scheme (Leave Encashment)

## V) Other Long-Term benefits (Un-Funded)

| Α  | Change in Defined Benefit Obligation (DBO)      | 31-Dec-21    | 31-Dec-20    |
|----|---|--------------|--------------|
| 1  | DBO at end of prior period                      | 20,437,169   | 15,857,069   |
| 2  | Current service cost                            | 3,533,380    | 4,580,100    |
| 3  | Interest cost on the DBO                        | 288,221      | (61,621)     |
| 4  | Curtailment (credit)/ cost                      |              | -            |
| 5  | Settlement (credit)/ cost                       |              | -            |
| 6  | Past service cost - plan amendments             |              | -            |
| 7  | Acquisitions (credit)/ cost                     |              | -            |
| 8  | Actuarial (gain)/loss - experience              | 16,544,440   | 16,688,949   |
| 9  | Actuarial (gain)/loss - demographic assumptions |              | -            |
| 10 | Actuarial (gain)/loss - financial assumptions   | 1,740        | -            |
| 11 | Benefits paid directly by the Company           | (16,834,401) | (16,627,328) |
| 12 | Benefits paid from plan assets                  |              | -            |
| 13 | DBO at end of current period                    | 23,970,549   | 20,437,169   |

| В | Statement of Profit & Loss   | 31-Dec-21  | 31-Dec-20  |
|---|--|------------|------------|
| 1 | Current service cost   | 3,533,380  | 4,580,100  |
| 2 | Past service cost  |            | -          |
| 3 | Loss or (Gain) on settlement   |            | -          |
| 4 | Interest on DBO  | 288,221    | (61,621)   |
| 6 | Net interest on net defined benefit liability / (asset)                          |            | -          |
| 7 | Immediate recognition of (gains)/losses – other long term employee benefit plans | 16,546,180 | 16,688,949 |
| 8 | Cost recognized in P&L   | 20,367,781 | 21,207,428 |

| C | Other Comprehensive Income (OCI)                                     | 31-Dec-21  | 31-Dec-20  |
|---|--|------------|------------|
| 1 | Actuarial (gain)/loss due to experience adjustments                  | 16,544,440 | 16,688,949 |
| 2 | Actuarial (gain)/loss due to change in demographic                   | 1,740      | -          |
| 3 | assumptions Actuarial (gain)/loss arising during period              | 16,546,180 | 16,688,949 |
| 4 | Return on plan assets (greater)/less than discount rate              |            |            |
| 5 | Actuarial (gains)/ losses recognized in OCI                          | 16,546,180 | 16,688,949 |
| 6 | Adjustment for limit on net asset                                    |            | -          |
|   | Actuarial (Gain) or Loss Recognized via OCI at Current<br>Period End | 16,546,180 | 16,688,949 |

| D | Development of Net Financial Position | 31-Dec-21  | 31-Dec-20  |
|---|---------------------------------------|------------|------------|
|   | Defined Benefit Obligation (DBO)**    | 23,970,549 | 20,437,169 |
|   | Fair Value of Plan Assets (FVA)       | -          | -          |
|   | Funded Status (Surplus/(Deficit))     | 23,970,549 | 20,437,169 |
|   | Net Defined Benefit Liability         | 23,970,549 | 20,437,169 |

| Е  | Reconciliation of Net Balance Sheet Position                      | 31-Dec-21    | 31-Dec-20    |
|----|---|--------------|--------------|
| 1  | Net defined benefit asset/ (liability) at end of prior period     | 20,437,169   | 15,857,069   |
| 2  | Service cost  | 3,533,380    | 4,580,100    |
| 3  | Net interest on net defined benefit liability/ (asset)            | 288,221      | (61,621)     |
| 4  | Actuarial gain/loss due to experience                             | 16,544,440   | 16,688,949   |
| 5  | Amount recognized in Profit & Loss                                |              | -            |
| 6  | Employer contributions  |              | -            |
| 7  | Benefit paid directly by the Company                              | (16,834,401) | (16,627,328) |
| 8  | Acquisitions credit/ (cost)                                       |              | -            |
| 9  | Actuarial (gain) or Losses due to change in financial assumptions | 1,740        | -            |
| 10 | Withdrawals From the Plan Assets                                  |              | -            |
| 11 | Cost of termination benefits                                      |              | -            |
| 10 | Net defined benefit liability at end of current period            | 23,970,549   | 20,437,169   |

|   | Expected benefit payments for the year ending | 31-Dec-21  |
|---|---|------------|
| 2 | 31-Dec-22                                     | 2,193,302  |
| 3 | 31-Dec-23                                     | 2,113,801  |
| 4 | 31-Dec-24                                     | 2,321,270  |
| 5 | 31-Dec-25                                     | 2,309,222  |
| 6 | 31-Dec-26                                     | 1,861,718  |
| 7 | December 31, 2027 to December 31, 2031        | 9,246,099  |
| 8 | December 31, 2032 to December 31, 2041        | 22,984,219 |

- i) Expected employer contributions for the period ending 31, December 2021.
- ii) Weighted average duration of defined benefit obligation: 9.74 years.

| Sensitivity Analysis |                       |  |  |  |
|----------------------|-----------------------|--|--|--|
| Scenario             | Net Effect of<br>BDO  |  |  |  |
| 0.5%                 | (989,951)             |  |  |  |
| Base Rate            | Base Rate             |  |  |  |
| -0.5%                | 1,067,110             |  |  |  |
|                      | 0.5%  O.5%  Base Rate |  |  |  |

|                        | 0.5%      |           |
|------------------------|-----------|-----------|
| Salary Growth Rate     | Base Rate |           |
|                        | -0.5%     | 1,124,967 |
|                        | 0.5%      | (15,660)  |
| Employee Turnover rate | Base Rate | Base Rate |
| 1 7                    | -0.5%     | 19,266    |

| Particulars  | 31-Dec-21  | 31-Dec-20  |
|--|------------|------------|
| Present value obligation at the end of the year towards compensated absences** | 23,970,549 | 20,437,169 |
| **Excluding earned leave on contract labour                                    |            |            |

# i) Risk Exposures

Valuing a defined benefit plan is fundamentally an exercise in estimating the future cost of the benefit, the exact value for which only time will reveal. It relies on a set of financial and demographic assumptions along with prevalent regulatory framework in valuing liability. Thus, the Plan is exposed to a variety of risk as discussed herein.

### 1. Discount Rate Risk

The present value of the defined benefit obligation is heavily dependent on the discount rate. As such, the quantity is highly sensitive to the discount rate and a slight decrease in this assumption parameter will result in an ultimate cost that is significantly higher and vice versa.

## 2. Salary Growth Risk

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As the Earned Leave benefit is a final-pay scheme, the actual cost of the plan will depend on the growth rate of salary over the years. As such, a higher than expected growth in salary will result in a cost which is higher than the estimate. Similarly, a slower salary growth will result in actual liability being lower than projected.

### 3. Employee Turnover Risk

Employee turnover experience of BTL will have a significant impact on the design of the benefit and consequently the overall cost of the plan. Furthermore, deviation in actual experience from assumption would also lead to change in the liability of the plan.

## 4. Demographic Risk

In the absence of credible scheme-specific data, the IALM 2012-14 mortality rate has been used in projecting the benefits. Thus, deviation of the actual experience from the rates used will result in change in the cost of the plan.

### 5. Regulatory Risk

The present value of the defined benefit obligation has been arrived at using the current set of regulatory frameworks. As such, any change in the relevant rules and regulations concerning Travel allowance benefit such as increase in Earned Leave Benefit such as increase in ceiling, introduction of floor and change in vesting period or benefit accrual rate would eventually alter the liability.

### 6. Liquidity Risk

Finally, there is a risk that BTL may not be able to honour the Earned leave payments in the short-run due to liquidity constraints.

Note: 43 Disclosure as per BAS 19, 'Employees Benefit' as regards defined benefit scheme (Carriage Allowance)

| A   | Change in Defined Benefit Obligation (DBO)  | 31-Dec-21   | 31-Dec-20  |
|---|---|---|--|
| 1   | DBO at end of prior period  | 3,822,924   | 4,139,513  |
| 2   | Current service cost  | 269,721   | 277,562  |
| 3   | Interest cost on the DBO  | 279,431   | 300,028  |
| 4   | Curtailment (credit)/ cost  | 1 1   | _  |
| 5   | Settlement (credit)/ cost   | _   | _  |
| 6   | Past service cost - plan amendments   | _   | _  |
| 7   | Acquisitions (credit)/ cost   | _   | _  |
| 8   | Actuarial (gain)/loss - experience  | (144,643)   | (505,018)  |
| 9   | Actuarial (gain)/loss - demographic assumptions   | (111,010)   | -  |
| 7<br>10   | Actuarial (gain)/loss - financial assumptions   | (744)   | _  |
| 10<br>11  | Benefits paid directly by the Company   | (330,031)   | (389,161)  |
|   |   | (000,002)   | (00)/202/  |
| 12  | Benefits paid from plan assets  | 3,896,658   | 3,822,924  |
| 13  | DBO at end of current period  | 31-Dec-21   | 31-Dec-20  |
| В   | Statement of Profit & Loss  |   |  |
| 1   | Current service cost  | 269,721   | 277,562  |
| 2   | Past service cost - plan amendments   | -   | _  |
| 3   | Curtailment cost / (credit)   | -   |  |
| 4   | Settlement cost / (credit)  | - A (O = D4   | 000 5/0  |
| 5   | Service cost  | 269,721   | 277,562  |
| 6   | Net interest on net defined benefit liability / (asset)   | 279,431   | 300,028  |
| 7   | Immediate recognition of (gains)/losses - other long term   | _   | _  |
| _   | employee benefit plans  |   |  |
| 8   | Cost recognized in P&L  | 549,152   | 577,590  |
| С   | Defined Benefit Cost  | 31-Dec-21   | 31-Dec-20  |
| 1   | Service cost  | 269,721   | 277,562  |
| 2   | Net interest on net defined benefit liability / (asset)   | 279,431   | 300,028  |
| 3   | Actuarial (gains) / losses recognized in OCI  | (145,387)   | (505,018)  |
|   | Immediate recognition of (gains)/losses - other long term   | , 1   |  |
| 4   | employee benefit plans  |   | 1  |
| 5   | Defined Benefit Cost  | 403,765   | 72,572   |
|   |   |   |  |
| D   | Development of Net Financial Position   | 31-Dec-21   | 31-Dec-20  |
| D<br>1  | Development of Net Financial Position   | 31-Dec-21<br>(3.896.658)  |  |
| 1   | Defined Benefit Obligation (DBO)**  | 31-Dec-21<br>(3,896,658)  |  |
| 1<br>2  | Defined Benefit Obligation (DBO)** Fair Value of Plan Assets (FVA)  | (3,896,658)   | (3,822,924)  |
| 1<br>2<br>3   | Defined Benefit Obligation (DBO)** Fair Value of Plan Assets (FVA) Funded Status (Surplus/ (Deficit))   | (3,896,658)   | 31-Dec-20<br>(3,822,924)<br>(3,822,924)  |
| 1<br>2  | Defined Benefit Obligation (DBO)** Fair Value of Plan Assets (FVA)  | (3,896,658)   | (3,822,924)  |
| 1<br>2<br>3<br>4  | Defined Benefit Obligation (DBO)** Fair Value of Plan Assets (FVA) Funded Status (Surplus/ (Deficit))   | (3,896,658)<br>(3,896,658)<br>(3,896,658)   | (3,822,924)<br>(3,822,924)<br>(3,822,924)  |
| 1<br>2<br>3<br>4<br>E   | Defined Benefit Obligation (DBO)** Fair Value of Plan Assets (FVA) Funded Status (Surplus/(Deficit)) Net Defined Benefit Liability  Reconciliation of Net Balance Sheet Position  | (3,896,658)<br>(3,896,658)<br>(3,896,658)<br>31-Dec-21  | (3,822,924)<br>(3,822,924)<br>(3,822,924)<br>31-Dec-20   |
| 1<br>2<br>3<br>4<br>E<br>1                                    | Defined Benefit Obligation (DBO)** Fair Value of Plan Assets (FVA) Funded Status (Surplus/(Deficit)) Net Defined Benefit Liability  Reconciliation of Net Balance Sheet Position Net defined benefit asset/ (liability) at end of prior period  | (3,896,658)<br>(3,896,658)<br>(3,896,658)<br>31-Dec-21<br>(3,822,924.00)                                      | (3,822,924)<br>(3,822,924)<br>(3,822,924)<br>31-Dec-20<br>(4,139,513)                                      |
| 1<br>2<br>3<br>4<br>E<br>1<br>2                               | Defined Benefit Obligation (DBO)** Fair Value of Plan Assets (FVA) Funded Status (Surplus/(Deficit)) Net Defined Benefit Liability  Reconciliation of Net Balance Sheet Position Net defined benefit asset/ (liability) at end of prior period Service cost   | (3,896,658)<br>(3,896,658)<br>(3,896,658)<br>31-Dec-21<br>(3,822,924.00)<br>(269,721)                         | (3,822,924)<br>(3,822,924)<br>(3,822,924)<br>31-Dec-20<br>(4,139,513)<br>(277,562)                         |
| 1<br>2<br>3<br>4<br>E<br>1<br>2<br>3                          | Defined Benefit Obligation (DBO)** Fair Value of Plan Assets (FVA) Funded Status (Surplus/(Deficit)) Net Defined Benefit Liability  Reconciliation of Net Balance Sheet Position Net defined benefit asset/ (liability) at end of prior period Service cost Net interest on net defined benefit liability/ (asset)  | (3,896,658)<br>(3,896,658)<br>(3,896,658)<br>31-Dec-21<br>(3,822,924.00)<br>(269,721)<br>(279,431)            | (3,822,924)<br>(3,822,924)<br>(3,822,924)<br>31-Dec-20<br>(4,139,513)<br>(277,562)<br>(300,028)            |
| 1<br>2<br>3<br>4<br>E<br>1<br>2<br>3<br>4                     | Defined Benefit Obligation (DBO)** Fair Value of Plan Assets (FVA) Funded Status (Surplus/(Deficit)) Net Defined Benefit Liability  Reconciliation of Net Balance Sheet Position Net defined benefit asset/ (liability) at end of prior period Service cost Net interest on net defined benefit liability/ (asset) Amount recognized in OCI   | (3,896,658)<br>(3,896,658)<br>(3,896,658)<br>31-Dec-21<br>(3,822,924.00)<br>(269,721)                         | (3,822,924)<br>(3,822,924)<br>(3,822,924)<br>31-Dec-20<br>(4,139,513)<br>(277,562)                         |
| 1<br>2<br>3<br>4<br>E<br>1<br>2<br>3<br>4<br>5                | Defined Benefit Obligation (DBO)** Fair Value of Plan Assets (FVA) Funded Status (Surplus/(Deficit)) Net Defined Benefit Liability  Reconciliation of Net Balance Sheet Position Net defined benefit asset/ (liability) at end of prior period Service cost Net interest on net defined benefit liability/ (asset) Amount recognized in OCI Amount recognized in Profit & Loss  | (3,896,658)<br>(3,896,658)<br>(3,896,658)<br>31-Dec-21<br>(3,822,924.00)<br>(269,721)<br>(279,431)            | (3,822,924)<br>(3,822,924)<br>(3,822,924)<br>31-Dec-20<br>(4,139,513)<br>(277,562)<br>(300,028)            |
| 1<br>2<br>3<br>4<br>E<br>1<br>2<br>3<br>4<br>5<br>6           | Defined Benefit Obligation (DBO)** Fair Value of Plan Assets (FVA) Funded Status (Surplus/(Deficit))  Net Defined Benefit Liability  Reconciliation of Net Balance Sheet Position  Net defined benefit asset/ (liability) at end of prior period Service cost  Net interest on net defined benefit liability/ (asset)  Amount recognized in OCI  Amount recognized in Profit & Loss  Employer contributions   | (3,896,658)<br>(3,896,658)<br>(3,896,658)<br>31-Dec-21<br>(3,822,924.00)<br>(269,721)<br>(279,431)<br>144,643 | (3,822,924)<br>(3,822,924)<br>(3,822,924)<br>31-Dec-20<br>(4,139,513)<br>(277,562)<br>(300,028)<br>505,018 |
| 1<br>2<br>3<br>4<br>E<br>1<br>2<br>3<br>4<br>5<br>6           | Defined Benefit Obligation (DBO)** Fair Value of Plan Assets (FVA) Funded Status (Surplus/(Deficit))  Net Defined Benefit Liability  Reconciliation of Net Balance Sheet Position  Net defined benefit asset/ (liability) at end of prior period Service cost  Net interest on net defined benefit liability/ (asset)  Amount recognized in OCI  Amount recognized in Profit & Loss  Employer contributions  Benefit paid directly by the Company   | (3,896,658)<br>(3,896,658)<br>(3,896,658)<br>31-Dec-21<br>(3,822,924.00)<br>(269,721)<br>(279,431)            | (3,822,924<br>(3,822,924<br>(3,822,924<br>31-Dec-20<br>(4,139,513<br>(277,562<br>(300,028<br>505,018       |
| 1<br>2<br>3<br>4<br>E<br>1<br>2<br>3<br>4<br>5<br>6           | Defined Benefit Obligation (DBO)** Fair Value of Plan Assets (FVA) Funded Status (Surplus/(Deficit))  Net Defined Benefit Liability  Reconciliation of Net Balance Sheet Position  Net defined benefit asset/ (liability) at end of prior period Service cost  Net interest on net defined benefit liability/ (asset)  Amount recognized in OCI  Amount recognized in Profit & Loss  Employer contributions  Benefit paid directly by the Company  Acquisitions credit/ (cost)  | (3,896,658)<br>(3,896,658)<br>(3,896,658)<br>31-Dec-21<br>(3,822,924.00)<br>(269,721)<br>(279,431)<br>144,643 | (3,822,924<br>(3,822,924<br>(3,822,924<br>31-Dec-20<br>(4,139,513<br>(277,562<br>(300,028<br>505,018       |
| 1<br>2<br>3<br>4<br>E<br>1<br>2<br>3<br>4<br>5<br>6           | Defined Benefit Obligation (DBO)** Fair Value of Plan Assets (FVA) Funded Status (Surplus/(Deficit))  Net Defined Benefit Liability  Reconciliation of Net Balance Sheet Position  Net defined benefit asset/ (liability) at end of prior period Service cost  Net interest on net defined benefit liability/ (asset)  Amount recognized in OCI  Amount recognized in Profit & Loss  Employer contributions  Benefit paid directly by the Company  Acquisitions credit/ (cost)  Actuarial (gain) or losses due to change in financial             | (3,896,658)<br>(3,896,658)<br>(3,896,658)<br>31-Dec-21<br>(3,822,924.00)<br>(269,721)<br>(279,431)<br>144,643 | (3,822,924)<br>(3,822,924)<br>(3,822,924)<br>31-Dec-20<br>(4,139,513)<br>(277,562)<br>(300,028)<br>505,018 |
| 1<br>2<br>3<br>4<br>E<br>1<br>2<br>3<br>4<br>5<br>6<br>7<br>8 | Defined Benefit Obligation (DBO)** Fair Value of Plan Assets (FVA) Funded Status (Surplus/(Deficit))  Net Defined Benefit Liability  Reconciliation of Net Balance Sheet Position  Net defined benefit asset/ (liability) at end of prior period Service cost  Net interest on net defined benefit liability/ (asset)  Amount recognized in OCI  Amount recognized in Profit & Loss  Employer contributions  Benefit paid directly by the Company  Acquisitions credit/ (cost)  Actuarial (gain) or losses due to change in financial assumptions | (3,896,658)<br>(3,896,658)<br>(3,896,658)<br>31-Dec-21<br>(3,822,924.00)<br>(269,721)<br>(279,431)<br>144,643 | (3,822,924)<br>(3,822,924)<br>(3,822,924)<br>31-Dec-20<br>(4,139,513)<br>(277,562)<br>(300,028)<br>505,018 |
| 1<br>2<br>3<br>4<br>E<br>1<br>2<br>3<br>4<br>5<br>6<br>7<br>8 | Defined Benefit Obligation (DBO)** Fair Value of Plan Assets (FVA) Funded Status (Surplus/ (Deficit))  Net Defined Benefit Liability  Reconciliation of Net Balance Sheet Position  Net defined benefit asset/ (liability) at end of prior period Service cost  Net interest on net defined benefit liability/ (asset)  Amount recognized in OCI  Amount recognized in Profit & Loss  Employer contributions  Benefit paid directly by the Company  Acquisitions credit/ (cost)  Actuarial (gain) or losses due to change in financial            | (3,896,658)<br>(3,896,658)<br>(3,896,658)<br>31-Dec-21<br>(3,822,924.00)<br>(269,721)<br>(279,431)<br>144,643 | (3,822,924)<br>(3,822,924)<br>(3,822,924)<br>31-Dec-20<br>(4,139,513)<br>(277,562)<br>(300,028)            |

| F | Other Comprehensive Income (OCI)                          | 31-Dec-21 | 31-Dec-20 |
|---|---|-----------|-----------|
| 1 | Actuarial (gain)/loss due to liability experience         | (144,643) | (505,018) |
| 2 | Actuarial (gain)/loss due to liability assumption changes | (744)     | _         |
| 3 | Actuarial (gain)/loss arising during period               | (145,387) | (505,018) |
| 4 | Return on plan assets (greater)/less than discount rate   | -         | -         |
| 5 | Actuarial (gains)/ losses recognized in OCI               | (145,387) | (505,018) |
| 6 | Adjustment for limit on net asset                         | -         | _         |
|   | Actuarial (Gain) or Loss Recognized via OCI at Current    | (145,387) | (505,018) |
|   | Period End  | (143,307) | (505,016) |

| G | Expected benefit payments for the year ending | 31-Dec-21    |
|---|---|--------------|
| 2 | 31-Dec-23                                     | 797,057      |
| 3 | 31-Dec-24                                     | 866,730      |
| 4 | 31-Dec-25                                     | 806,727      |
| 5 | 31-Dec-26                                     | 631,646      |
| 6 | December 2027 to December, 2031               | 3,186,846.00 |
| 7 | December 2032 to December, 2041               | 6,346,388.00 |

- i. Expected employer contributions for the period ending 31 December 2021
- ii. Weighted average duration of defined benefit obligation 8.60 years
- iii. Significant estimates: actuarial assumptions and sensitivity

| a  | Discount Rate  | 31-Dec-21 | 31-Dec-20 |
|----|--|-----------|-----------|
|    | Discount Rate as at 31 December 2021                         |           |           |
|    | Effect on DBO due to 0.5% (2018: 1%, 2017: 1%) increase in   | (108,050) | (108,777) |
|    | Discount Rate  | (100,000) | (100,777) |
|    | Effect on DBO due to 0.5% (2018: 1%, 2017: 1%) decrease in   | 114,670   | 115,429   |
|    | Discount Rate  | 114,070   | 115,427   |
| b  | Carriage Cost Inflation Rate                                 | 31-Dec-21 | 31-Dec-20 |
|    | Carriage cost inflation rate as at 31 December 2021          |           |           |
|    | Effect on DBO due to 0.5% increase in Transportation Cost    | 128,629   | 128,948   |
|    | Effect on DBO due to 0.5% decrease in Salary escalation rate | (122,190) | (122,479) |
| c. | Mortality Rate   | 31-Dec-21 | 31-Dec-20 |
|    | Carriage cost inflation rate as at 31 December 2021          |           |           |
|    | Effect on DBO due to 0.5% increase in Transportation Cost    | 128,629   | 128,948   |
|    | Effect on DBO due to 0.5% decrease in Salary escalation rate | (122,190) | (122,479) |



## iv. Risk Exposures

Valuing a defined benefit plan is fundamentally an exercise in estimating the future cost of the benefit, the exact value for which only time will reveal. It relies on a set of financial and demographic assumptions along with prevalent regulatory framework in valuing liability. Thus, the Plan is exposed to a variety of risk as discussed herein.

#### 1. Discount Rate Risk

The present value of the defined benefit obligation is heavily dependent on the discount rate. As such, the quantity is highly sensitive to the discount rate and a slight decrease in this assumption parameter will result in an ultimate cost that is significantly higher and vice versa.

## 2. Increase in Cost of Transportation Risk

As this benefit is based on the final cost of transportation at the time of retirement in the future, the actual cost of the plan will depend on the growth rate of transportation cost and inflation over the years. As such, a higher than expected growth in cost of transportation will result in a cost which is higher than the estimate. Similarly, lower inflation will result in actual liability being lower than projected.

## 3. Employee Turnover Risk

Employee turnover experience of BTL will have a significant impact on the design of the benefit and consequently the overall cost of the plan. Furthermore, deviation in actual experience from assumption would also lead to change in the liability of the plan.

## 4. Demographic Risk

In the absence of credible scheme-specific data, the IALM 2012-14 mortality rate has been used in projecting the benefits. Thus, deviation of the actual experience from the rates used will result in change in the cost of the plan.

### 5. Regulatory Risk

The present value of the defined benefit obligation has been arrived at using the current set of regulatory frameworks. As such, any change in the relevant rules and regulations concerning Carriage Allowance benefit such as increase in Carriage Allowance ceiling, introduction of Carriage Allowance floor and change in vesting period or benefit accrual rate would eventually alter the liability.

### 6. Liquidity Risk

Finally, there is a risk that BTL may not be able to honour the Carriage Allowance payments in the short-run due to liquidity constraints.



Note: 44 Disclosure as per BAS 19, 'Employees Benefit' as regards defined benefit scheme (Separation Allowance)

| A  | Change in Defined Benefit Obligation (DBO)                                       | 31-Dec-21 | 31-Dec-20 |
|----|--|-----------|-----------|
| 1  | DBO at end of prior period   | 7,796,822 | 7,729,206 |
| 2  | Current service cost   | 557,394   | 519,331   |
| 3  | Interest cost on the DBO   | 601,532   | 590,563   |
| 4  | Curtailment (credit)/ cost   |           |           |
| 5  | Settlement (credit)/ cost  |           |           |
| 6  | Past service cost - plan amendments  |           |           |
| 7  | Acquisitions (credit)/ cost  |           |           |
| 8  | Actuarial (gain)/loss - experience   | (91,246)  | (347,948) |
| 9  | 'Actuarial (gain)/loss - demographic assumptions                                 |           |           |
| 10 | Actuarial (gain)/loss - financial assumptions                                    | 966       |           |
| 11 | Benefits paid directly by the Company  | (555,355) | (694,330) |
| 12 | Benefits paid from plan assets   |           |           |
| 13 | DBO at end of current period   | 8,310,113 | 7,796,822 |
| В  | Statement of Profit & Loss   | 31-Dec-21 | 31-Dec-20 |
| 1  | Current service cost   | 557,394   | 519,331   |
| 2  | Past service cost - plan amendments  |           |           |
| 3  | Curtailment cost / (credit)  |           | -         |
| 4  | Settlement cost / (credit)   |           | •         |
| 5  | Service cost   | 557,394   | 519,331   |
| 6  | Net interest on net defined benefit liability / (asset)                          | 601,532   | 590,563   |
| 7  | Immediate recognition of (gains)/losses - other long term employee benefit plans |           | -         |
| 8  | Cost recognized in P&L   | 1,158,926 | 1,109,894 |
| C  | Defined Benefit Cost   | 31-Dec-21 | 31-Dec-20 |
| 1  | Service cost   | 557,394   | 519,331   |
| 2  | Net interest on net defined benefit liability / (asset)                          | 601,532   | 590,563   |
| 3  | Actuarial (gains)/ losses recognized in OCI                                      | (90,280)  | (347,948) |
| 4  | Immediate recognition of (gains)/losses - other long term employee benefit plans | -         |           |
| 5  | Defined Benefit Cost   | 1,068,646 | 761,946   |

| D | Development of Net Financial Position                         | 31-Dec-21   | 31-Dec-20   |
|---|---|-------------|-------------|
| 1 | Defined Benefit Obligation (DBO)**                            | (8,310,113) | (7,796,822) |
| 2 | Fair Value of Plan Assets (FVA)                               | -           | -           |
| 3 | Funded Status (Surplus/(Deficit))                             | (8,310,113) | (7,796,822) |
| 4 | Net Defined Benefit Liability                                 | (8,310,113) | (7,796,822) |
| E | Reconciliation of Net Balance Sheet Position                  | 31-Dec-21   | 31-Dec-20   |
| 1 | Net defined benefit asset/ (liability) at end of prior period | (7,796,822) | (7,729,206) |
| 2 | Service cost  | (557,394)   | (519,331)   |
| 3 | Net interest on net defined benefit liability/ (asset)        | (601,532)   | (590,563)   |
| 4 | Amount recognized in OCI                                      | 91,246      | 347,948     |
| 5 | Amount recognized in Profit & Loss                            |             | -           |
| 6 | Employer contributions  Benefit paid directly by the Company  | -           | -           |
| 7 | Benefit paid directly by the Company                          | 555,355     | 694,330     |
| 8 | Acquisitions credit/ (cost)                                   | -           | -           |

| 9  | Actuarial (gain) or losses due to change in financial                | (966)       | -           |
|----|--|-------------|-------------|
| 10 | assumptions Withdrawals From the Plan Assets                         |             | _           |
| 11 | Cost of termination benefits   | -           | -           |
| 10 | Net defined benefit liability at end of current period               | (8,310,113) | (7,796,822) |
| F  | Other Comprehensive Income (OCI)                                     | 31-Dec-21   | 31-Dec-20   |
| 1  | Actuarial (gain)/loss due to liability experience                    | (91,246)    | (347,948)   |
| 2  | Actuarial (gain)/loss due to liability assumption changes            | 966         | -           |
| 3  | Actuarial (gain)/loss arising during period                          | (90,280)    | (347,948)   |
| 4  | Return on plan assets (greater)/less than discount rate              | -           | -           |
| 5  | Actuarial (gains)/ losses recognized in OCI                          | (90,280)    | (347,948)   |
| 6  | Adjustment for limit on net asset                                    |             | -           |
|    | Actuarial (Gain) or Loss Recognized via OCI at Current<br>Period End | (90,280)    | (347,948)   |

| G | Expected benefit payments for the year ending | 31-Dec-21     |
|---|---|---------------|
|   | December,2022                                 | 1,552,611.00  |
|   | December,2023                                 | 1,416,192.00  |
|   | December,2024                                 | 1,567,850.00  |
|   | December,2025                                 | 1,531,980.00  |
|   | December,2026                                 | 1,279,554.00  |
|   | December, 2027 to December 2031               | 6,684,053.00  |
|   | December, 2031 to December 2041               | 16,644,262.00 |

# i. Expected employer contributions for the period ending 31 December 2021

# ii. Weighted average duration of defined benefit obligation 9.74 years

# iii. Significant estimates: actuarial assumptions and sensitivity

| а | Discount Rate  | 31-Dec-21 | 31-Dec-20 |
|---|--|-----------|-----------|
|   | Discount Rate as at 31 December 2021                         | 0.50%     | 8.00%     |
|   | Effect on DBO due to 0.5% increase in Discount Rate          | (272,436) | 283,301   |
|   | Effect on DBO due to 0.5% decrease in Discount Rate          | 290,436   | (265,663) |
| ь | Salary Escalation rate                                       | 31-Dec-21 | 31-Dec-20 |
|   | Salary Escalation rate as at 31 December 2021                | 0.05%     | 8.00%     |
|   | Effect on DBO due to 0.5% increase in Salary escalation rate | 311,339   | 302,494   |
|   | Effect on DBO due to 0.5% decrease in Salary escalation rate | (294,339) | (286,168) |

| С | Employee Turnover Rate                                       | 31-Dec-21 | 31-Dec-20 |
|---|--|-----------|-----------|
|   | Mortality rate as at 31 December 2021                        | 0.50%     | 8.00%     |
|   | Effect on DBO due to 0.5% increase in Mortality              | 311,339   | 302,494   |
|   | Effect on DBO due to 0.5% decrease in Mortality              | (294,339) | (286,168) |
| d | Salary Escalation rate                                       | 31-Dec-21 | 31-Dec-20 |
|   | Salary Escalation rate as at 31 December 2021                | 0.05%     | 8.00%     |
|   | Effect on DBO due to 0.5% increase in Salary escalation rate | (11,939)  | 302,494   |
|   | Effect on DBO due to 0.5% decrease in Salary escalation rate | 13,232    | (286,168) |
|   | 200  | OCI.      |           |

### iv. Risk exposures

Valuing a defined benefit plan is fundamentally an exercise in estimating the future cost of the benefit, the exact value for which only time will reveal. It relies on a set of financial and demographic assumptions along with prevalent regulatory framework in valuing liability. Thus, the plan is exposed to a variety of risk as discussed herein.

### 1. Discount Rate Risk

The present value of the defined benefit obligation is heavily dependent on the discount rate. As such, the quantity is highly sensitive to the discount rate and a slight decrease in this assumption parameter will result in an ultimate cost that is significantly higher and vice versa.

### 2. Salary Growth Risk

As the Separation Allowance benefit is a final-pay scheme, the actual cost of the plan will depend on the growth rate of salary over the years. As such, a higher than expected growth in salary will result in a cost which is higher than the estimate. Similarly, a slower salary growth will result in actual liability being lower than projected.

### 3. Employee Turnover Risk

Employee turnover experience of BTL will have a significant impact on the design of the benefit and consequently the overall cost of the plan. Furthermore, deviation in actual experience from assumption would also lead to change in the liability of the plan.

## 4. Demographic Risk

In the absence of credible scheme-specific data, the IALM 2012-14 mortality rate has been used in projecting the benefits. Thus, deviation of the actual experience from the rates used will result in change in the cost of the plan.

## 5. Regulatory Risk

The present value of the defined benefit obligation has been arrived at using the current set of regulatory frameworks. As such, any change in the relevant rules and regulations concerning Separation Allowance benefit such as increase in separation allowance ceiling, introduction of Separation Allowance floor and change in vesting period or benefit accrual rate would eventually alter the liability.

### 6. Liquidity Risk

Finally, there is a risk that BTL may not be able to honour the separation allowance payments in the short-run due to liquidity constraints.



Note: 45 Disclosure as per BAS 19, 'Employees Benefit' as regards defined benefit scheme (Travel Allowance)

| A        | Change in Defined Benefit Obligation (DBO)                       | 31-Dec-21   | 31-Dec-20   |
|----------|--|-------------|-------------|
| 1        | DBO at end of prior period                                       | 7,796,822   | 7,729,206   |
| 2        | Current service cost   | 557,394     | 519,331     |
| 3        | Interest cost on the DBO   | 601,532     | 590,563     |
| 4        | Curtailment (credit)/ cost                                       | -           | -           |
| 5        | Settlement (credit)/ cost  | -           | -           |
| 6        | Past service cost - plan amendments                              | -           | -           |
| 7        | Acquisitions (credit)/ cost                                      | -           | -           |
| 8        | Actuarial (gain)/loss - experience                               | (91,246)    | (347,948)   |
| 9        | Actuarial (gain)/loss - demographic assumptions                  | -           | _           |
| 10       | Actuarial (gain)/loss - financial assumptions                    | 966         | -           |
| 11       | Benefits paid directly by the Company                            | (555,355)   | (694,330)   |
| 12       | Benefits paid from plan assets                                   |             | -           |
|          | DBO at end of current period                                     | 8,310,113   | 7,796,822   |
| В        | Statement of Profit & Loss                                       | 31-Dec-21   | 31-Dec-20   |
| 1        | Current service cost   | 557,394     | 519,331     |
| 2        | Past service cost - plan amendments                              | -           | -           |
| 3        | Curtailment cost / (credit)                                      | - 1         | -           |
| 4        | Settlement cost / (credit)                                       | _           |             |
| 5        | Service cost   | 557,394     | 519,331     |
| 6        | Net interest on net defined benefit liability / (asset)          | 601,532     | 590,563     |
|          | Immediate recognition of (gains)/losses – other long term        | ,           | ŕ           |
| 7        | employee benefit plans   | -           |             |
| 8        | Cost recognized in P&L   | 1,158,926   | 1,109,894   |
| C        | Defined Benefit Cost   | 31-Dec-21   | 31-Dec-20   |
| 1        | Service cost   | 557,394     | 519,331     |
| 2        | Net interest on net defined benefit liability / (asset)          | 601,532     | 590,563     |
| 3        | Actuarial (gains)/ losses recognized in OCI                      | (90,280)    | (347,948)   |
| ,        | Immediate recognition of (gains)/losses - other long term        | (30,200)    | (02.77.20)  |
| 4        | employee benefit plans   | -           |             |
| 5        | Defined Benefit Cost   | 1,068,646   | 761,946     |
| D        | Development of Net Financial Position                            | 31-Dec-21   | 31-Dec-20   |
| 1        | Defined Benefit Obligation (DBO)**                               | (8,310,113) | (7,796,822) |
| 2        | Fair Value of Plan Assets (FVA)                                  | (0,010,110) | (1,170,022) |
|          |  | (8,310,113) | (7,796,822  |
| 3        | Funded Status (Surplus/(Deficit))  Net Defined Benefit Liability | (8,310,113) | (7,796,822) |
| 4        | Reconciliation of Net Balance Sheet Position                     | 31-Dec-21   | 31-Dec-20   |
| E        |  | (7,796,822) | (7,729,206) |
| 1        | Net defined benefit asset/ (liability) at end of prior period    | (557,394)   | (519,331)   |
| 2        | Service cost   | ,           | ,           |
| 3        | Net interest on net defined benefit liability/ (asset)           | (601,532)   | (590,563)   |
| 4        | Amount recognized in OCI   | 91,246      | 347,740     |
| 5        | Amount recognized in Profit & Loss                               | -           | ,           |
| 6        | Employer contributions   |             | (04.00)     |
| 7        | Benefit paid directly by the Company                             | 555,355     | 694,330     |
| 8        | Acquisitions credit/ (cost)                                      |             | 1           |
| 9        | Actuarial (gain) or Losses due to change in financial            | (966)       |             |
| -        | assumptions  |             |             |
|          | Militarduse vala Europe Alea Dlam Arando                         | I .         |             |
| 10<br>11 | Withdrawals From the Plan Assets Cost of termination benefits    | _           |             |

| F | Other Comprehensive Income (OCI)                          | 31-Dec-21 | 31-Dec-20 |
|---|---|-----------|-----------|
| 1 | Actuarial (gain)/loss due to liability experience         | (91,246)  | (347,948) |
| 2 | Actuarial (gain)/loss due to liability assumption changes | 966       | _         |
| 3 | Actuarial (gain)/loss arising during period               | (90,280)  | (347,948) |
| 4 | Return on plan assets (greater)/less than discount rate   | -         | _         |
| 5 | Actuarial (gains)/ losses recognized in OCI               | (90,280)  | (347,948) |
| 6 | Adjustment for limit on net asset                         | -         |           |
|   | Actuarial (Gain) or Loss Recognized via OCI at Current    | (90.280)  | (347,948) |
|   | Period End  | (30,200)  | (347,340) |

| G | Expected benefit payments for the year ending | 31-Dec-21  |
|---|---|------------|
| 1 | Less than a year                              | 1,552,611  |
| 2 | Between 1-2 years                             | 1,416,192  |
| 3 | Between 2-5 years                             | 4,379,384  |
| 5 | Over 5 years                                  | 23,328,315 |

- (i) Expected employer contributions for the period ending 31 December 2021
- (ii) Weighted average duration of defined benefit obligation 9.74 years
- (iii) Significant estimates: actuarial assumptions and sensitivity

| a | Discount Rate   | 31-Dec-21 | 1-Jan-21         |
|---|---|-----------|------------------|
|   | Discount Rate as at 31 December 2021  | 0.5%      | 8.00%            |
|   | Effect on DBO due to 0.5% (2020: 1%,2019:1%) in discount rate                     | (262,436) | (265,663)        |
|   | Effect on DBO due to 0.5% (2020: 1%,2019:1%) in discount rate                     | 290,378   | 283,301          |
| b | Salary Escalation rate  | 31-Dec-21 | 1-Jan-20         |
|   | Salary Escalation rate as at 31 December 2021                                     | 0.5%      | 8.00%            |
|   | Effect on DBO due to 0.5% ( 2020: 1%, 2019:1%) increase in salary escalation rate | 311339    | 30 <b>2,</b> 494 |
|   | Effect on DBO due to 0.5% ( 2020: 1%, 2019:1%) decrease in salary escalation rate | (294,742) | (286,168)        |

| С | Employee Turnover Rate  | 31-Dec-21          | 31-Dec-20          |
|---|---|--------------------|--------------------|
|   | Mortality rate as at 31 December 2021   | 0.50%              | 8.00%              |
|   | Effect on DBO due to 0.5% increase in Mortality   | 311,339            | 302,494            |
|   | Effect on DBO due to 0.5% decrease in Mortality   | (294,339)          | (286,168)          |
|   |   |                    |                    |
| b | Salary Escalation rate  | 31-Dec-21          | 31-Dec-20          |
| b |   | 31-Dec-21<br>0.05% | 31-Dec-20<br>8.00% |
| b | Salary Escalation rate Salary Escalation rate as at 31 December 2021 Effect on DBO due to 0.5% increase in Salary escalation rate |                    |                    |
| b | Salary Escalation rate as at 31 December 2021   | 0.05%              | 8.00%              |



## (iv) Risk exposures

Valuing a defined benefit plan is fundamentally an exercise in estimating the future cost of the benefit, the exact value for which only time will reveal. It relies on a set of financial and demographic assumptions along with prevalent regulatory framework in valuing liability. Thus, the Plan is exposed to a variety of risk as discussed herein.

### 1. Discount Rate Risk

The present value of the defined benefit obligation is heavily dependent on the discount rate. As such, the quantity is highly sensitive to the discount rate and a slight decrease in this assumption parameter will result in an ultimate cost that is significantly higher and vice versa.

## 2. Salary Growth Risk

As the Travel allowance benefit is a final-pay scheme, the actual cost of the plan will depend on the growth rate of salary over the years. As such, a higher than expected growth in salary will result in a cost which is higher than the estimate. Similarly, a slower salary growth will result in actual liability being lower than projected.

## 3. Employee Turnover Risk

Employee turnover experience of BTL will have a significant impact on the design of the benefit and consequently the overall cost of the plan. Furthermore, deviation in actual experience from assumption would also lead to change in the liability of the plan.

## 4. Demographic Risk

In the absence of credible scheme-specific data, the IALM 2012-14 mortality rate has been used in projecting the benefits. Thus, deviation of the actual experience from the rates used will result in change in the cost of the plan.

# 5. Regulatory Risk

The present value of the defined benefit obligation has been arrived at using the current set of regulatory frameworks. As such, any change in the relevant rules and regulations concerning Travel allowance benefit such as increase in Travel allowance ceiling, introduction of Travel allowance floor and change in vesting period or benefit accrual rate would eventually alter the liability.

### 6. Liquidity Risk

Finally, there is a risk that BTL may not be able to honour the Travel allowance payments in the short-run due to liquidity constraints.



# Note 46: Related Party Disclosure

## 1. Related Party Disclosure

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

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

# i. Parent and Subsidiary:

| Nature of relationship | Name of entity                 | Acronym used |
|------------------------|--------------------------------|--------------|
| Holding Company        | Druk Holding & Investment Ltd. | DHI          |

ii. Key Management Personnel

| Position                | Name                  | Remarks |
|-------------------------|-----------------------|---------|
| Chairperson             | Mr. Pema L Dorji      | Present |
| Director                | Mr. Chencho T. Namgay | Present |
| Director                | Mr. Gonpo Tenzin      | Present |
| Director                | Mr. Jigme Tenzing     | Present |
| Director                | Dr. Lam Dorji         | Present |
| Director                | Ms. Jamyang Choeden   | Present |
| Chief Executive Officer | Mr. Karma Jurme       | Present |

iii. Entities under Common Control

| Nature of relationship                | Name of entity                                    | Acronym<br>used |
|---------------------------------------|---|-----------------|
| Subsidiary of Holding Company         | Bhutan Power Corporation Limited                  | BPC             |
| Subsidiary of Holding Company         | Drukair Corporation Limited                       | DACL            |
| Subsidiary of Holding Company         | Druk Green Power Corporation                      | DGPC            |
| Subsidiary of Holding Company         | Dungsam Cement Corporation Ltd                    | DCCL            |
| Subsidiary of Holding Company         | Natural Resource Development Corporation Ltd      | NRDCL           |
| Subsidiary of Holding Company         | Construction Development Corporation Ltd          | CDCL            |
| Subsidiary of Holding Company         | Wood Craft Center Ltd                             | WCCL            |
| Subsidiary of Holding Company         | State Mining Corporation Ltd                      | SMCL            |
| Subsidiary of Holding Company         | Koufuku International Private Ltd                 | KIPL            |
| Subsidiary of Holding Company         | Menjong Sorig, Pharmaceuticals Coporation Limited | MSPCL           |
| Controlled Company of Holding Company | Bank of Bhutan Ltd                                | BOBL            |
| Controlled Company of Holding Company | Dungsam Polymers Ltd                              | DPL             |
| Controlled Company of Holding Company | State Trading Corporation Of Bhutan Ltd           | STCBL           |
| Linked Company of Holding<br>Company  | Bhutan Board Product Ltd                          | BBPL            |
| Linked Company of Holding<br>Company  | Penden Cement Authority Ltd                       | PCAL            |

# a) Transactions with related parties during the year:

**Government Agencies** 

| Nature of relationship | Name of entity & Ass  | Acronym<br>used |
|------------------------|-----------------------|-----------------|
| Government Agencies    | Ministry of Education | MoE             |

| Government Agencies | Ministry of Labour& Human Resource        | MoLHR |
|---------------------|---|-------|
| Government Agencies | Ministry of Works & Human Settlement      | MoWHS |
| Government Agencies | Ministry of Foreign Affairs               | MoFA  |
| Government Agencies | Ministry of Finance                       | MoF   |
| Government Agencies | Ministry of Economic Affairs              | MoEA  |
| Government Agencies | Ministry of Home & Culture Affairs        | MoHCA |
| Government Agencies | Ministry of Health                        | MoHCA |
| Government Agencies | Ministry of Agriculture & Forestry        | MoAF  |
| Government A encies | Ministry of Information and Communication | MoIC  |

# i. Board sitting fee paid to Board Directors

|                            |             | Sittin  | g Fee   |
|----------------------------|-------------|---------|---------|
| Name of Board of Directors | Particulars | 2021    | 2020    |
| Mr. Pema L Dorji           | Chairperson | 84,000  | 64,000  |
| Mr. Chencho T. Namgay      | Director    | 132,000 | 76,000  |
| Mr. Gonpo Tenzin           | Director    | 100,000 | 92,000  |
| Mr. Jigme Tenzing          | Director    | 112,000 | 92,000  |
| Dr. Lam Dorji              | Director    | 80,000  | 48,000  |
| Ms. Jamyang Choeden        | Director    | 28,000  | 72,000  |
| Dr. Damber S. Kharka**     | Director    | - 1     | 36,000  |
| Mr. Dechen Dori**          | Director    | _       | 20,000  |
|                            |             | 536,000 | 500,000 |

ii. Chief Executive Officer's remuneration:

| Name            | Particulars                         | 2021      | 2020      |
|-----------------|-------------------------------------|-----------|-----------|
| Mr. Karma Jurme | Salary                              | 2,770,800 | 2,659,600 |
| (Present)       | Leave travel concession             | 15,000    | 15,000    |
| (,              | Leave Encashment                    | 115,450   | 114,450   |
|                 | Salary Arrears                      | -         | -         |
|                 | Bonus and PBVA                      | 332,450   | 478,754   |
|                 | Contribution to superannuation fund | 207,816   | 199,472   |
|                 | Sitting fee                         | 140,000   | 112,000   |
|                 | Total                               | 3,581,516 | 3,579,276 |

| GROUP GL CODE | GCOA Ledger  | Entity | Inter CO<br>ID | 2021.DEC | Amount       |
|---------------|--|--------|----------------|----------|--------------|
| 4107010514    | Communication and ICT revenue from DHI Group companies | BTL    | I_CDCL         | 2021.DEC | (1,561,713)  |
| 1212010001    | Capital Work-in-Progress                               | BTL    | I_CDCL         | 2021.DEC | 16,187,372   |
| 2103010302    | Intragroup trade payable                               | BTL    | I_CDCL         | 2021.DEC | (12,275,647) |
| 1109010102    | Intragroup trade receivables                           | BTL    | MSPCL          | 2021.DEC | 1,314        |
| 3109010043    | Intra Group Miscellaneous Expenses                     | BTL    | MSPCL          | 2021.DEC | 184,080      |
| 4107010514    | Communication and ICT revenue from DHI Group companies | BTL    | MSPCL          | 2021.DEC | (15,258)     |
| 1109010102    | Intragroup trade receivables                           | BTL    | I_DC01         | 2021.DEC | 127,649      |
| 4107010514    | Communication and ICT revenue from DHI Group companies | BTL    | I_DC01         | 2021,DEC | (1,605,904)  |
| 4107010504    | Interest income from loans to DHI Group companies      | BTL    | I_DC01         | 2021.DEC | (4,931,507)  |
| 1213030001    | Furniture, fixtures, computers and office equipment    | BTL    | I_STCBL        | 2021.DEC | 9,765        |
| 1213050001    | Vehicles   | & BTL  | I_STCBL        | 2021.DEC | 233,360      |
| 4107010514    | Communication and ICT revenue from DHI Group companies | BTL    | STCBL          | 2021.DEC | (2,065,902)  |

| 4107010504 | Interest income from loans to DHI Group companies      | BTL | I_STCBL | 2021.DEC | (5,369,863)   |
|------------|--|-----|---------|----------|---------------|
| 3107010012 | Running & Maintenance Of Vehicle-<br>Intergroup        | BTL | I_STCBL | 2021.DEC | 1,151,487     |
| 4107010514 | Communication and ICT revenue from DHI Group companies | BTL | I_DP01  | 2021.DEC | (571,101)     |
| 1109010102 | Intragroup trade receivables                           | BTL | I_DP01  | 2021.DEC | 137,227       |
| 2103010302 | Intragroup trade payables                              | BTL | I_TTPL  | 2021.DEC | (8,436)       |
| 1109010102 | Intragroup trade receivables                           | BTL | I_TTPL  | 2021.DEC | 123,191       |
| 4107010514 | Communication and ICT revenue from DHI Group companies | BTL | I_TTPL  | 2021.DEC | (639,918)     |
| 3109010616 | Rental Expenses paid to DHI Group<br>Companies         | BTL | I_TTPL  | 2021.DEC | 101,530       |
| 4107010524 | Inter Group Miscellaneous Income                       | BTL | I_TTPL  | 2021.DEC | (772,200)     |
| 1111010103 | Intergroup Advance                                     | BTL | I_TTPL  | 2021.DEC | 10,800        |
| 1212010001 | Capital Work-in-Progress                               | BTL | I_TTPL  | 2021.DEC | 7,636,406     |
| 2503010008 | Intragroup Dividends relating to current year          | BTL | I_DI01  | 2021.DEC | 1,550,000,000 |
| 3109010617 | Inter group Brand management Fees                      | BTL | I_DI01  | 2021.DEC | 32,564,849    |
| 2501010001 | Equity Shares held by DHI                              | BTL | I_DI01  | 2021,DEC | (854,082,000) |
| 4107010514 | Communication and ICT revenue from DHI Group companies | BTL | I_DI01  | 2021.DEC | (1,584,677)   |
| 4107010524 | Inter Group Miscellaneous Income                       | BTL | I_DI01  | 2021.DEC | (229,290)     |
| 3109010041 | Intragroup Lease Rent                                  | BTL | I_DI01  | 2021.DEC | 383,169       |

| 1109010102 | Intragroup trade receivables                           | BTL | I_DI01  | 2021.DEC | 736,491      |
|------------|--|-----|---------|----------|--------------|
| 4107010514 | Communication and ICT revenue from DHI Group companies | BTL | I_SMCL  | 2021.DEC | (2,340,220)  |
| 1109010102 | Intragroup trade receivables                           | BTL | I_SMCL  | 2021.DEC | 83,314       |
| 1109010102 | Intragroup trade receivables                           | BTL | I_PCAL  | 2021.DEC | 69,273       |
| 4107010514 | Communication and ICT revenue from DHI Group companies | BTL | I_PCAL  | 2021.DEC | (703,683)    |
| 4107010514 | Communication and ICT revenue from DHI Group companies | BTL | I_NRDCL | 2021.DEC | (1,890,612)  |
| 1109010102 | Intragroup trade receivables                           | BTL | I_NRDCL | 2021.DEC | 136,107      |
| 1213030001 | Furniture, fixtures, computers and office equipment    | BTL | I_NRDCL | 2021.DEC | 26,500       |
| 4107010514 | Communication and ICT revenue from DHI Group companies | BTL | I_DACL  | 2021.DEC | (3,583,394)  |
| 1109010102 | Intragroup trade receivables                           | BTL | I_DACL  | 2021,DEC | 541,134      |
| 4107010521 | Rental Income from Group Companies                     | BTL | I_DACL  | 2021,DEC | (73,702)     |
| 4107010514 | Communication and ICT revenue from DHI Group companies | BTL | I_DG01  | 2021.DEC | (2,398,796)  |
| 1109010102 | Intragroup trade receivables                           | BTL | I_DG01  | 2021.DEC | 1,889,820    |
| 3109010616 | Rental Expenses paid to DHI Group Companies            | BTL | I_DG01  | 2021.DEC | 16,728       |
| 4107010508 | Service Revenue from DHI Group companies               | BTL | I_DG01  | 2021.DEC | (6,661,792)  |
| 2103060302 | Intragroup deposits received                           | BTL | I_DG01  | 2021.DEC | 2,923,308    |
| 1101020103 | Balances with BOBL                                     | BTL | I_BOBL  | 2021.DEC | 1,933,651,17 |
| 1109020104 | Intragroup deposits                                    | BTL | I_BOBL  | 2021.DEC | 5,000,000    |
| 4107010521 | Rental Income from Group<br>Companies                  | BTL | I_BOBL  | 2021.DEC | (2,744,000)  |
| 4107010522 | Intra Group Commission and Brokage Income              | BTL | I_BOBL  | 2021.DEC | (782,766)    |
| 3109010044 | Intra Group Commissi mand<br>Brokage fees              | BIL | I_BOBL  | 2021.DEC | 127,097,130  |

| 4107010514 | Communication and ICT revenue from DHI Group companies | BTL | I_BOBL | 2021.DEC | (12,223,662) |
|------------|--|-----|--------|----------|--------------|
| 1101030002 | Interest accrued on short-term bank deposits           | BTL | I_BOBL | 2021.DEC | 278,836      |
| 3109010627 | Electricity Charges - paid to DHI<br>Group companies   | BTL | I_BPC  | 2021.DEC | 51,373,844   |
| 4107010514 | Communication and ICT revenue from DHI Group companies | BTL | I_BPC  | 2021.DEC | (9,260,946)  |
| 3109010616 | Rental Expenses paid to DHI Group Companies            | BTL | I_BPC  | 2021.DEC | 3,941,599    |
| 1213040001 | Cables and Power System                                | BTL | I_BPC  | 2021.DEC | 11,876,863   |
| 2103060302 | Intragroup deposits received                           | BTL | I_BPC  | 2021.DEC | 1,219,298    |
| 1109010102 | Intragroup trade receivables                           | BTL | I_BPC  | 2021.DEC | 744,723      |
| 4107010514 | Communication and ICT revenue from DHI Group companies | BTL | I_THEL | 2021.DEC | (1,297,168)  |
| 1109010102 | Intragroup trade receivables                           | BTL | I_THEL | 2021.DEC | 105,261      |
| 4107010514 | Communication and ICT revenue from DHI Group companies | BTL | I_KIL  | 2021.DEC | (151,071)    |

| iv. Outstanding Balances with Holding Company             |                  |
|---|------------------|
| Particulars   | Amount           |
| Paid-up share capital                                     | 4,000,000,000    |
| Intergroup trade receivable                               | 736,491          |
| v. Outstanding balances with Entities under Common Contro | ol               |
|   |                  |
| Particulars   | Amount           |
| Particulars Trade Receivables                             | Amount 4,695,505 |

| 47. Provisions and Contingent Liabilities  |             |            |
|--|-------------|------------|
| a) Capital Commitments   |             |            |
| Particulars  | 2021        | 2020       |
| 5G project   | 99,999,451  |            |
| Additional Mobile Sites  | 94,090,985  |            |
| Construction of Residential Building at Jakar  | 44,439,000  |            |
| ERP Next Project   | 7,887,096   |            |
| Highway Mobile projects  | 20,702,331  |            |
| Integration of DSL and Off-load to PCRF  | 6,940,000   |            |
| LTE Expansion project  | 133,267,806 |            |
| Power System project   | 11,681,682  |            |
| Rural Communication Project VI   | 125,833,397 |            |
| Tower Replacement/Relocation Project   | 6,169,397   |            |
| VoLTE IMS Project  | 213,690,125 |            |
| LTE1800 Expansion  | 16,401,194  |            |
| Amount of contracts remaining to be executed on residential                                      | 54,083,480  | 18,667,239 |
| building at Paro Amount of contracts remaining to be executed on residential building at Gelephu | 47,824,152  | 18,492,108 |

# 48. Leases

Operating lease: Company as lessee

"The company has entered into operating lease as defined in BAS-17 on ""Leases"

"Disclosure regarding minimum lease rental in case of non-cancellable operating leases:

Total of future Minimum Lease payments under Non-cancellable operating leases for each of the following periods:"

Total of future minimum lease payments under Non-cancellable operating leases for each of the following periods:

| Particulars   | 31-Dec-21  | 31-Dec-20  |
|---|------------|------------|
| (i) Not later than one year                             | 3,826,800  | 3,578,641  |
| (ii) Later than one year but not later than five years. | 11,478,980 | 11,070,713 |
| (iii) Later than five years                             | 11,894,759 | 11,725,942 |
| Total   | 27,200,539 | 26,375,296 |

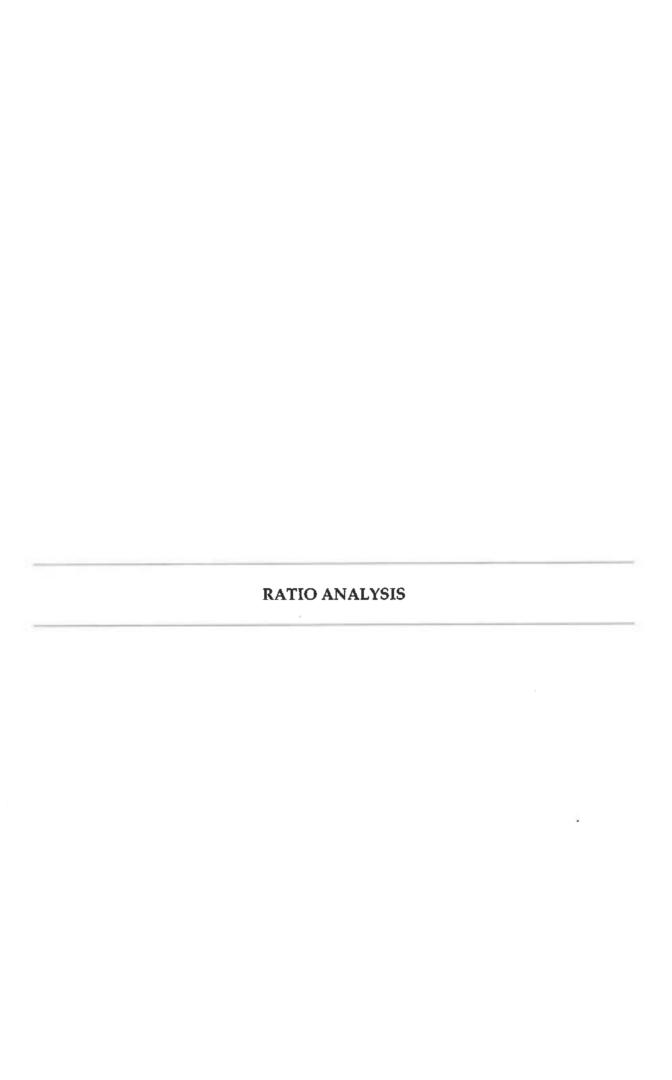
# Operating lease:

#### Company as lessor

Total of future minimum lease receipts under Non-cancellable operating leases for each of the following periods:

| <b>Particulars</b>  | 31-Dec-21      | 31-Dec-20      |
|---|----------------|----------------|
| (i) Not later than one<br>year  | 2,681,176      | 2,652,838      |
| (ii) Later than one year but not later than five years. (iii) Later than five years | 3,231,940<br>- | 3,231,940<br>- |
| Total   | 5,913,116      | 5,884,778      |





# BHUTAN TELECOM LIMITED Ratio Analysis for the year ended 31st December, 2021

| Particulars  | 2021         | 2020         |
|--|--------------|--------------|
| 1. LIQUIDITY   |              |              |
| A. Current Ratio   | 2.14:1       | 2.72:1       |
| B. Quick Ratio:  | 2.01:1       | 2.68;1       |
| Quick Assets/Quick Liabilities   |              |              |
| C. Accounts Receivable Period<br>365/Accounts receivable turnover                              | 41.35 Days   | 36.71 Days   |
| D. Working Capital to Sales<br>Average Current Assets-Average Current<br>Liabilities/Net sales | 26.32%       | 23.55%       |
| 2. SOLVENCY:   |              |              |
| A. Term Debt to Total Fixed Assets   | 9.64%        | 14.96%       |
| Long term Debt/Total Fixed Asset-Net   |              |              |
| B. Debt Equity Ratio:  | 0.07:1       | 0.11:1       |
| Debt/(Capital Fund+Reserve & Surplus)  |              |              |
| 3. PROFITABILITY:  |              |              |
| A. Return on Capital Employed:   |              |              |
| a) PBT/Capital Employed  | 46.46%       | 36.80%       |
| b) PAT/Capital Employed  | 31.551%      | 25.088%      |
| Capital Employed=Equity Capital + Loan Fund  |              |              |
| B. Return on Equity:   | 33.99%       | 28.05%       |
| Profit After Tax/Total Equity  |              |              |
| Total Equity= Capital + Reserve & Surplus  |              |              |
|  | 54.64%       | 48.24%       |
| C. Return on Sales   |              |              |
| PBT/Operating Income   |              |              |
| D. Employee Cost to Gross Income   | 7.637%       | 8.159%       |
| Total Employee Expenses/Operating Income   |              |              |
|  | 3.07 million | 2.34 million |
| E. Profit per Employee:  |              |              |
| PAT/Total no. of Employees   |              |              |





# **COMPLIANCE CALANDAR**

| Sl.<br>No.          | Activity  | Section            |  | Remarks   |
|---------------------|---|--------------------|--|---|
| 1<br>a)<br>b)       | a. Submission of Annual Return  Companies listed with Royal Securities Exchange of Bhutan Limited  All unlisted companies includes: i) Duly filled form as per Annual Return Form ii) Balance sheet iii) Profit & Loss Account iv) Cash flow statement v) Auditor's report. | 267                | b) Filed the annual return vide cover letter reference number BT/CA/Cors/2021/6 dated 24th June, 2021  | a) As per Annual Return Form for a period relating to financial year ended on 31st December. b) Should be duly authenticated by at least one director and the Chief Executive Officer |
| 2<br>a)<br>b)<br>c) | b. Annual General Meeting  Listed Companies Unlisted Companies Government Companies   | 177                | c) Annual General Meeting held on 26 <sup>th</sup><br>March, 2021  | To be conducted once a year besides other meeting Board Cum AGM   |
| 3                   | Notice Calling General<br>Meetings  | 185                | Notice sent 21 days before the meeting on March 01, 2021 for AGM on 26th March, 2021 vide cover letter reference number BTL/Board/2021/AGM   | NA to PVT. LTD  |
| 4                   | Payment of Dividend   | 204                | 50% dividend paid on 16th April 2021 and balance 50% paid on 22nd June, 2021. The 18th AGM approved the dividend of 38.75% of share capital and resolved to have the dividend paid in two instalments. |   |
| 5                   | Presentation of B/S,<br>P&L A/c and Cash Flow<br>Statement at every<br>AGM  | 244                | Presentation of Financial Statement done to<br>the 18th AGM held on 26th March 2021 and<br>adopted by AGM  | By Board of<br>Directors  |
| 6                   | Filing of Documents<br>with Register  | 267                | Annual return filed accordingly on June 24, 2021 vide cover letter reference number BT/CA/Cors/2021/6  |   |
| 7                   | c. Appointment of auditor GCC & GC Reappointment Removal  | 251<br>260-<br>262 | Appointment of Auditors done by RAA vide letter number RAA(SA-07) /COAD/2021/ 2316 dated 10th December, 2021 and 18th Annual General Meeting rectified the Statutory Auditors appointment              | Every year at AGM<br>from panel of<br>auditors-RAA AG<br>of Bhutan.<br>Not more than 3<br>years   |
| 8                   | Consent to act as directors   | 140                | No new Director appointment  | Clate   |

| 9  | Board Meetings 162nd BM 163rd BM 164th BM 165th BM 166th BM 167th BM 168th BM 168th BM 170th BM 170th BM | 146<br>&<br>149 | Jan 29, 2021: 2 months after last BM Mar 10, 2021:1 month 10 days after last BM Apr 30, 2021: 1 month 10 days after last BM June 17, 2021:1 month 17 days after last BM Aug 02, 2021: 1 month 16 days after last BM Sep 14, 2021: 1 month 12 days after last BM, Oct 07, 2021: 1 month 23 days after last BM Oct 02, 2021: 1 month 16 days after last BM Oct 29, 2021: 27 days after last BM Nov 21, 2021: 22 days after last BM            | Quorum: Full (7/7). Full (7/7). Full (7/7). Present (6/7) Present (5/7) Present (6/7) Present (6/7) Present (5/7) Present (5/7) Present (5/7) Present (5/7) |
|----|--|-----------------|---|---|
| 10 | Appointment of CEO   | 210             | Every 3 years   | Serving the 2 <sup>nd</sup> 3<br>year term  |
| 11 | Power of Regulatory<br>Authority to accord<br>approval   | 412             | All the tariff revision has been approved by BICMA.  1. Voice & SMS tariff revision vide letter no. BICMA-MCD/BTL/2020-21/5280 dated April 7, 2021  2. Student packages vide letter no. BICMA/BTL/104/Tariff/211 dated August 5, 2021  3. Subscription fee for call signature vide letter no. BICMA/MCD/BTL/VAS/760 dated November 18, 2021  4. Data Plan Revision vide letter no. BICMA/MCD/BTL/Tariff(mobile)/836 dated November 30, 2021 | Prescribing forms,<br>Payments of fees,<br>generally for the<br>purpose of this<br>Act.   |
| 12 | Appointment of<br>Company Secretary  | 213             | Company Secretary appointment is endorsed by the 167th Board Meeting held on September 14, 2021   | Listed companies+<br>Companies with<br>more than<br>Nu.100,000,000 as<br>paid up capital  |
| 13 | Statutory Record and<br>Inspection   | 228             | Statutory registers like Board Director register, shareholder register and register of charges are maintained and updated when there are changes.   |   |



# COMPLIANCE CHECKLIST

# Check List for Compliance to Provision of the Companies Act of Bhutan, 2016

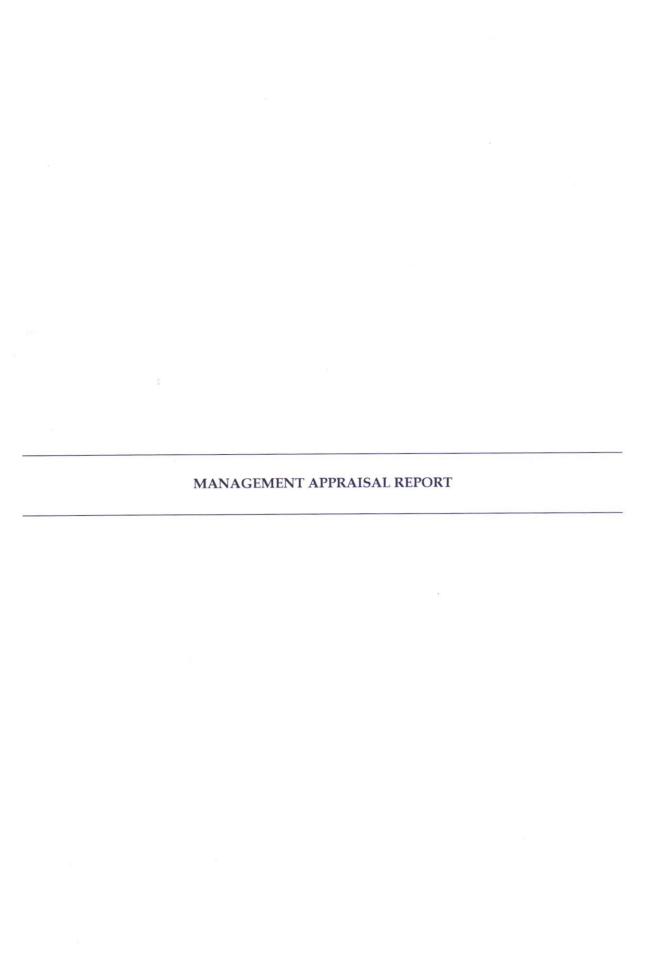
# Name of Company: Bhutan Telecom Limited

| No. | Ss.  | INCORPORATION OF A COMPANY & SECURITIES  | YES      | NO   | NA   | REMARKS   |
|-----|------|--|----------|------|------|---|
| 1   | 28   | Changes to Articles/Approval   |          | 4    |      |   |
| 2   | 47   | Change of name/Approval  |          | 1    |      |   |
| 3   | 123  | Increase or consolidation of share capital   |          | 1    |      |   |
| 4   | 124  | Reduction of share capital   |          | ✓    |      |   |
| 5   | 82   | License Copy and Share Certificate filing  | *        |      |      | Since Company is not listed, shares of the company have not been dematerialized. Company has maintained the shares certificates.                      |
| 6   | 107  | Public offer of shares &<br>Debentures-ROC Approval                                |          |      | 1    |   |
|     | MANA | GEMENT & ADMINISTRATION  |          |      |      |   |
| 7   | 217  | Registered Office of Company<br>(Postal Address & Contact<br>Number)               | ~        |      |      | Drophen Lam 2/28   Post Box No.<br>134<br>Thimphu: Bhutan   +975-02-343434<br>www.bt.bt   |
| 8   | 221  | Publication of name by Company   | ✓        |      |      |   |
|     |      | (Letter Head, Seals and Sign Board)  |          |      |      |   |
| 9   | 241  | Financial Year of Companies as of 31st Dec.  | 1        |      |      | Compiled  |
|     | 242  | Extension up to 15 months - ROC approval   |          |      | 1    | No change in the reporting period, as this is being strictly monitored a  |
|     | 243  | Extension up to 18 months -<br>Authority's approval                                |          |      | 1    | per the DHI ownership policy.   |
| 10  | 245  | Financial Statements to follow BAS   | 1        |      |      | Compliance to be audited strictly   |
| 11  | 267  | Annual Return Submission<br>On/before 31st May for listed;<br>others 31st July     | 1        |      |      | Annual return filed accordingly on<br>June 24, 2021 vide cover letter<br>reference number<br>BT/CA/Cors/2021/6  |
| 12  | 177  | Annual General Meeting (Minutes)   | 1        |      |      | Maintained  |
| 13  | 180  | Extraordinary General Meeting<br>(Minutes)   | 1        |      |      | Maintained  |
| 14  | 185  | Notice for calling general meeting   | <b>√</b> |      |      | Notice sent 21 days before the<br>meeting on March 01, 2021 for AGN<br>on 26th March, 2021 vide cover lette<br>reference number<br>BTL/Board/2021/AGM |
| 15  | 187  | listed Co written as well as in media  | 1        |      |      |   |
| -   |      | Public Co/Private Co Written<br>Notice   | 1        |      |      | Notice sent to shareholders and auditors  |
| 16  | 190  | Chairman of meeting (CEO cannot chair)   | 1        |      |      | Board Chairman  |
| 17  | 192  | Representation of corporations at meetings (appointed by Board Directors)          |          |      | 1    | Just have one shareholder (DHI)<br>and the Chair, CEO and key<br>officials represent Shareholder.   |
| 18  | 193  | Ordinary and special resolutions (Minutes)   |          | 1    |      | 30/   |
| 19  | 195  | Minutes of Annual General<br>Meeting and Board Meetings<br>(maintained ss.195-198) | 1        | & As | Soc. | Board meeting endorsed within 14 days from the date of meeting.   |

| 20 | 199 | Declaration and payment of dividend (199-209)  | ✓  |          |      | Dividend is declared only upon assessing the Net profit of the company.  |
|----|-----|--|----|----------|------|--|
| 21 | 232 | Books of account to be kept by company (location & time)                                   |    |          | 1    | No Change  |
| 22 |     | Board's report (signed by<br>Chairman  | 1  |          |      | Maintained and published in<br>Annual report accordingly.  |
| 23 | 252 | Appointment and removal of<br>Auditors<br>Need to re-appoint annually (251-<br>259)        | ✓  |          |      | Appointment formalized in 18th AGM, as always.   |
| 24 | 260 | Resignation of Auditors from office (Annual Resignation)                                   |    | 1        |      | No resignation happened for the FY   |
| 25 | 266 | Auditing standards (Audit using<br>Auditing Standards issued by<br>AASBB)                  | ~  |          |      | Auditors TOR and appointment are recommended by RAA and formalized in AGM.   |
| 26 | 133 | Number of directors  | 4  |          |      | Five Non-Executive & Independent   |
| 27 | 134 | One third of all Public Companies shall be independent                                     | ✓  |          |      | directors   one non-executive & Non-independent director   one   |
| 28 | 138 | (Minimum No. & retirement on rotation)   | 1  |          |      | executive & non- independent<br>director   all directors are appointed<br>for a two year term except for the<br>executive and non-independent<br>director.                         |
| 29 | 139 | Additional directors   |    | 1        |      | None   |
| 30 | 140 | Consent to act as directors  |    |          | 1    |  |
| 31 | 141 | Certain persons not to be appointed as Directors   |    |          | 1    | Appointment are based on recommendation from DHI   |
| 32 | 142 | Resignation by a director  |    | 1        |      |  |
| 33 | 143 | Removal of directors   |    |          | 1    | No removal of directors happened in 2021   |
| 34 | 146 | Board meetings (4 Meetings for Public Cos & 2 Meetings for Pvt)                            | 1  |          |      | Total of ten board meetings happened in 2021   |
| 35 | 152 | General powers of the board  | 4  |          |      | Compiled   |
| 36 | 156 | Restriction on powers of Board   | 1  |          |      | Complied, as issues pertaining to restrictive powers of Board is always submitted to AGM or EGM.   |
| 37 | 210 | Appointment of Chief Executive<br>Officer (Max 5 years terms& 2<br>consecutive terms only) | ✓  |          |      | CEO reappointed for the second term of three years   |
| 38 | 213 | Company Secretary required in all Public Companies   | 1  |          |      | Compiled but BT is not public company  |
| 39 | 414 | Appointment of selling or buying agents (govt. Approval obtained or not)                   |    |          | 1    | No changes, except the registrar has instructed the filing of annual returns online from 2020.   |
| 40 | 157 | No loans to directors (only for Public Co.)  |    | 1        |      | No loans to the directors  |
| 41 | 53  | Inter-corporate investments<br>(investments to be disclosed) apply<br>old rule             |    | <b>√</b> |      | None   |
| 42 | 158 | Conflict of Interest Transactions by<br>Board  | ✓  |          |      | Conflict of declaration is signed for all the board and committee meetings.  |
| 43 | 161 | Standard of care required by directors (Reckless decision)                                 | X. | 7.2 dt   | SSOC | Section 161 belongs to director power and his duties in the interest of company. In addition to the company's act of Bhutan. BTL is governed by the DHI corporate governance code. |

| 44 | 228 | Statutory record and inspection                         | √ |          | Maintained.   |
|----|-----|---|---|----------|---|
|    | (a) | Register of buy-back of shares                          |   | ✓        | Not required as BT is not a listed company.   |
|    | (b) | Register of transfers                                   |   | <b>*</b> | Not required as BT just has one shareholder.  |
|    | (c) | Register of charges                                     | ✓ |          | Maintained by Finance & Accounts Division   |
|    | (d) | Register of inter-corporate loans                       | 1 |          | Maintained by Finance & Accounts  |
|    | (e) | Register of inter-corporate investments                 |   | 1        | Not required as there are no investments  |
|    | (f) | Register of contracts in which directors are interested | ✓ |          | Conflicts are declared for every meetings and it is always annexed to the respective meetings |
|    | (g) | Register of directors                                   | ✓ |          | Maintained.   |
|    | (h) | Register of directors' shareholding                     |   | 1        | Non-of the directors hold share as it is not a listed company.                                |





#### MANAGEMENT APPRAISAL REPORT

### **AUDIT FINDINGS OF RECOMMENDATORY IN NATURE**

# 1. Non deposit of excess fund into interest bearing account

The current ratio of more than 2:1 indicates that there is idle fund in the company. It is evident from the current year current ratio of 2.14:1. Also the company has Cash & bank balance amounting to Nu.2,056,469,063.00 lying idle in non-interest-bearing accounts as on 31.12.2021.

The fund should have been invested either in the expansion of business or in the fixed deposit/bonds. This fund has remained without generating any income, which is an opportunity lost. Therefore, it is recommended that excess fund be invested in the financial institutions/banks irrespective of the rate of interest instead of keeping it idle in the account.

# Auditee's Response:

Bhutan Telecom would like to thank the statutory audit team for highlighting on the excess fund balance amounting to Nu. 2,056,469,063.00in our accounts as on 31.12.2021, however, as per the approved delegation of power, management has authority to invest in fixed deposits in banks/RMA bills/and short-term treasury bonds only. Further as we are aware the RMA bills and short-term treasury bonds are not active market in the country, the option that management had was to make investment in fixed deposits with the financial institutions in the country. Hence, Finance & Accounts Division has explored investment avenues and discussed with financial institutions. But the proposals for short terms were denied by some banks/corporate entities due to excess liquidity with the banks. The banks which agreed to accept short terms deposits offered very minimal interest rate i.e 0.15% to 0.20%. The details of the correspondences initiated are detailed in the following lines which is readily available for confirmation.

- 1. On 22<sup>nd</sup> March,2021 Finance & Accounts Division initiated and explored with Bank of Bhutan
- 2. On 29th June, 2021 with Druk Punjab National Bank.
- 3. On 16th July,2021 with BNB

#### The memo is treated as settled:

We acknowledge the response from the management and appreciate that every possibility was explored to invest in the Fixed Deposit but the banks have offered minimal rate of interest. We recommend that the management should invest the excess cash in interest bearing account in the future to at least earn whatever rate of interest is being offered by the banks. Based on the management's response the memo is treated as settled.

#### Compliance to be made:

The management should invest the excess liquidity with banks in interest bearing account in the future. The compliance shall be verified in next audit.



# 2. Poor Service Delivery

Many remote villages do not have access to proper mobile internet services and the public has to come to the nearest town to access the internet. This problem has been faced by many schools & students, when they have to access internet to take online classes.

Poor Service quality is evident from the fines imposed by Bhutan Info-com and Media Authority (BICMA) recently, for not meeting the quality of services.

Therefore, there is a serious need to review the quality of mobile internet service especially in the rural villages.

Also going by the cash balance, the company had excess liquidity, which could have been channelled for improvement of its services. Even the debt equity ratio stood at 0.07:1, indicating the company is conservative in leveraging on debt, thereby slowing down the expansion of business.

Therefore, we would like to recommend the management to leverage debt to expand the services to the remote corners besides bringing in new services. In return it will bring long term benefits in terms of improving the cash flow, building the assets of the company and will derive good returns. Besides there are lots of tax benefits to the company, which will help to improve the cash flow of the company. This will bring proportionate growth to the company in the long run, which will be one of the expectations of the shareholders.

# Auditee's Response:

We would like to submit that BT as a responsible State-owned telco has been putting in all possible efforts to improve the quality of its Internet service in the country, mobile Internet in particular. Ensuring quality of service to our customers therefore has always been at the core of BT's overall operations strategy, both during normal times and emergency situations.

In keeping with its mandates and the primary objective to enhance quality of services, BT has been investing millions of Ngultrums every year. In 2021, for instance, BT invested in excess of Nu. 696.80 million just on the mobile network coverage expansion and enhancement of capacities, and for 2022, a total budget of Nu. 797.43 million has been approved for mobile service enhancement alone.

Extra efforts over and above normal network coverage expansion plans are also being put in continuously to upgrade the capacities of the existing 4G nodes where technically feasible. Where existing nodes have hit the max limit and technically not feasible to increase capacity, for dense clusters like Thimphu, the company has been putting in place densifying cell sites installed on 15-meter mono poles. These densifying sites sitting closer to the users would supplement both in terms of capacity and coverage, in the areas either not at all served or poorly served by the main towers.

Therefore, issues that BT has been facing with the quality of its service is not really because of the shortfalls in the fund. The service quality issues are rather more to do with technical design and dimensioning of our system capacities. BT's network capacities are designed and dimensioned to only cater to traffic loads in a normal condition, which is typically a standard practice that telcos elsewhere may also be adopting for dimensioning their telecom network. It is not and cannot be viable for any telcos to invest on extra capacities in advance in order to be able to cater to the capacity demands during abnormal conditions such as the lockdowns due to outbreak of diseases or any natural disasters.

Performance of our mobile network is therefore expected to degrade during abnormal conditions despite continuous coverage expansion and capacity enhancement efforts. During the current lockdown for instance, with employees of all agencies working from home, we have been seeing

abnormal pressure on the capacity of our Internet infrastructure, our mobile network infrastructure in particular due to which some of our cell sites have not been able to meet the expected quality of service.

In light of the fact that the issue with the quality of BT's mobile service is not to do with the company not willing to invest on enhancing the infrastructure capacity to improve the quality of service, either through internal funds or loans, but rather to do with some technical limitations, we would like to request that this memo on the leveraging of debt to improve the quality of service be kindly be dropped.

# The memo is treated as settled:

Based on the response and justification of the management the memo is treated as settled.

## Compliance to be made:

The effort made by the management in improving the services is acknowledged. However, we urge the management to leverage debt or invest portion of excess liquidity to improve and provide the best services to the public, generate wealth, and to maximize the return to meet the expectation of the shareholder. The compliance shall be verified in next audit.



PRIOR YEAR AUDIT FOLLOW UP REPORT

# Summary of Follow-up Report for Statutory Audit for the year 2020 and prior years

| Accounting Year | Total No. of Recommendation<br>provided/ pending for<br>implementation | No. of Recommendation implemented | Balance Recommendations to be implemented |
|-----------------|--|-----------------------------------|---|
| 2020            | 3  | 1                                 | 2   |

| etailed Follow-up Report for the | year ended 31st December, 2020 |  |
|----------------------------------|--------------------------------|--|
|                                  |                                |  |

| Para<br>No. | Observations in brief   | Management's Current Response   | Auditor'sComment  | Status of<br>Compliance  |
|-------------|---|---|---|--------------------------|
| 1           | Purchase of Set Top Boxes without proper feasibility study -Nu. 2.2 million (3.3.4)  The Bhutan Telecom Limited had procured Set Top Boxes worth Nu.2.2 million four years ago for launching IP TV services. However, due to regulatory restrictions of launching IP TV services and the requirement to take a separate license to operate IP TV Service, the set top boxes could not be put to use as planned. The management explored to resale the set top boxes to the TV Cable operators but due to some technical issues the equipment's became obsolete and it could not be sold.  Accordingly, the write-off proposal was submitted to the Board and approved write-off during the 159th Board meeting held on 23/11/2020 with the advice to diligently follow the process involved in disposing off the set top boxes.  However, the said equipment were lying idle in the store without being disposed as per the instruction of the Board of Directors till the date of audit (February 2021).  Therefore, the management needs to | It is submitted that as soon as the audit raised the concern, the management has explored options in diligently disposing off the set top boxes by contacting the supplier of the set top boxes, requesting local TV Cable Operators and others through phone calls, email correspondences inviting them to explore if the equipment could be put to use for their services but to our dismay, none of the parties were interested to buy the set top boxes.  The management having not much option, it was submitted to the 166th Board meeting for further advices on the disposal of the set top boxes. Since the set-top boxes were obsolete and there were also no private firms interested to buy, Board resolved to have the Set-Top boxes auctioned as scarp, when the next BTL auction is held. It is likely the auction may not happen this year since the normal place of auction which usually happens at Phuntsholing falls under the high risk area.  In view of the above submission, the audit is requested to kindly consider the observation dropped. | As per the justification and supporting documents furnished for the procurement of set-top boxes without feasibility study, same issue has been raised to Board by management the and decided to auction the set-top boxes as scrap (as per 166th Board Meeting resolution). However, management has not yet auctioned the set top box due to abnormal situation (Covid). Thus, memo will be pursued further. | Partially<br>Implemented |
|             |   |   |   |                          |



|   | furnish justification for not disposing off<br>the said equipments.  |   |  |                 |
|---|--|---|--|-----------------|
| 2 | furnish justification for not disposing off the said equipments.  Migration of SAP ERP system to ERP Next by 2021  The management of Bhutan Telecom Limited apprised the Board that the cost of the SAP ERP on cloud is quite high compared with the ERP Next in the 159th Board Meeting held on 30/10/2020. Accordingly, in the 160th Board Meeting dated 23/11/20, the Board decided to migrate BT's SAP ERP system to ERP Next in the year 2021. In this regard the following audit view on SAP ERP were offered:  o Improving efficiency o Reduced Inventory. SAP allows visibility of Inventory across the company. When Inventory value are in millions, which is a dead | We would like to thank and take note of the recommendation made by the statutory auditor.  The SAP project was initiated in the year 2013 with the project budget of Nu. 142,075,960.85. The project was initiated because the then Telecom Integrated Information and Management System (TIIMS) was having issues especially with the integration of different modules and the system was not in position to handle the growing volume of transactions.  The project duration for the SAP system was one year and the system went live on 1st July 2014. While the basic ERP modules like Finance and Accounting, Human Resource, Project systems, Materials management, plant Management and Budgeting systems were from SAP systems, however the postpaid system: Billing Business Support Control System (BSCS) and prepaid IN systems were from Ericsson. These systems could not be moved to SAP project scope, firstly because of the technical compatibility and secondly due to commercial reasons.  The useful life of the ERP system (hardware) was five years, and the assets were fully depreciated by 2019. The hardware had to be refreshed meaning that whole hardware had to be changed by 2020 as per the recommendation made by SAP. | made huge investment<br>in implementing the<br>SAP ERP in 2013-<br>2014. The decision to<br>migrate from SAP<br>ERP to ERP Next<br>within a span of 7<br>years would undo all<br>investments made in | Not Implemented |
| r | money, reducing inventory balance through insights can be calculated in terms of monetary value.  Extracting better returns from the Assets which can be maintained well through SAP insights and timely alerts. When asset breakdown is less, returns are higher. This can be calculated in terms of monetary value based on Asset value of the organization.  Better employee Productivity when every employee Plans and PMS are done well through system.  Better controlling using Budgeting system, centralized procurement   |   | Company should<br>substantiate and<br>provide evidence that<br>they have derived full<br>value for money from<br>SAP ERP within these<br>eight years (2014-  |                 |



|   | enabled by SAP.  All process are automated and online  All book keeping and operational works are automated so all employees can focus on high value and core business related works for better revenue generation.   | The commercials for refreshing the hardware for SAP system and considering the integration cost with BSCS and IN system Vs. deployment of new ERP solution was analyzed on commercial and performance ground. It was recommended from the study that commercially taking into recurring payments like Annual Maintenance Contract, License fee payments and other support cost, it was cheaper for BTL to invest in new ERP rather than refreshing the SAP hardware. On the features of the systems, both were equally good.  BTL has been deploying and selling ERP Next to other companies before the ERP team and the business was transferred to TTPL based on the guidance issued by DHI. TTPL has been developing the ERP Next on an open-source platform and customization on the software are done by the TTPL ERP team.  There is a Bhutanese touch on the software and more importantly at a national level, the money does not flow out of the country. With the above reasons the decision on the deployment of ERP Next by TTPL was made. Considering the above reasons, the management decision to invest in new ERP was made.  Therefore, we would like to request the audit team to kindly consider the recommendation as implemented. |  |             |
|---|---|--|--|-------------|
|   |   | consider the recommendation as implemented   |  | *:          |
| 3 | Non-investment of balance gratuity provisions - Nu. 99,116,280.00.  As per the books of accounts and the actuarial valuation of gratuity as at 31st December 2020 under financial reporting of BAS 19, Bhutan Telecom Limited has total accumulated gratuity provision of Nu. 222,947,203.00 till financial year 2020. Out of which Nu. 123,830.920.63 were maintained with one of the insurance company as plan assets with return of 8% | During the year, BT has deposited Nu. 223,208,024.88 with Bhutan Insurance Limited (BIL) in Gratuity Account scheme in the month of September,2021, above amount is inclusive of Nu. 124,091,745.08 transferred from Royal Insurance Corporation of Bhutan Limited (RICBL) as RICBL refused to renew the gratuity scheme of BT on the ground that company is incurring losses from the above scheme and balance of Nu.99,116,280.00 is accumulated gratuity created in our books of accounts.  Hence, We have deposited entire gratuity fund with BIL for the period of two years at an interest rate of 5.5 percent per   | As per the recommendation from previous auditor, BTL management has deposited amounting to Nu.223,208,024.88 in Bhutan Insurance limited as gratuity fund. Thus, memo will not be pursued further. | Implemented |



interest per annum on the contribution.

However, depositing of gratuity in one of the insurance company was discontinued since 2018 and the gratuity were provisioned only in financial statement/books of account of the Company. Hence, the gratuity provision amounting to Nu. 99,116,280.00 (Nu. 222,947,203.00 - 123,830.920.63) were not invested.

Since the gratuity provision is not invested through specific gratuity account, the tax authority has not allowed the gratuity to be expensed out excluding the ones which were directly paid to the retiring employees. As such Nu.7,736,549.00 were disallowed as per income tax act 2001 in 2019 and Nu. 9,608,163.00 in 2020 respectively. Tax savings on past two financial years amounts to Nu.5,203,413.60 if BT maintained gratuity fund account with relevant financial institutions as BT did in the past.

Therefore, it may be better to explore other Financial Institutes if the insurance company is not accepting to take the fund from gratuity provision.

annum, BIL has also provided an option to BT to deposit annual gratuity liability to this scheme during the two year period.

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