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BHUTAN TELECOM LTD.

Always there for you

A dhi Company

ANNUAL REPORT 2019

BHUTAN TELECOM LTD.

Always there for you

A dhi Company

Annual Report | 2019

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The year in review

2019 was a very challenging year for the global telecom operators, with the complicated demands for 5G technology calling for huge investments, in the face of declining tariffs and revenue from the core telecom services. As per GSMA, the key benefits of 5G deployment won't come until 5G is deployed on stand-alone architecture, and therefore the industry's challenge is to lay foundations and initiate discussions on problems that the 5G technology could solve in future. Likewise, GSMA has emphasized on the need to be very agile, as the industry is becoming very competitive with the presence of global players like Amazon, Microsoft and other cloud companies without boundaries. According to International Telecommunication Union (ITU) estimates, 4.1 billion people constituting 53.6 percent of the global population are now using internet, marking a growth of 5.3 percent as compared to 2018.

Guided by the core values and social mandates, Bhutan Telecom continued to extend mobile connectivity to the far flung villages and along the national highways, to support the country in fulfilling its goal of balanced economic growth, while maintaining affordability. As per the company's initiative to drive digitalization in the country by way of enhancing service affordability, cellular data tariffs were reduced by more than 10% and call tariffs for international destinations were also competitively reduced to make international calling affordable for the customers. In the same line, leased line internet tariffs were drastically reduced to Nu 1,350 per Mbps, therefore making the leased line internet service very affordable even to smallest enterprise client in the country. According to cable.co.uk Bhutan is ranked 18th most affordable country in the world, with an average cost of US $1.25 for 1 GB data.

In 2019, the company performed well and achieved all the financial targets set by the shareholder and the Board of Directors. The company recorded a revenue of Nu 4,039.01 Million and a profit after tax of Nu 1,102.51 Million, marking a revenue growth of 12.40% and profit after tax growth of 17.07% respectively, as compared to 2018. In line with the good financial returns, the company has contributed Nu 598.21 million as the Corporate Income Tax for the year, marking an increase of 38.70% as compared to 2018. Likewise, the company contributed a dividend of Nu 771.76 Million to DHI, thus recording a total contribution of Nu 1,369.97 million to the government in the form of tax and dividend. The good financial returns could be attributed to the Company's prudent investments guided by the Board and DHI, and also constant improvements made in the daily operations leading to cost efficiency.

One of the major milestones for the company in 2019 was the implementation of Bhutan's first Disaster Resilient Emergency Mobile Network in Jakar, Bumthang, with the generous grant of Nu

660 Million from the government and people of Japan, and an internal fund of Nu 40 Million for the power and transmission equipment. The Disaster Resilient Emergency Mobile Network in Jakar is an identical set up of the mobile core systems that is serving the nation from Thimphu, and in the event of anything happening to one of the mobile core system, the other mobile core would provide uninterrupted cellular services in the country. Likewise, the company implemented the BCMS (Business Continuity Management System) with yet another generous assistance from the government and people of Japan. The Disaster Resilient Emergency Mobile Network supported by BCMS would scale up country's disaster preparedness during disasters, and substantially improve mobile services during normal times.

As part of company's digital initiatives, Bhutan Telecom piloted crypto currency mining and Narrowband Internet of Things (NBIoT) for street lighting in Thimphu, and constantly enhanced B-Ngul (mobile financial services) and B-Trowa (mobile TV) services. The company also recorded the highest customer satisfaction index of 3.84, since the institution of annual customer satisfaction survey in 2010 by DHI. Though 2019 was a successful year for the company, the rugged terrain, rapid technological advancements and small size of economy poses major challenges in providing seamless service across the country and also in keeping the nation abreast with the rapidly advancing technology. However, the company would continue enhancing cellular service across the country with the latest technology, in keeping with its corporate belief to act responsibly in upholding the principle of balanced economic development through extension of telecommunications service to rural and remote areas of the country.

I would like to thank all our valued customers for being with us and providing us with the platform to grow and improve, in this rapidly advancing industry. I also take this privilege to thank the DHI and the BT Board for all the guidance and support in closing the year 2019 on a positive note. I am also thankful to all the employees of the company for their unwavering support in delivering great customer value and also surpassing the targets for the year 2019. I on behalf of the employees of the company and on my own behalf, would like to rededicate our services to the Tsa-Wa-Sum.

Yours Sincerely,

Karma Jurme
Chief Executive Officer.

1 Company Profile

Mission Statement

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

Vision Statement

To be the Company of Choice.

1.1 Values

Team Work: We believe and commit to have a platform for employees to work together in the best interest of the company. We help each other succeed.

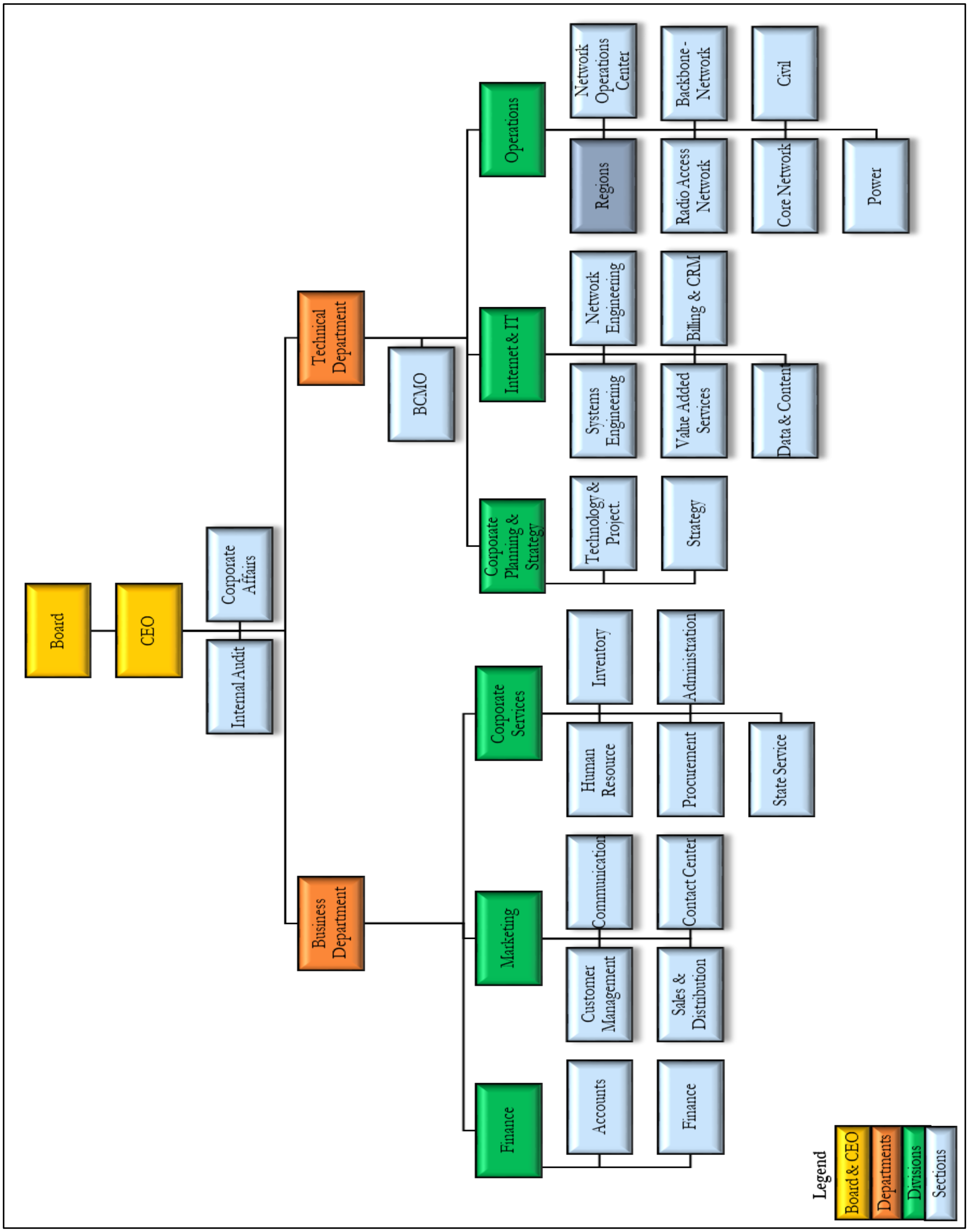
Integrity: We believe and commit to practice high ethical business standard in all business transactions including handling customers, suppliers and company information. We value in conducting our business with honesty, transparency and highest level of corporate ethics.

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

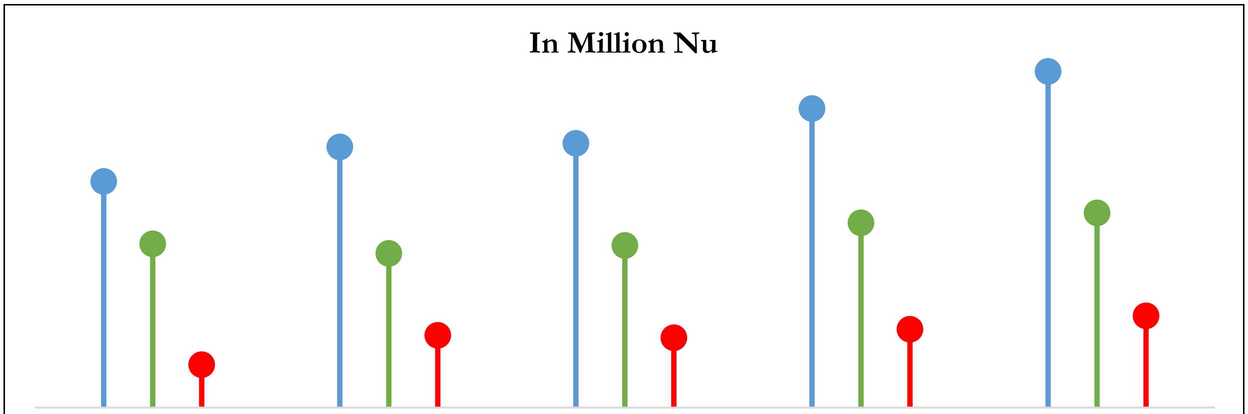
Excellence: We believe and commit to strive for the highest possible standards while conducting business with continuous improvement, constantly seeking solutions to problems. To deliver quality services to meet customer expectations (external) and exerting efforts to obtain feedback from customers to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

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

1.2 Organizational Chart



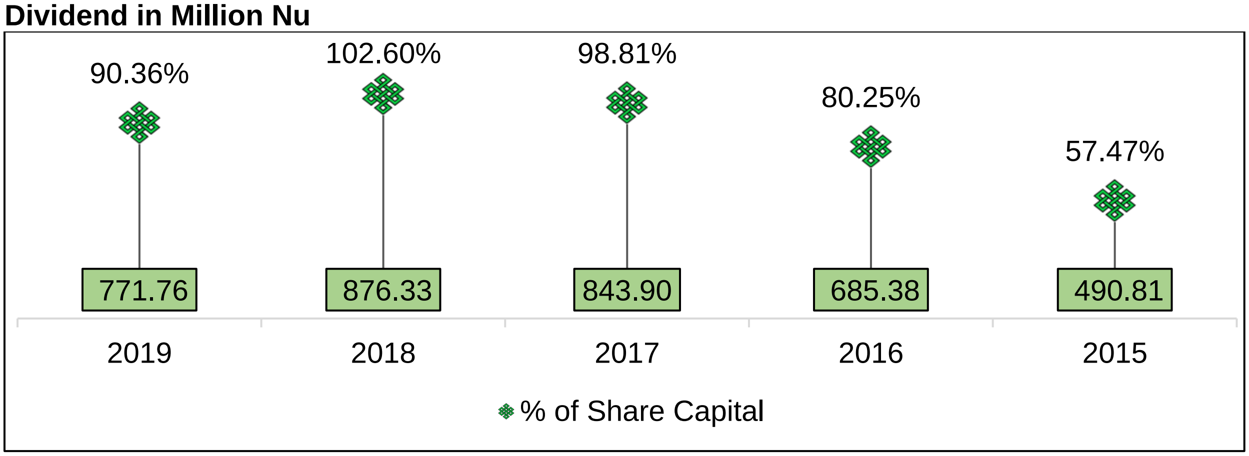
Revenue, Expenditure and Profit after Tax



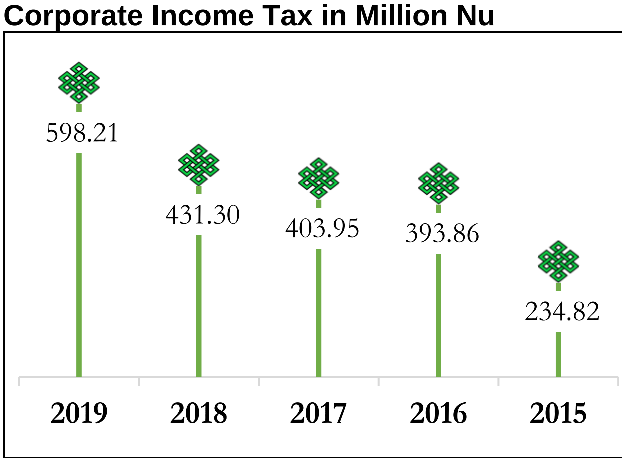
2015	2016	2017	2018	2019
2,717.14	3,131.86	3,175.05	3,593.28	4,039.01
1,967.66	1,852.88	1,947.87	2,220.20	2,338.28
516.04	869.10	839.67	941.79	1,102.51

Legend: Revenue | Operational Expenditure | Profit after Tax |

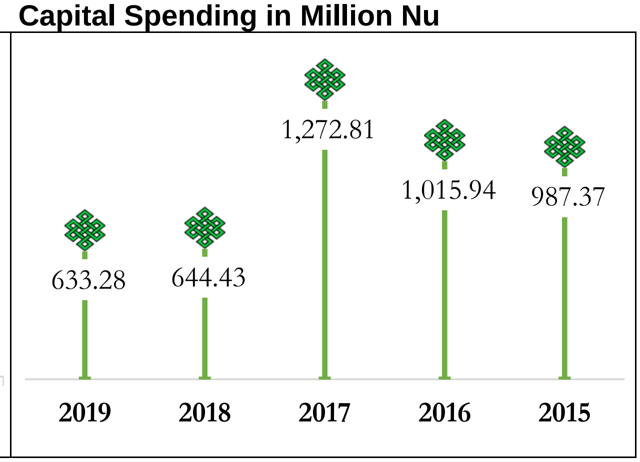
Dividend in Million Nu



Corporate Income Tax in Million Nu



Capital Spending in Million Nu

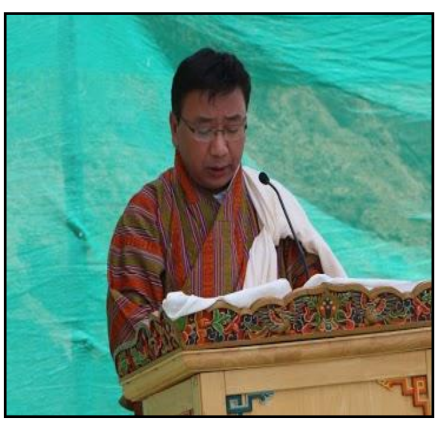


1.3 BT Day Celebration:

Coinciding with the World Telecommunication and Information Society Day, Bhutan Telecom celebrated the third BT day in Phuntsholing (South Western Regional Headquarter) on May 17, 2019. BT Day is observed every year to celebrate successes and achievements of the company by bringing together all employees of the company, and also to reward high performing employees.

As part of the celebrations, the company also launched B-Trowa – a mobile TV app, PCRF (Policy Charging & Rules Function) for mobile and the basic policy for Business continuity plan.

1.4 Launch of Bhutan's First Disaster Resilient Mobile Core.



2 Board Directors

Mr. Pema L. Dorji has a Master's degree from Fletcher School of Law and Diplomacy, Tufts Univertsity, USA and a Master's degree in Political Science from Delhi University. He has more than 28 years of work experience in the Ministry of Foreign Affairs, Royal Bhutanese Embassy in New Delhi and Dhaka. He also served as the Director for SAARC Secretariat and Deputy Permanent Representative to UN, New York. He is currently serving as Director, Department of Immigration, MoHCA. He is the Chairman of BT Board and serves as an independent, non-executive director on BT Board.

Dr. Damber S. Kharka has a Masters in Economics from UNB, Canada and a PhD in Finance from Haryana School of Business. He has more than 31 Years of work experience in the field of Finance, Corporate Governance, Corporate Capacity Development and Management disciplines. He is currently serving as the Director, Corporate Performance Division, DHI. He serves as non-independent, non-executive director on BT Board.

Mr. Dechen Dorji has a Masters in Environmental Management from Yale University, US. He has more than 25 Years of work experience in the field of environment management, fund raising, innovative financing and sustainable development. He is currently serving as the Country Representative for global WWF in Bhutan. He serves as independent, non-executive director on BT Board.

Mr. Jigme Tenzing has a Masters in Information and Computer Science from University of Oregon, US. He has more than 17 Years of work experience in the field of strategic planning and Computer Science and Information Technology. He is currently serving as the Director, Department of Information Technology and Telecom. He serves as independent, non-executive director on BT Board.

Ms. Jamyang Choeden has a M.Phil in International and Comparative Education from University of Oslo, Norway. She has more than 34 years of work experience in the field of education, strategic planning and administration. She is currently serving as the Director for Bhutan Council for School Examinations and Assessments. She serves as independent, non-executive director on BT Board.

Mr. Gonpo Tenzin has a Masters in Urban and Regional Planning from University of Canberra, Australia. He has more than 17 years of experience in the field of strategic planning, research, program monitoring and evaluating experience. He is currently serving as the Chief, Policy & Planning Division for National Land Commission. He serves as independent, non-executive director on BT Board.

Mr. Karma Jurme has a Masters in Human Resources Management from Curtin University in Australia. He has more than 29 years of work experience in the field of Administration and Human Resource Management. He is the Chief Executive Officer for Bhutan Telecom Ltd. He serves as non-independent, executive director on BT Board.

3 Management Team

Top Row (left to right): GM, Corporate Planning & Strategy | GM, Corporate Services | GM, Operations | GM, Finance
Front Row (left to right): GM, Marketing | Director, Business Dept. | Chief Executive Officer | Director, Technical Dept. | GM, Internet & IT

Mr. Karma Jurme is the Chief Executive Officer and he has more than 29 years of work experience in the field of administration and Human Resource Management. He holds a Masters in Human Resources Management from Curtin University in Australia.

Mr. Karma Tshewang is the Director, Technical Department. He has more than 23 years of work experience in the field of management and telecommunications, and holds a Bachelor's Degree in Electrical Engineering from Penn State University in USA.

Mr. Sangay Wangdi is the Director, Business Department. He has more than 17 years of work experience in the field of Marketing and Finance, and holds a Master of Business Administration from Southern Cross University, Australia.

Mr. Jichen Thinley is the General Manager, Corporate Planning and Strategy Division. He has more than 30 years of work experience in the field of internet technology and telecommunications.

Mr. Jambay Sither is the General Manager, Operations Division. He has more than 28 years of work experience in the field of telecommunications and holds a Masters in Technology in Mobile Communication and Networking Technology from West Bengal University of Technology.

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

Mr. Phuntsho is the General Manager, Corporate Services Division. He has more than 17 years of work experience in the field of administration and human resource management, and holds a Masters in Human Resource Planning and Development from Institute of Applied Manpower Research, India.

Mr. Jigme Thinley is the General Manager, Marketing Division. He has more than 20 years of work experience in the field of taxation, business & finance, human resource management, marketing, Business development and organizational development, and holds a MBA (International Business) from Asian Institute of Technology, Thailand.

Mr. Jigme Thinley is the General Manager, Finance & Accounts Division. He has served as a Senior Financial Analyst and Head of Account with DHI prior to his current appointment, and holds a MBA (Specialization in Finance) from the Australian National University.

4 Directors' Report

Introduction.

On behalf of the Board of Directors' of Bhutan Telecom Limited and the management, I am pleased to report that the year 2019 has been a year of significant progress for Bhutan Telecom Limited. I am very happy to present the Directors' Report – 2019 covering operational performance, audited financial statements, audit observations/recommendations, corporate governance, corporate social responsibility, and challenges and way forward for 2020.

Operational highlights.

In line with the company's mission to always be the providers of innovative and reliable ICT services, keeping Bhutan Connected, the company continued to prioritize enhancing network reliability and accessibility across the country, so as to keep the nation abreast with the global technological advancements. Some of the key operational performance and achievements are highlighted below:

Considering network reliability and high speed data availability as the key factors for enhancing service quality, Bhutan Telecom focused on commissioning additional 3G and 4G (LTE) sites and sectors across the country, a total of 108 3G sites and 63 4G (LTE) sites were deployed, and Carrier Addition for the existing sites were implemented to decongest the mobile network in urban areas. In addition to expansion of 3G and 4G (LTE) sites, the DWDM nodes for 11 sites were upgraded to 10Gbps and commissioned 18 IP radio hops for Access Network, as part of Transmission backbone up-gradation. The company also instituted a guideline to finalize and implement the third 10 Gbps international link, as and when the traffic on any of the existing two 10 Gbps international link is more than 95%, so as to ensure that the company has adequate and reliable bandwidth at all times.

In keeping with the company's belief to keep the country connected at all times, Bhutan's first Disaster Resilient Emergency Mobile Network was launched in Jakar on June 29, with the generous grant of Nu 660 Million from the government and people of Japan, and an internal fund of Nu 40 Million for power and transmission equipment. Furthermore, the company implemented the BCMS (Business Continuity Management System) Basic Policy and the BCMS Codes of Conduct with yet another generous assistance from the government and people of Japan. The emergency mobile network core in Jakar, supported by the BCMS Basic Policy and BCMS codes of conduct would scale up country's disaster preparedness, and the country will not face complete communication blackouts in the event of disasters. This would also bring substantial improvement in mobile services of the company during normal times.

As envisioned by DHI and Board to scale up company's digital initiatives and to play a greater role in the country's drive for digitalization, the company initiated a pilot project on Crypto Currency mining, in collaboration with the Royal Monetary Authority, and also implemented a pilot project on NBIoT (Narrow Band – Internet of Things) for smart street lighting in consultation with Thimphu Thromde. The company also implemented PCRF (Policy and Charging Rules Function) for its mobile customers, thus helping the company scale up its customer relationship management initiatives. The company's active mobile customers increased from 391,403 in 2018 to 403,559 at the end of 2019 and Leased line Internet subscriptions increased from 772 in 2018 to 1,153 at the end of 2019. The company had 6,008 fixed broadband Internet subscriptions and 21,581 fixed line customers at the end of 2019.

In keeping with the audit recommendations from the independent network auditors instituted by DHI in 2017, the company re-organized the technical department according to plan-build-run process oriented model and also implemented a technology related business process to enhance operations. In 2019, 109 employees attended eighteen ex-country trainings and 86 employees attended eighteen ex-country workshops / seminars / conferences to keep the company up-to-date with the rapid technological advancements. Furthermore, as envisioned by the Board and shareholders to enhance the in-house capacity through knowledge sharing within the company, 572 employees attended sixty in-country development programs conducted by external and in-house experts. At the end of 2019, the company had a total of 666 employees, which includes 581 regular employees, 7 contract employees, 68 ESPs and 10 local caretakers.

Financial position and key financial performance highlights.

The company has financially performed well in the year 2019, BT recorded a revenue of Nu 4,039.01 Million for the period ending December 31, 2019 marking a revenue growth of 12.40% from the previous year. BT also recorded a profit after tax of Nu 1,102.51 Million for the period ending December 31, 2019 marking a growth of 17.07% from the previous year.

Financial highlights for 2019:

Revenue in Billion Nu.

Nu 4.039 b ▲

12.40%

Expenditure in Billion Nu.

Nu 2.338 b ▲

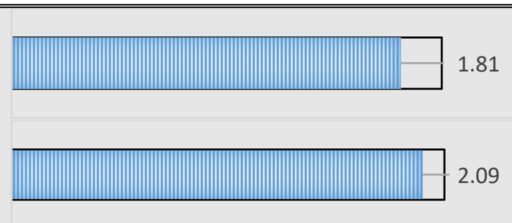
5.32%

*The Revenue of the company marked a growth of **12.40%** in 2019. The Operating Expenditure of the company marked an increase of **5.32%** in 2019.*

Cash from Operations in Billion Nu.

Nu 1.811 b ▼

13.63%



PBT in Million Nu.

Nu 1,700.72 m ▲

23.86%

PAT in Million Nu.

Nu 1,102.51 m ▲

17.07%

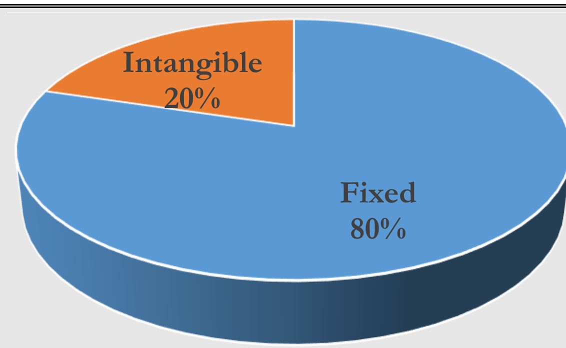
The PBT and PAT marked an increase compared to 2018, PBT marked an increase by 23.86% and PAT marked an increase by 17.07% in 2019.

Asset (Net Worth)

Fixed Assets — **Nu 3.624 b** ▲ 15.50%

Intangible Assets — **Nu 0.923 b** ▼ 16.04%

The overall percentage increase in asset is 18.69% from 2018

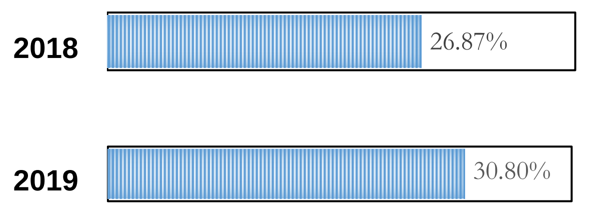
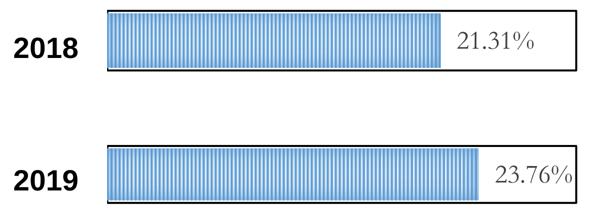


Liquidity.

	2019	2018
Current Ratio	1.51 : 1	1.42 : 1
Quick Ratio	1.48:1	1.29:1

The current ratio improved from 1.42:1 in 2018 to 1.51:1 in 2019 and the quick ratio improved from 1.29:1 in 2018 to 1.48:1 in 2019.

Profitability.

Return on Capital Employed	**Return on Equity.**
	
ROCE increased from 26.87% in 2018 to 30.80% in 2019.	*ROE increased from 21.31% in 2018 to 23.76% in 2019.*

Audit Issues

The Company was audited by statutory auditors, **GSA & Associates,** Chartered Accountants based in Delhi, India. Four of the past recommendations made by the auditors were fully implemented, while one recommendation was partially implemented, however, the auditors have made following suggestions for the financial period ending 31st December, 2019:

a. Audit Memo One: IT systems and control over financial reporting.

In view of variations in the data extracted from the system, management to explore and discuss with SAP team, to modify and have the reports available from SAP system for the points mentioned below in 2020:

- Management to have a detailed exercise in the year 2020 to identify all such kind of issues if any existing in the PPE block and get them corrected before the end of year 2020. Such procedures may include:-
  - Conducting a full physical verification exercise for the Company as a whole.
  - Tagging all assets in PPE.
  - Reviewing possibility to maintain location wise PPE register.
- Management to ensure that the customer trial is extracted from the system.
- Management to ensure accuracy of the creditor trial extracted from SAP.

b. Audit Memo Two: Classification of Common Duct as finance lease:

Based on the factors mentioned in BAS 17, Management will formalize the lease agreement in 2020, then evaluation should be done for classification and accounting as finance/operating lease.

In addition to the two audit memos issued by the auditors, following two suggestions were also made to the management:

a. Recommendation One: Revenue recognition.

Management to provide the report of physical voucher from the existing billing system automatically in the year 2020, further management to assure that complete integration will be executed in New ERP system.

b. Recommendation Two: External Confirmation (Supplier & Customer).

Management is required to instruct the concerned department, and ensure to obtain the confirmation on timely basis from Debtors and Creditors.

Board's recommendation of Dividend.

The dividend for 2019 to the shareholder (DHI) is recommended at 95% of the total comprehensive income for the year, which amounts to Nu. 1,030.078 Million.

Corporate governance.

The company is generally compliant with the provisions of the Corporate Governance Code and Ownership Policy developed and introduced by its owner – the Druk Holding & Investments Limited (DHI), the Companies Act, and other statutory requirements. In line with the signing of integrity pledge with Anti-Corruption Commission (ACC) on December 27, 2017, the company has implemented a business code of conduct and other internal control systems ensuring complete and accurate procedures to limit potential losses and lapses through fraud.

All members of the Board of Directors are identified and appointed by DHI with subsequent endorsement in the general meetings. The DHI organizes and conducts orientation program for the new board members to prepare them on the roles and responsibilities of the board. At the end of 2019, the company's board comprised of seven directors, including the Chief Executive Officer. The board held nine board meetings, an annual general meeting and an extra ordinary general meeting. The company had three board committees in place – Board Audit Committee, Board HR Committee, and Board Tender Committee. Audit Committee held two meetings, HR Committee held fourteen meetings and Tender Committee held two meetings in 2019.

Corporate Social Responsibility.

In keeping with the corporate belief to act responsibly in upholding the principle of balanced economic development through extension of telecommunication services to rural and remote areas of the country, the company continued to provide telecommunications services even to non-profitable and challenging areas of the country as a social mandate. As envisioned by DHI and also in fulfilling the company's social mandates, Bhutan Telecom enhanced the mobile network coverage along the Thimphu – Phuntsholing and Thimphu – Bumthang highways, ensuring that the two highways will not have a shadow zone of more than one kilometer. Furthermore the company contributed Nu 1,528,575.76 as part of Corporate Social Responsibility initiative in 2019, to various civil societies and social causes in the country.

Challenges and way forward.

Though it is not very significant at this point in time, there are challenges in retaining skilled employees leaving the organization for better opportunities outside the country. However, the company is hopeful that the remuneration revision granted by DHI with effect from October 2019, would help the company retain employees. Furthermore, the company instituted bi-annual employee engagement surveys to understand the key areas of improvement for the company, thus helping the company motivate employees by encouraging them to take initiatives and promote best work ethics by inculcating a sense of positive attitude in all its employees. Another key challenge for the company has been the rapidly advancing technology with different standards calling for huge investments and the technology becoming obsolete in just couple of years. However, the company is hopeful of making the right choice of technology with the five year investment plan, drawn with the guidance and support of the Board and DHI.

In 2019, the company recorded a customer satisfaction score of 3.84 against the target of 3.80. As per the survey findings, most of the customers are satisfied with Service Efficiency, Service Accessibility and Customer Care, however customers have comparatively rated Service Attributes, Complaint Handling and Service Reliability lower than other key result areas. In order to address the issues with service quality attributes of mobile services, the company will continue enhancing the availability of high speed data across the country and continue enhancing mobile coverage along the national highways in 2020. The company has already initiated the task of overhauling the complaint handling system to improve the complaint management system.

In line with the global trend, and based on the board and shareholder's expectations to stay abreast with the global technological advancements, the company would be deploying 5th Generation Mobile network in at least three core towns in 2020. In the same line, the company would be implementing couple of IoT (Internet of Things) services and digital initiatives to fulfill the company's mandate to keep the nation up-to-date with the global technological advancements, and also drive digitalization.

Acknowledgements.

As always, our foremost gratitude goes to the company's valued customers for their continued loyalty and support. In spite of some shortcomings, the company has continued to receive the cooperation and support from its valued customers. The company had made major investments in 2019 to address the problems and improve the customer experience. With the improvements being made in the service quality and the hard work put in by everyone associated with the company, we have no doubt that our valued customers will continue to remain with us.

The company's shareholder, Druk Holding & Investments (DHI), has guided the company throughout 2019 in overcoming the challenges and has also revised the remuneration for all the employees of the company. The company has been able to undertake many major projects only with the unwavering support and guidance from the DHI. The board and management of the company would like to thank DHI for the same. We would also like to put on record our sincere thanks to all the other stakeholders for whatever support we received during the year.

Lastly, the board would like to thank the management and employees of the company for working hard and achieving a lot of success in 2019. The board looks forward to similar efforts and success in 2020.

On behalf of the Board of Directors;

(Pema L Dorji)

CHAIRMAN

5 Corporate Governance Report

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

5.1 Board of Directors

All the members of the Board of BT are identified and appointed by the DHI. All appointments are submitted to the BT's General Meetings for endorsement. The BT Board Comprised of Seven Directors, including the Chief Executive Officer. Necessary disclosures about each Board Director is provided below:

Name:	Address	Category	Appointment to present term	Term
Mr. Pema L Dorji (Chairman)	Director, Department of Immigration, MoHCA	Independent Non-Executive	20 June 2018	1st Term
Dr. Damber S. Kharka	Director, CPD, DHI	Non-Independent Non-Executive	20 June 2018	3rd Term
Mr. Dechen Dorji	Country representative, WWF Bhutan	Independent Non-Executive	20 June 2018	2nd Term
Mr Jigme Tenzing	Chief, Application Division, DITT, MoIC	Independent Non-Executive	20 June 2018	2nd Term
Ms .Jamyang Choeden	Director, Bhutan Council for School Examinations & Assessment, MoE	Independent Non-Executive	20 June 2018	1st Term
Mr. Gonpo Tenzin	Head, PPD, National Land Commission.	Independent Non-Executive	20 June 2018	1st Term
Mr. Karma Jurme	CEO, Bhutan Telecom	Non-Independent Executive		

5.2 Board Meetings

A total of nine Board Meetings were held in 2019 and the meetings were held as frequently as required and gap between any two meetings never exceeded three months, as required by the Companies Act of Bhutan 2016. Board Meetings in 2019 were held on the following dates:

1. Friday, 25 January 2019 | 143rd Board Meeting.
2. Monday, 25 February 2019 | 144th Board Meeting.
3. Tuesday, 30 April 2019 | 145th Board Meeting.

4. Tuesday, 16 July 2019 | 146th Board Meeting.
5. Monday, 5 August, 2019 | 147th Board Meeting.
6. Friday, 20 September 2019 | 148th Board Meeting.
7. Friday, 8 November 2019 | 149th Board Meeting.
8. Friday, 22 November 2019 | 150th Board Meeting.
9. Friday, 20 December 2019 | 151st Board Meeting.

Meeting Date:	**25th Jan**	**25th Feb**	**30th Apr**	**16th Jul**	**5th Aug**	**20th Sep**	**8th Nov**	**22nd Nov**	**20th Dec**	**Total**
Meeting Number:	143	144	145	146	147	148	149	150	151	
Name of Directors:										
Mr. Pema L Dorji (Chairman)	✓	✓	✓	✓		✓	✓	✓	✓	8
Dr. Damber S. Kharka	✓	✓		✓	✓		✓	✓	✓	7
Mr. Dechen Dorji	✓		✓					✓		3
Mr. Jigme Tenzing	✓	✓	✓	✓	✓	✓		✓		7
Ms. Jamyang Choeden			✓		✓	✓	✓	✓	✓	6
Mr. Gonpo Tenzin	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
Mr. Karma Jurme	✓	✓	✓	✓	✓	✓	✓	✓	✓	9

The calendar for the Board Meetings during the entire year is proposed at the beginning of the year. The calendar is reviewed and the date for the next Board Meeting is confirmed in every Board Meeting. All the Board Meetings in 2019 were held at the Conference Hall of the Company's Headquarters in Chubachu, Thimphu. The agenda and related documents for the Board Meetings are generally circulated to the Board Members at least a week in advance of the Meetings. However, it is challenging to meet this timeline on rare occasions, when the Board Meeting is called on short notice and/or when papers take time to finalize because of various reasons.

The following Board Committees are in place:

1. Board Audit Committee (BAC)
2. Board Tender Committee (BTC)
3. Board HR Committee (BHRC)

Board Audit Committee (BAC):

The Board Audit Committee was established to, inter alia; monitor the internal control system and internal audit activities. The Committee held two meetings in 2019 on the following dates:

1. 28th BAC Meeting was held on 26 August, 2019.
2. 29th BAC Meeting was held on 30 December, 2019.

Meeting Date:	26th Aug	30th Dec	Total
Meeting Number:	28	29	
Members:			
Mr. Dechen Dorji (BAC Chair)	✓	✓	2
Mr. Gonpo Tenzin	✓	✓	2
Mr. Kelzang Chophel (Secretary)	✓	✓	2

Board Tender Committee (BTC):

The Board Tender Committee was established to make decision and approve works/ procurements which are beyond the management's authority. The Committee held two meetings in 2019 on the following dates:

1. 16th BTC Meeting was held on 21 November, 2019.
2. 17th BTC Meeting was held on 21 December, 2019.

Meeting Date:	21st Nov	21st Dec	Total
Meeting Number:	16th BTC	17th BTC	
Members:			
Mr. Jigme Tenzing (BTC Chair)	✓	✓	2
Dr. Damber S. Kharka	✓	✓	2
Mr. Karma Jurme	✓	✓	2
Mr. Sangay Wangdi (Secretary)	✓	✓	2

Board HR Committee (BHRC):

The Board HR Committee was established to make decisions on HR related issues which are beyond the authority of the management. The Committee held 14 meetings in 2018 on the following dates:

1. 33rd BHRC Meeting was held on January 15, 2019.
2. 34th BHRC Meeting was held on February 12, 2019.
3. 35th BHRC Meeting was held on April 18, 2019.
4. 36th BHRC Meeting was held on June 21, 2019.

5. 37th BHRC Meeting was held on July 12, 2019
6. 38th BHRC Meeting was held on July 19, 2019
7. 39th BHRC Meeting was held on August 2, 2019
8. 40th BHRC Meeting was held on August 9, 2019
9. 41st BHRC Meeting was held on August 16, 2019
10. 42nd BHRC Meeting was held on August 28, 2019
11. 43rd BHRC Meeting was held on September 23, 2019
12. 44th BHRC Meeting was held on October 31, 2019
13. 45th BHRC Meeting was held on November 21, 2019
14. 46th BHRC Meeting was held on December 18, 2019.

Meeting Date:	**15th Jan**	**12th Feb**	**18th Apr**	**21st Jun**	**12th Jul**	**19th Jul**	**2nd Aug**	**9th Aug**	**16th Aug**	**28th Aug**	**23rd Sep**	**31st Oct**	**21st Nov**	**18th Dec**	**Total**
Meeting Number:	33	34	35	36	37	38	39	40	41	42	43	44	45	46	
Members:															
Dr. Damber S. Kharka (BHRC Chair)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	14
Ms.Jamyang Choeden	✓	✓	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	12
Mr. Karma Jurme	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	14
Mr.Phuntsho (Secretary)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	14

5.3 Board Remuneration

Directors.	Sitting Fees in Nu
Mr. Pema L Dorji	72,000
Dr. Damber S. Kharka	132,000
Mr. Dechen Dorji	40,000
Mr. Jigme Tenzing	68,000
Ms. Jamyang Choeden	104,000
Mr. Gonpo Tenzin	92,000
Total	**508,000**

5.4 Chief Executive Officer's Remuneration

Name	Particulars	Amount in Nu
Mr. Karma Jurme	Salary	1,797,638
(Present)	Salary Arrears	186,590
	Bonus and PBVA	391,201
	Contribution to superannuation fund	130,095
	Sitting fess	148,000
	Total	**2,653,524**

5.5 Annual General Meeting

The 17th Annual General Meeting was held on March 16, 2020 in the Bhutan Telecom Conference hall and attended by the Shareholder, Board Directors and the key members of the management team.

6 Independent auditors Report

To

The Members of

Bhutan Telecom Limited

Opinion

We have audited the financial statements of **Bhutan Telecom Limited**, Comprising the statement of financial position as at **31st December, 2019**, and the statement of comprehensive income, statement of Changes in Equity and statement of cash flows for the year then ended , and notes to financial statements, including a summary of the significant accounting policies.

In our opinion, the accompanying financial statements gives a true and fair view of the financial position of the Company as at **31st December, 2019,** and its financial performance and its cash flows for the year then ended are in accordance with Bhutanese Accounting Standards.

Basis for Opinion

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

Key Audit Matters

In compliance with ISA (international standard of auditing), Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:-

- Impairment of Property, Plant & Equipment (PPE).
- Accuracy and completeness of revenue recognised & related control system.

GSA & ASSOCIATES ★ CHARTERED ACCOUNTANTS DELHI

<table>
<tr><th>Key Audit Matters</th><th>How our Audit Addressed the matter</th></tr>
<tr><td>

Impairment of Property, Plant & Equipment (PPE)-

Refer to note 2(a) in Bhutan telecom Limited's (BTL) Financial Statement

Company has created a data centre in Phuentsholing with the purpose of providing data protection and storage services to other customers.

Total investment made for the data centre is Nu 148,958,073.

Revenue generated by Company from data centre in 2019 is Nu. 30.5 million (out of which Nu. 6.7 million related to Previous Year 2018) which consists of:-

- Rent from providing storage space to consumers
- Providing ISP services to the customers

Company has assessed a recoverable amount for the data centre at Nu. 274 million.

Accordingly, for data centre, management concluded that the recoverable amount was higher than their carrying value such that no impairment provision was required.

These conclusions are dependent upon significant management judgment, including:

- Estimated resale value, assessed by management internally, and

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Our procedure in relation to management's impairment assessment of PPE included :

- Assessing the methodologies used by the management to estimate resale value in use.
- Considering the appropriateness of the resale values estimated by the management based on our knowledge of the industry & values obtained by the Company in respect of PPE that have been disposed of during the year.
- Checking on a sample basis the accuracy & relevance of the input data used by management to estimate values in use
- Assessing management's key assumption used to estimate value in use based on our knowledge of the industry, and
- Considering the potential impact of reasonably possible downside changes in these key assumptions.
- We enquired of significant new customers or customer losses and any significant changes in the manner in which assets are expected to be used or changes in the business environment that could significantly impact future performance
- Considered if there were changes in market interest rates that may significantly affect the discount rate that would be used in discounted cash flow impairment models by the Group.

We noted that the market capitalisation of the Company was significantly higher than the

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GSA & ASSOCIATES CHARTERED ACCOUNTANTS DELHI

Key Audit Matters	How our Audit Addressed the matter
- Estimated utilization, disposal values, product sale price and discount rates applied to future cash flows.	carrying value of Data centre which is Nu. 148,958,073 as on 31st December, 2019.
Accuracy and completeness of revenue recognized & related control system *Refer to note 27 of the financial statement* The company reported revenue of Nu. 3,978 million from telecommunication and related activities. The application of revenue recognition accounting standards is complex and involves a number of key judgments and estimates, including those applied on revenue arrangements with multiple elements and those contracts where there is existence of principal and agent relationship. Due to the estimates and judgment involved in the application of the revenue recognition accounting standards we have considered this matter as a key audit matter. The Group's accounting policies relating to revenue recognition are presented in note 1 to the financial statements.	Our procedures in relation to revenue recognition comprising both control testing and substantive procedures on a sample basis. The procedures in addressing the risk related to accuracy of revenue recognized included: - Testing the IT environment in which the billing systems reside, including interface controls between different IT applications; - Testing the key controls over the calculation of the amounts billed to customers and the capturing and recording of the revenue transactions; - Testing the key controls over the authorization of the rate changes and the input of such rates to the billing systems; - Testing the end-to-end reconciliations from data records to the billing systems and to the general ledger; - Testing material journals processed between the billing systems and the general ledger; - Testing the accuracy of customer bill calculations and the respective revenue Transactions recorded. - Assessed the appropriateness of the revenue recognition accounting policies including compliance with the BFRS 15. Based on our work, we noted no material issues in the accuracy of revenue recorded in the year.

Other Matter

We draw your attention to Note 50 of the financial statements wherein it is stated that the balances of debtors and creditors are subject to confirmation. A non-response to a confirmation request may indicate a previously unidentified risk of material misstatement. Accordingly, we have revised our risk of material misstatement at the assertion level and have modified planned audit procedures by applying alternate procedures for verification of the debtor and creditor balances appearing in the financial statements. Alternate procedure that we have performed includes:-

- For debtors – examined subsequent receipts
- For creditors - examined subsequent payments

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.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Bhutanese Accounting Standards 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

GSA & ASSOCIATES CHARTERED ACCOUNTANTS DELHI

and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statement

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

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

- 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 a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- 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 the purpose of expressing an opinion on the effectiveness of the company's internal control.

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

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

SSA & ASSOCIATES DELHI CHARTERED ACCOUNTANTS the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern; and

- Evaluate the overall presentation, structure, and content of the financial statement, including the disclosures, and whether the financial statement 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 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 (the Minimum Audit Examination and Reporting Requirements) we provide in the Annexure "A" a statement on the matters specified therein to the extent applicable.

As required by Section 265 of the Act, we report that:

i) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

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

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iii) The Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows dealt with by this report have been prepared in accordance with Bhutanese Accounting standards and are in agreement with the books of accounts and returns.

iv) In our opinion, Company has complied with other Legal & Regulatory requirements.

For **GSA & Associates**
Chartered accountants
FRN – 000257N

GSA & ASSOCIATES DELHI CHARTERED ACCOUNTANTS

Tanuj Chugh
Partner
Membership No – 529619

Place: New Delhi
Date: 28th February, 2020
UDIN: 20529619AAAAAJ3180

7 (Annexure "B" AS Referred To In Our Report)

MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENTS
Bhutan Telecom Limited
For the year ended 31st December, 2019

As required under the International Standards of Auditing (ISA) as adopted and issued by Accounting and Auditing Standards of Bhutan (AASBB). On the basis of the checks as we considered appropriate & according to the information and explanation provided to us we report that:-

General:

a) Company have adhered to the Corporate Governance Guidelines and Regulations as applicable on them.
b) The governing board/authority pursued 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) Proper books of accounts have been maintained and financial statements are in agreement with the underlying accounting records.
e) 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. The Company has maintained the Property, Plant & Equipment register during the year. The register is showing particulars relating to acquisition cost, depreciation and net value. As explained to us, due to large size of regional offices & assets located at various locations BTL has decided to carry out physical verification for each regions annually.

2. None of the property, plant & equipment has been re-valued during the year.

3. Physical verification of inventories has been conducted at reasonable intervals by a committee nominated by the management for reconciling Inventories between the System and actual physical inventories.

4. Procedures followed for physical verification of inventories are considered reasonable and adequate in relation to the size of the company and the nature of its business.

5. To the extent, physical verification of Inventory has been conducted; some immaterial discrepancy are observed on such verification. 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 information received the company has a 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. On the basis of information quantitative reconciliation is carried out at least at the end of accounting year in respect of all major items of inventories by the company.

GSA & ASSOCIATES DELHI CHARTERED ACCOUNTANTS

8. The company has adequately created provision for obsolete, damaged, slow moving and surplus goods/inventories which is based on policy of the company.

9. As explained to us, the unserviceable or damaged inventories will be disposed through open auction in the year 2020.

10. Approval of appropriate authority is obtained for writing off amounts due to material loss/discrepancies in physical/book balances of inventories including finished goods, raw materials, stores and spares

11. On the basis of our examination of stock records, we are of the opinion that the valuation is fair and proper in accordance with the normally accepted accounting principles. The basis of valuation of stock is same as that in the previous year. In addition, the company has created a provision for impairment in value of inventory lying for long time.

12. The Company has 7.5% secured, non-convertible redeemable bonds of 1000 each redeemable at par in full on 15th July 2020 which is secured by hypothecation of Fixed Assets/ Plant & Machinery of the company. The terms of the said bonds are prima facie not prejudicial to the interest of the Company. Apart from this Company has also availed term loan at average rate of 7.5%

13. The Company has availed loan from its Holding Company i.e. Druk Holding & Investment (DHI) of Nu 400 million at an interest rate of 5%. Based on our verification and explanation provided, terms and condition of the loan is not prejudicial to the interest of the company.

14. The Company has granted loan to one of its fellow subsidiary M/s Dungsam Cement Corporation Limited of Nu. 400 Million at an interest rate of 5%. Terms are not prejudicial to the interest of the Company as the same is compensated by Holding Company by making an equal amount of loan to the Company on same terms and conditions.

15. 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.

16. The Company generally has an established system of internal control to ensure completeness, accuracy and reliability of accounting records, for carrying out the business in an orderly and efficient manner, to safeguard the assets of the Company as well as to ensure adherence to the rules & regulations, systems and procedures.

17. As informed to us, there is a reasonable system of obtaining competitive bids/quotations from the vendors in respect of purchase of stores, plant & machinery, equipment 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.

GSA & ASSOCIATES DELHI CHARTERED ACCOUNTANTS

19. According to the information and explanations given to us, no personal expenses have been debited to the Statement of Comprehensive Income Account excepting those payable under contractual obligations any unserviceable or damaged stores, finished goods are determined, and provisions for loss, if any, have been made in the accounts.

20. ***Company has some very old inventory lying with it for which a provision of Nu 5.34 million has been created in the books of accounts of the Company.***

21. It has been explained that the Company has reasonable system of ascertaining and identifying point of occurrence of breakage/damages of stores, spares and capital goods while in transit, during loading/unloading in storage and during handling etc. so that responsibility could be fixed and compensation sought from those responsible.

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. Records for disposal of unusable and scrap items are maintained by the Company.

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 2019. 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, 2017.

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

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 Company is a service oriented organization and not a manufacturing concern. Hence recording consumption of materials and stores etc. is not applicable.

28. System of price fixation taking into account the cost of production and market conditions is not applicable for a service oriented Company.

29. The credit sales policy and credit rating of customers is not applicable for the Company.

30. The Company has engaged some agents in connection with mobile service through appropriate screening. The agency commission structure is in keeping with the industry norms / market conditions.

31. The system of follow-up with debtors and other parties for recovery of outstanding amounts is available at the Company. Company does vigorous follow-up to realize the old debts.

32. The management of liquid resources particularly cash / bank is reasonably adequate considering the nature and size of the business. Funds are not lying idle in non-interest bearing accounts.

33. 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.

34. 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.

GSA ASSOCIATES DELHI CHARTERED ACCOUNTANTS

35. The Company has established an effective budgetary control system.

36. The Company does not have a costing system to ascertain cost of its services. Current practice is based on estimation. The company is going to upgrade its systems for having better revenue allocation and cost management.

37. The details of remuneration to the Board of Directors including the Chief Executive Officer have been indicated in the Notes to the Accounts.

38. According to the information and explanation given to us, the directives of the Board have been complied with.

39. According to the information and explanations given to us, the officials of the Company have not transmitted any price sensitive information, which is not made publicly available, unauthorized to their relatives/friends/associates, or close persons, which would directly or indirectly benefit themselves.

40. The proper records have been maintained by the Company for all the transactions except that for inter-unit reconciliations. Company is in process of improving the same by having periodic reconciliations between units.

41. Company has maintained records related to leases and other items. Company is still in the process of evaluation of certain contracts for which finance lease accounting might get applicable.

42. The Company maintains a reasonable system of costing to ascertain the cost of its services and enable it to make proper pricing decisions for its services.

Computerized Accounting environment

1. ***The Company is operating in SAP environment, the internal control system with respect to property, plant and equipment (PPE), inter unit transactions, inventory management, supplier and debtor trials and revenue accounting needs little improvement. Regarding PPE, there were issues at the time of migration to SAP also. There were variations appearing in opening balances of PPE pertaining to pre SAP era. Same has been rectified during the year with a corresponding adjustment to retained earnings.***

2. It is explained to us that the Company has a main system at Thimphu and standby server installed at Phuntsholing and backup is going on daily basis with complete backup with two way process. Firstly, data backup are going on system and then it takes it to TSM server on daily basis.

3. As per information given to us, the Company keeps a back-up data for the entire Company in a standby server installed at Phuntsholing and the same is being maintained at Thimphu.

4. As per information given to us, Operational controls are adequate to ensure correctness and validity of input data and output information.

5. As per information given to us, there are adequate preventive measures to prevent unauthorized access over the computer installation and files.

6. ***As per information data migration during change over to new system were not effectively managed to ensure completeness and integrity of data of the system.***

GSA & ASSOCIATES DELHI CHARTERED ACCOUNTANTS

GENERAL

1. **Going Concern Problem**
   Based on the Company's financial statements for the year ended 31st December, 2019 audited by us, the Company is healthy and going concern assumption is appropriate.

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

3. **Compliance of Companies Act of 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:**
   Audit of the Company is governed by The Companies Act of the Bhutan, 2016 and the scope of audit is limited to examination and reviews of the financial statement as produced to us by the management. In the course of audit, we have considered the compliance of provision of the said Companies Act and its Article of Incorporation. The Company does not have a comprehensive Compliance Reporting and Recording System as regards adherence to all laws, rules and regulations, systems, procedures and practices. Under the circumstances we are unable to comment on the compliance of the same by the Company during the year 2019.

For GSA & Associates.

Chartered Accountants

(Firm Reg. No.00025

Tanuj Chugh

Partner

M. No. 529619

Place : New Delhi

Date : **28/02/2020**

VDIN: 20529619AAAAAJ3180

8 Statement of Financial Position for the year ended 31st December, 2019

Amount in Nu.

Particulars	Note no.	31 December 2019	31 December 2018 (Restated)	1 January 2018 (Restated)
I. ASSETS :				
Non-current assets				
Property, plant and equipment	2(a)	3,624,675,324	3,138,162,529	3,456,854,131
Intangible assets	2(b)	923,199,456	1,099,534,479	1,291,624,868
Capital work-in-progress		37,233,705	97,556,323	39,853,152
Investments	3	15,847,192	205,529,775	140,581,485
Other receivable	4	1,000,000	1,000,000	-
Deferred tax assets (net)	5	411,885,580	468,409,931	438,074,952
Other non-current assets	6	115,260	81,367	38,545
Total non-current assets		**5,013,956,517**	**5,010,274,404**	**5,367,027,133**
Current assets				
Investments	7	758,243,006	-	-
Inventories	8	37,793,099	84,737,733	82,232,809
Trade receivables	9	116,858,064	115,686,891	127,062,333
Cash and bank balances	10	621,732,645	634,920,083	181,939,529
Loans	11	400,000,000	-	-
Other receivable	12	8,850,634	3,286,081	2,860,642
Other current assets	13	10,454,777	6,146,587	4,115,127
		1,953,932,225	**844,777,375**	**398,210,440**
Asset classified as held for distribution to owners	14	99,285,178	99,285,178	-
Total current Assets		**2,053,217,403**	**944,062,553**	**398,210,440**
Total assets		**7,067,173,920**	**5,954,336,957**	**5,765,237,573**
II. EQUITY AND LIABILITIES :				
EQUITY				
Equity share capital	15	854,082,000	854,082,000	854,082,000
Other equity	16	3,786,007,427	3,564,337,597	3,389,582,928
Total equity		**4,640,089,427**	**4,418,419,597**	**4,243,664,928**
Non-current liabilities				
Long term borrowings	17	201,583,020	602,627,143	648,615,398
Other payables	18	91,350,778	118,122,467	142,931,303
Deferred government grants	19	678,986,567	87,633,714	110,957,565
Employee benefit obligation	20	96,757,359	65,902,290	64,004,512
Total non-current liabilities		**1,068,677,724**	**874,285,614**	**966,508,778**
Current liabilities				
Short term borrowings	21	400,000,000	-	-
Trade and other payables	22	69,474,051	154,896,426	102,953,903
Other payables	23	453,076,359	145,810,701	129,857,229
Short term provision	24	311,091,064	266,516,164	253,010,361
Other current liabilities	25	90,704,178	76,693,384	46,143,448
Employee benefit obligation	26	34,061,117	17,715,071	23,098,926

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Total current liabilities **Total liabilities** **Total equity and liabilities**		**1,358,406,769** **2,427,084,493** **7,067,173,920**	**661,631,746** **1,535,917,360** **5,954,336,957**	**555,063,867** **1,521,572,645** **5,765,237,573**
Summary of significant accounting policies	1			

The above accompanying notes are an integral part of the financial statements
This is the statement of financial position referred to in our report of even date

for and on behalf of board of directors

For GSA & Associates.
Chartered accountants
(Firm Reg. No. 000257N)

Chairman

Tanuj Chugh
Partner
M. No. 529619

Chief Executive Officer

Place: Thimphu
Date:28/02/2020

9 Statement of Comprehensive Income for the year ended 31st December 2019

Amount in Nu.

Particulars	Note no.	31 December 2019	31 December 2018 (Restated)
Income:			
Income from operations	27	3,978,153,745	3,508,880,133
Other income	28	60,852,269	84,401,601
		4,039,006,014	**3,593,281,734**
Expense			
Network operating expenses	29	595,866,357	563,149,712
Cost of trading goods	30	32,523,544	15,186,695
Employee benefit expenses	31	369,497,297	338,773,616
Depreciation and amortization	32	955,288,999	937,515,357
Finance cost	33	65,523,526	64,945,884
Other expenses	34	319,583,650	300,626,370
		2,338,283,373	**2,220,197,634**
Profit before tax		**1,700,722,641**	**1,373,084,100**
Tax expenses	35		
Current tax		542,390,741	462,040,290
Deferred income tax		55,820,005	(30,744,848)
Total tax expense		**598,210,746**	**431,295,442**
Profit after tax for the year		**1,102,511,895**	**941,788,658**
Other comprehensive income			
Remeasurement (gains)/losses on defined benefit plans		26,027,493	22,059,754
Income tax relating to component for other comprehensive income		(7,808,248)	(6,617,926)
Other comprehensive income, net of tax		**18,219,245**	**15,441,828**
Total comprehensive income for the year		**1,084,292,650**	**926,346,830**
Earnings per share	36	1,291	1,103
Summary of significant accounting policies	1		

The above accompanying notes are an integral part of the financial statements

This is the statement of financial position referred to in our report of even date

For GSA & Associates.
Chartered accountants
(Firm Reg. No. 000257N)

Tanuj Chugh
Partner

M. No. 529619

Place: Thimphu
Date: 28/02/2020

for and on behalf of board of directors

Chairman

Chief Executive Officer

10 Statement of Changes in Equity for the year ended 31st December, 2019

Amount in Nu.

A. Equity share capital

Particulars	Amount	
As at 1st January 2018	854,082,000	
Changes in equity share capital	-	
As at 31 December 2018	**854,082,000**	
Changes in equity share capital	-	
As at 31 December 2019	**854,082,000**	

B. Other equity

Particulars	Reserves and surplus Retained earnings	Total other equity
Balance at 1 January 2018	**2,938,916,122**	**2,938,916,122**
Correction of prior period entries (net of tax)	450,666,806	450,666,806
As at 1 January 2018 (restated)	**3,389,582,928**	**3,389,582,928**
Dividend for the year	(751,592,160)	(751,592,160)
Profit for the year (restated)	941,788,658	941,788,658
Other comprehensive income, net of tax (restated)	(15,441,828)	(15,441,828)
As at 31 December 2018	**3,564,337,598**	**3,564,337,598**
Balance at 31 December 2018	**2,903,751,554**	**2,903,751,554**
Correction of prior period entries (net of tax)	660,586,042	660,586,042
As at 1 January 2019 (restated)	**3,564,337,597**	**3,564,337,597**
Dividend for the year	(862,622,820)	
Profit for the year	1,102,511,895	1,102,511,895
Other comprehensive income, net of tax	(18,219,245)	(18,219,245)
As at 31 December 2019	**3,786,007,427**	**4,648,630,247**

For GSA & Associates.

Chartered accountants

(Firm Reg. No. 000257N)

GSA & ASSOCIATES ★ DELHI ★ CHARTERED ACCOUNTANTS

Tanuj Chugh

Partner

M. No. 529619

Place: Thimphu

Date: 28/02/2020

for and on behalf of board of directors

Chairman

Chief Executive Officer

11 Cash Flow Statement for the year ended 31st December, 2019

Amount in Nu

Particulars	31 December 2019	31 December 2018
Cash flow from operating activities		
Net profit before tax	1,700,722,641	1,373,084,099
Add/Less: Gain on sale of property plant and equipment	(1,070,484)	(1,055,927)
Add/Less: Gain or loss on scrapping/retirement of assets	4,440,470	2,514,248
Add/Less: Inventory loss (gain) on physical verification	-	477,724
Add/Less: Provision for loss allowance	13,250,310	6,425,315
Add/Less: Provision for old inventories	13,700,637	8,708,854
Add/Less: Foreign exchange loss/(gain)	(150,217)	(51,628)
Net profit before tax and after adjustment of provisions	**1,730,893,357**	**1,390,102,685**
Adjustment for:	-	-
Depreciation during the year	955,288,999	937,515,357
Interest paid	77,924,469	65,255,547
Interest received	(25,258,467)	(11,746,876)
Net profit from operating activities before working capital changes	**2,738,848,358**	**2,381,126,714**
Adjustment for:		
Inventories	47,383,368	(1,054,737)
Non-current/current financial and other assets	(1,045,740,242)	(88,473,827)
Non-current/current financial and other liabilities/provisions	567,621,302	172,398,857
(Increase)/decrease in investment in associate	-	92,308,400
Cash generated from operating activities	**2,308,112,787**	**2,556,305,408**
Income tax paid	(496,966,166)	(459,261,248)
Net cash flow from operating activities	**1,811,146,621**	**2,097,044,160**
Cash flow from investing activities	-	-
Payment for property plant and equipment	(491,431,781)	(430,768,115)
Payment for intangible assets	(188,029,573)	(145,319,455)
Payment for capital work in progress	46,183,248	(68,339,937)
Purchase of long term investments		(59,000,000)
Sale of property plant and equipment (actual cash received)	1,070,426	1,963,002
Investment in fixed deposits	(74,741,534)	11,746,876
Net cash used in investing activities	**(517,266,631)**	**(689,717,629)**
Cash flow from financing activities		
Term loan (long term borrowings)	(401,044,123)	(45,988,255)
Short term borrowings	-	-
Receipt of capital grant from BICMA	24,349,024	-
Payment of dividend	(862,622,820)	(843,900,560)
Interest paid on bond	(65,863,566)	(51,275,301)
Net cash used in financing activities	**(1,305,181,485)**	**(941,164,116)**
Net Increase/(decrease) in cash and cash equivalents	**(11,301,495)**	**466,162,415**
Cash and cash equivalents at the beginning of the financial year	754,965,598	288,751,557
Effect of exchange rate changes on cash and cash equivalents	150,217	51,628
Closing cash and cash equivalents	743,814,317	754,965,598
Increase/(decrease) in cash and cash equivalents	**(11,301,498)**	**466,162,413**

This is the statement of financial position referred to in our report of even date

For GSA & Associates.
Chartered accountants
(Firm Reg. No. 000257N)

GSA & ASSOCIATES DELHI CHARTERED ACCOUNTANTS

Tanuj Chugh
Partner
M. No. 529619

Place: Thimphu
Date: 28/02/2020

for and on behalf of board of directors

Chairman

Chief Executive Officer

12 Notes forming part of the Financial Statements as at 31st December 2019

Note 1: Significant accounting policies of Bhutan Telecom Limited.

1. Bhutan Telecom Limited ("Company") was formed as a public corporation by virtue of Bhutan Telecommunication Act, 1999. The principal activities of Bhutan Telecom Limited are providing the telecom services like landline service, mobile service, internet and other allied services. Company has also started business of providing data center and contact center 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 14th February, 2020.

2. 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 (BFRS) in phase manner with minor changes. As per the roamap issued by AASBB a 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 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.

3. Use of estimates:

The preparation of the 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. 42 to 46
(b) Estimation of useful life of Property plant and equipment - Note "2 (a)"
(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. 37
(d) Recognition of deferred tax asset - Note No. 38
(e) Estimation of Impairment of Trade Receivable- Note No. 41

4. 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 realize the asset, or intends to sell or consume it, in its normal operating cycle;

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(b) it holds the asset primarily for the purpose of trading;
(c) it expects to realize 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.

5. Revenue recognition:

Revenue is recognized 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 onboarding 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 operations for voice, data, messaging and signaling 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 onboarding revenue and associated cost is recognized upon successful onboarding 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 operations for voice, data, messaging and signaling services. These

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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 recognized on provision of services and over the period of respective arrangements.

b. Equipment Sales

Equipment sales mainly pertain to sale of telecommunication equipment and related accessories for which the revenue is recognized when the control of equipment is transferred to the customers, 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).

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.

e. Other claims.

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

6. Property plant & 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 labor 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

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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	5 yrs

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 expenditure 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) Amortisation

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

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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 are 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 capitalization. All other borrowing costs are recognized 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 recognised 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 recognized 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 as a reduced 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

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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 statement 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 and invested in the form of deposits with financial institutions of Bhutan. Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income and presented within equity.

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 HR manual, 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

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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

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 a liability in an orderly transaction between market participants at the measurement date. The Company uses 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:

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 neither accounting nor taxable profit nor 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.

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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 realisable 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, damaged, obsolete, slow 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:

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

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- 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 assets measured at fair value through other comprehensive income (FVTOCI);
A financial instrument shall be measured at fair value through other comprehensive income if both of the following conditions are met:
- the objective of the business model is achieved by both collecting contractual cash flows and selling financial assets; and
- the asset's contractual cash flow 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 assets measured at fair value through profit and loss (FVTPL)
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 amortized 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 derecognized 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 derecognized. 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 derecognized if the entity has not retained control of the financial asset. When the entity retains control of the financial asset, the asset is continued to be recognized to the extent of continuing involvement in the asset.

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e. Income recognition.

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

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

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

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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 causes 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 non-cash 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.

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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 recognised initially at fair value and subsequently measured at amortised 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 amortised.

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
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

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Note: 2(a) Property, plant and equipment

Particulars	Gross Block 31-Dec-18	Addition	Adjustment	31-Dec-19	Accumulated Depreciation 31-Dec-18	Addition	Adjustment	31-Dec-19	Net Block 31-Dec-19	31-Dec-18
Buildings	675,562,675	77,498,541	1,781,636	751,279,580	209,451,846	29,185,431	291,073	238,346,205	512,933,375	466,110,829
Telephone equipments	6,381,715,478	873,595,952	75,555,584	7,179,755,847	4,647,713,176	447,510,767	74,786,412	5,020,437,532	2,159,318,315	1,734,002,302
Office equipments	103,332,223	7,459,884	2,851,148	107,940,959	80,882,996	7,920,302	2,731,960	86,071,337	21,869,621	22,449,227
Power system & cables	2,056,683,874	186,317,149	8,571,804	2,234,429,219	1,166,956,036	164,979,369	6,003,296	1,325,932,109	908,497,110	889,727,838
Furniture and fixtures	20,837,977	2,725,476	180,351	23,383,103	12,349,029	1,475,793	129,559	13,695,263	9,687,840	8,488,949
Vehicles	76,372,432	2,213,635	1,726,003	76,860,065	58,989,048	7,227,949	1,725,994	64,491,003	12,369,062	17,383,384
Total (A)	**9,314,504,660**	**1,149,810,637**	**90,666,525**	**10,373,648,774**	**6,176,342,131**	**658,299,612**	**85,668,294**	**6,748,973,449**	**3,624,675,323**	**3,138,162,528**

Note: 2(b) Intangible assets

Particulars	Gross Block 31-Dec-18	Addition	Adjustment	31-Dec-19	Accumulated Depreciation 31-Dec-18	Addition	Adjustment	31-Dec-19	Net Block 31-Dec-19	31-Dec-18
Software applications	1,714,438,652	188,020,660	-	1,902,459,312	792,436,785	328,847,377		1,121,284,162	781,175,150	922,001,867
License	532,597,835	-	-	532,597,835	355,065,223	35,508,305		390,573,528	142,024,306	177,532,612
Total (A)	**2,247,036,487**	**188,020,660**	**-**	**2,435,057,147**	**1,147,502,008**	**364,355,682**	**-**	**1,511,857,690**	**923,199,456**	**1,099,534,479**

Certain assets are not fully controlled by company and the same are jointly control with Bhutan Power Corporation Limited, a fellow subsidiary

Note: 2(b) Intangible assets before BAS

Particulars	Gross Block 31-Dec-18	Addition	Adjustment	31-Dec-19	Accumulated Depreciation 31-Dec-18	Addition	Adjustment	31-Dec-19	Net Block 31-Dec-19	31-Dec-18
Software application	1,714,429,739	188,029,573	-	1,902,459,312	792,431,431	328,854,514		1,121,285,945	781,173,367	921,998,308
License	777,000,000	-	-	777,000,000	569,800,000	51,800,000		621,600,000	155,400,000	207,200,000
Total (A)	**2,491,429,739**	**188,029,573**	**-**	**2,679,459,312**	**1,362,231,431**	**380,654,514**	**-**	**1,742,885,945**	**936,573,367**	**1,129,198,308**

Refer Note 51 of the financials

For details related to charges for fixed assets (refer note 17)

The useful lives applied are as follows:

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

For GSA & Associates.
Chartered accountants
(Firm Reg. No. 000257N)

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Tanuj Chugh
Partner
M. No. 529619

Place: Thimphu
Date: 28/02/2020

For and on behalf of board of directors

Chairman

Chief Executive Officer

Notes to the Standalone financial statements as at 31 December 2019

Note: 3 Investments : non-current

Particulars	*31 December 2019*	*31 December 2018 (Restated)*	*1 January 2018 (Restated)*
Investment for redemption of bond	**15,000,000**	**15,000,000**	**15,000,000**
Accrued income on investments	**847,192**	**847,192**	**847,192**
	15,847,192	*15,847,192*	*15,847,192*

Note: 4 Other receivable : non-current

Particulars	*31 December 2019*	*31 December 2018 (Restated)*	*1 January 2018*
Security deposit with BOB	**1,000,000**	**-**	**-**
	1,000,000	*-*	*-*

Note: 5 Deferred tax assets (net)

Particulars	*31 December 2019*	*31 December 2018 (Restated)*	*1 January 2018 (Restated)*
Deferred tax assets			
Property, plant and equipment	**377,091,732**	**435,265,877**	**388,141,642**
Staff training cost	**-**	**3,789,339**	**10,502,402**
Provision for leave encashment	**4,757,121**	**4,313,700**	**12,267,227**
Provision for doubtful debt	**12,563,983**	**-**	**-**
Provision for bonus	**15,175,536**	**13,474,392**	**13,761,434**
Amortisation of sim cards and wires	**-**	**513,092**	**-**
Deferred rent	**178,897**	**183,842**	**178,413**
Provision for separation allowance	**2,318,762**	**2,126,100**	**2,082,300**
Provision for carriage allowance	**1,241,854**	**1,937,963**	**1,976,114**
Provision for travel allowance	**2,318,762**	**2,126,100**	**2,082,300**
Amortisation of licence fees	**4,012,174**	**8,900,217**	**13,788,260**
	419,658,821	*472,630,622*	*444,780,092*
Deferred tax liability			
Trade receivables	**-**	**2,032,679**	**-**
Deferred liability on account of licence fees	**7,773,241**	**11,391,512**	**15,585,585**
	7,773,241	*13,424,191*	*15,585,585*
	411,885,580	*459,206,432*	*429,194,506*

Note: 6 Other non-current assets

Particulars	*31 December 2019*	*31 December 2018 (Restated)*	*1 January 2018 (Restated)*
Advance to Suppliers - Non Current	**-**	**-**	**-**
Deferred Rent	**115,260**	**81,367**	**38,545**
	115,260	*81,367*	*38,545*

Note: 7 Investments: Current

Particulars	*31 December 2019*	*31 December 2018*	*1 January 2018*
Investment for redemption of bond	**180,000,000**	-	-
Investment in Fixed Deposit - Short term	**560,000,000**	-	-
Accrued income on investments	**18,243,006**	-	-
	758,243,006	-	-

Note: 8 Inventories

Particulars	*31 December 2019*	*31 December 2018 (Restated)*	*1 January 2018 (Restated)*
Inventory - Consumables	**3,596,213.22**	**-**	**-**
Inventory - Traded Goods	**34,196,885.79**	**-**	**(1)**
Total Inventories	*37,793,099.01*	*-*	*(1)*
Note: - Above inventory includes provision for slow or non-moving items amounting to Nu. 8,359,611 (31 December 2018 Nu. 4,999,716, 1 January 2018 Nu. Nil)			

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Note: 9 Trade receivables - Current

Particulars	31 December 2019	31 December 2018 (Restated)	1 January 2018
Unsecured, considered good	**158,738,007**	**6,775,596**	**(1)**
Less:- Loss allowance	**(41,879,943)**		**-**
	116,858,064	*6,775,596*	*(1)*

Note: 10 Cash and bank balances

Particulars	31 December 2019	31 December 2018 (Restated)	1 January 2018 (Restated)
Cash in hand	**1,866,163**	**1,209,913**	**358,313**
Balances lying with bank and current account	**619,866,482**	**633,710,170**	**181,581,216**
	621,732,645	*634,920,083*	*181,939,529*

Note: 11 Loans

Particulars	31 December 2019	31 December 2018	1 January 2018
Secured			
Inter corporate loans given - DCCL	**400,000,000**	**-**	**-**
	400,000,000	-	-

Note: 12 Other receivables - current

Particulars	31 December 2019	31 December 2018	1 January 2018
Security deposit - others	**1,235,005**	**-**	**-**
Other receivables - current	**5,607,819**	**(2)**	**-**
Income accrued but not due on bonds	**2,007,810**	**-**	**-**
	8,850,634	*(2)*	-

Note: 13 Other current assets

Particulars	31 December 2019	31 December 2018 (Restated)	1 January 2018
Advance to suppliers	**1,230,726**	**-**	**-**
Advance to others	**-**	**-**	**(1)**
Advance to Staff, Personal Expenses- Current	**492,282**	**-**	**-**
Advance to staff, office expenses	**2,400**	**-**	**-**
Prepaid expense	**5,541,041**	**-**	**-**
Balance with government authority:			
TDS on others	**3,188,328**	**(2,528,315)**	**-**
Advance Income Tax	**-**	**(220,145,039)**	**-**
Indirect taxes	**-**	**1,055,445**	**-**
	10,454,777	*(221,617,910)*	*(1)*

Note: 14 Asset classified as held for distribution to owners

Particulars	31 December 2019	31 December 2018	1 January 2018
Asset classified as held for distribution to owners	**99,285,178**	**99,285,178**	**-**
	99,285,178	*99,285,178*	-

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.**

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.

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Note 15: Equity share capital — *Amount in Nu.*

Particulars	*31 December 2019*	*31 December 2018*	*1 January 2018*
Authorized equity share capital			
1,500,000 equity shares of Nu. 1000 each	*1,500,000,000*	*1,500,000,000*	*1,500,000,000*
Issued, subscribed and fully paid-up equity share capital			
854,082 equity Shares of Nu. 1000 each	**854,082,000**	**854,082,000**	**854,082,000**
	854,082,000	*854,082,000*	*854,082,000*

(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

Particulars	*31 December 2019*		*31 December 2018*		*1 January 2018*	
	No. of Shares	*% of holding*	*No. of Shares*	*% of holding*	*No. of Shares*	*% of holding*
Druk Holdings & Investment Limited	**854,082**	**100**	**854,082**	**100**	**854,082**	**100**
Total	*854,082*	*100*	*854,082*	*100*	*854,082*	*100*

iii Reconciliation of number of shares

Particulars	*31 December 2019*		*31 December 2018*		*1 January 2018*	
	No. of Shares	*Amount*	*No. of Shares*	*Amount*	*No. of Shares*	*Amount*
Equity shares						
At the beginning of the year	**854,082**	**854,082,000**	**854,082**	**854,082,000**	**854,082**	**854,082,000**
Issued during the year			**-**			
Outstanding at the end of the year	*854,082*	*854,082,000*	*854,082*	*854,082,000*	*854,082*	*854,082,000*

Note 16: Other Equity

Particulars	*31 December 2019*	*31 December 2018 (Restated)*	*1 January 2018 (Restated)*
Reserves and surplus			
Retained earnings	**3,786,007,427**	**3,564,337,597**	**3,389,582,928**

Particulars	*Year ended 31 December 2019*	*Year ended 31 December 2018*	*Year ended 1 January 2018*
Opening balance	**3,564,337,599**	**3,389,582,928**	**2,381,545,363**
Add: Profit for the year	**1,102,511,895**	**941,788,658**	
Add: Other comprehensive income for the year	**(18,219,245)**	**(15,441,828)**	**839,624,421**
Less: Dividend for the year	**(862,622,820)**	**(751,592,160)**	**(372,199,942)**
Closing balance	*3,786,007,428*	*3,564,337,599*	
Nature and purpose of other reserves			
Retained earnings			
Retained earnings are the profits that the company has earned till date, less any transfer to general reserve, dividends or other distributions paid to shareholders.			

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Note 17: Long term borrowings.

Particulars	*31 December 2019*	*31 December 2018*	*1 January 2018*
Long term loan - BOB & NPPF	**201,583,020**	**302,627,143**	**348,615,398**
Corporate Bond - Bank of Bhutan	**-**	**300,000,000**	**300,000,000**
	201,583,020	*602,627,143*	*648,615,398*

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 7.87 % p.a. repayable in 20 equal quarterly installments 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.

The Company has borrowed funds from National Pension & Provident Fund (NPPF) amounting to Nu. 50,000,000 as on 4 September 2018. The term loan carries an interest rate of 8 % p.a. repayable in 20 equal quarterly installments of Nu. 3,060,000 each. The said loan is Secured by hypothecation of property plant and equipment of worth Nu. 100,000,000.

7.50% Secured, non-cumulative, on-convertible, redeemable bonds of 1000 each redeemable at par in full on 15th July 2020. Corporate bond is secured by hypothecation of Property, Plant and equipment schedule of the company.

Note: 18 Other payables - non-current

Particulars	*31 December 2019*	*31 December 2018 (Restated)*	*1 January 2018 (Restated)*
License fees payable	**129,489,198**	**156,278,294**	**181,148,048**
Less:- Current maturity (refer note 23)	**(38,850,000)**	**(38,850,000)**	**(38,850,000)**
	90,639,198	**117,428,294**	**142,298,048**
Deferred Rent	**711,581**	**694,172**	**633,255**
	91,350,778	*118,122,467*	*142,931,303*

Note: 19 Deferred government grants

Particulars	*31 December 2019*	*31 December 2018*	*1 January 2018*
Grant from RGoB*	**93,305,366**	**81,133,478**	**100,816,003**
Grant from Govt of India*	**-**	**-**	**1,402,621**
Grant from JICA**	**585,681,201**	**6,500,236**	**8,738,941**
Deferred government grants#	*678,986,567*	*87,633,714*	*110,957,565*

*** Monetory 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-monetory 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 date of receipt. Subsequently, 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.**

 # Amortisation of government grant during the year is Nu. 67,366,297 (FY 2018: Nu. 23,323,850).

Note 20: Employee benefit obligation.

Particulars	*31 December 2019*	*31 December 2018 (Restated)*	*1 January 2018 (Restated)*
Provision for leave encashment	**14,523,930**	**13,196,394**	**40,890,756**
Provision for gratuity	**66,328,845**	**34,765,485**	**5,407,021**
Provision for separation allowance	**6,373,085**	**6,312,000**	**6,147,143**
Provision for carriage allowance	**3,158,414**	**5,316,411**	**5,412,449**
Provision for travel allowance	**6,373,085**	**6,312,000**	**6,147,143**
	96,757,359	*65,902,290*	*64,004,512*

Note: 21 - Short term borrowings

Particulars	*31 December 2019*	*31 December 2018*	*1 January 2018*
Inter corporate loan*	**400,000,000**	**-**	**-**
	400,000,000	-	-

***The Company has borrowed funds from Druk Holding and Investments Ltd. (DHI) amounting to Nu. 400,000,000 as on 9 December 2019. The loan is for a period of 90 days at an interest rate 0f 5% per annum.**

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Note 22: Trade and other payables – Current.

Particulars	31 December 2019	31 December 2018	1 January 2018
Sundry creditors			
Sundry creditors – domestic	**18,071,547**	**29,356,560**	**10,344,041**
Sundry creditors - related party	**-**	**24,290**	**757,225**
Sundry Creditors - international	**21,293,328**	**95,026,506**	**60,216,831**
Other payables	**30,109,176**	**30,489,071**	**31,635,806**
	69,474,051	*154,896,426*	*102,953,903*

Note: 23 Other payables - current

Particulars	31 December 2019	31 December 2018 (Restated)	1 January 2018 (Restated)
Current maturity for license payable	**38,850,000**	**38,850,000**	**38,850,000**
Current maturity of long term loan	**400,961,289**	**94,199,332**	**79,636,473**
Security deposits - customer	**3,230,000**	**3,230,000**	**3,140,000**
Security deposits - vendor	**9,974,409**	**9,473,958**	**8,174,095**
Payable to employees	**60,661**	**57,411**	**56,661**
	453,076,359	*145,810,701*	*129,857,229*

Note: 24 Short term provision

Particulars	31 December 2019	31 December 2018 (Restated)	1 January 2018 (Restated)
Income tax payable (Net of Advance Tax and TDS receivable of Nu. 273,372,202 (31 December 2018 Nu. 222,673,354, 1 January 2018 Nu. 196,813,793))	**260,505,944**	**221,601,524**	**207,138,914**
Provision for Insurance of Assets			
Provision for bonus	**50,585,120**	**44,914,640**	**45,871,447**
	311,091,064	*266,516,164*	*253,010,361*

Note 25: Other Current Liabilities.

Particulars	31 December 2019	31 December 2018 (Restated)	1 January 2018 (Restated)
Other liabilities:			
Current maturity of long term loan	**-**	**-**	**-**
Payable to government authority	**17,963,085**	**16,285,214**	**11,919,938**
*Contract liability**			
Advances from customer	**1,370,354**	**-**	**136,131**
Advances from customer - deposit work	**-**	**8,335,473**	**8,077,249**
Advance from postpaid customer	**2,010,189**	**3,048,375**	**4,065,478**
Liability for unearned income	**67,445,758**	**47,577,717**	**21,190,099**
	70,826,301	**58,961,565**	**33,468,957**
Liability towards shareholder (refer note 12)	**-**	**-**	**-**
Other deductions	**1,914,792**	**1,446,606**	**754,554**
	90,704,178	*76,693,384*	*46,143,448*

***The services are being provided on the basis of usage by the subscribers. Unprovided services will be availed by the subscribers in the next year.**

Note 25A - Contract liabilities

Particulars	31 December 2019	31 December 2018	1 January 2018
Contracts liabilities			
Advances from customer	**1,370,354**	**-**	**136,131**
Advances from customer - deposit work	**-**	**8,335,473**	**8,077,249**
Advance from postpaid customer	**2,010,189**	**3,048,375**	**4,065,478**
Liability for unearned income	**67,445,758**	**47,577,717**	**21,190,099**
Total Contracts liabilities	*70,826,301*	*58,961,565*	*33,468,957*

(i) Significant changes in contract assets and liabilities

There has been no significant change in the contract liabilities

(ii) Revenue recognized in relation to contract liabilities

The following table shows how much of the revenue recognized in the current reporting period relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in a prior year.

Particulars	31 December 2019	31 December 2018
Revenue recognized that was included in the contract liability balance at the beginning of the period: Service Contracts	**58,961,565**	**33,468,957**
	58,961,565	*33,468,957*

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Note 26: Employee benefit obligation – Current.

Particulars	*31 December 2019*	*31 December 2018 (Restated)*	*1 January 2018 (Restated)*
Provision for carriage allowance	**981,099**	**1,143,465**	**1,174,597**
Provision for separation allowance	**1,356,121**	**775,000**	**793,857**
Provision for travel allowance	**1,356,121**	**775,000**	**793,857**
Provision for gratuity	**29,034,637**	**13,839,000**	**20,336,615**
Provision for leave encashment	**1,333,139**	**1,182,606**	**-**
	34,061,117	*17,715,071*	*23,098,926*

Note:27 Income from operations

Particulars	*31 December 2019*	*31 December 2018 (Restated)*
Revenue from operations:		
Revenue from contracts with customers		
Service revenue		
-Landline	**85,655,987**	**96,860,999**
-Mobile	**3,490,264,928**	**2,943,259,189**
-Internet	**341,778,637**	**371,392,606**
-Others	**36,426,491**	**36,788,158**
	3,954,126,043	*3,448,300,952*
Sale of products		
-Telecom products	**10,148,601**	**12,221,446**
-Accessories	**363,576**	**3,076,601**
	10,512,177	*15,298,047*
Other operating revenue		
Income from depository works	**13,515,525**	**45,281,134**
	3,978,153,745	*3,508,880,133*
Breakup for revenue		
Domestic	**3,926,230,302**	**3,411,639,891**
Export	**45,183,513**	**45,183,513**
The following table shows reconciliation of revenue recognised with contract price.		
Particulars	*31 December 2019*	*31 December 2018*
Contract price	**4,045,599,503**	**3,556,457,851**
Adjustments for:		
Contract liabilities - Liability for unearned income	**67,445,758**	**47,577,717**
Revenue from operations	*3,978,153,745*	*3,508,880,134*
Particulars	*31 December 2019*	*31 December 2018*
Products and services transferred at a point in time	**10,512,177**	**15,298,047**
Products and services transferred over time	**3,954,126,043**	**3,448,300,952**
	3,964,638,220	**3,463,598,999**

Note:28 Other income

Particulars	*31 December 2019*	*31 December 2018 (Restated)*
Rental income	**33,892**	**42,822**
Income from AMC Service	**1,464,263**	
Fines	**7,489,508**	**10,373,514**
Interest from financial assets measured at amortised cost	**41,407,067**	**24,472,284**
Miscellaneous income	**10,457,539**	**49,512,981**
	60,852,269	*84,401,601*

Note:29 Network operating expenses

Particulars	*31 December 2019*	*31 December 2018*
Internet bandwidth & leased line charges	**294,071,404**	**285,277,512**
Power and fuel	**46,103,624**	**43,943,420**
Repair and maintenance	**244,911,531**	**220,226,382**
Others	**3,812,360**	**7,329,993**
Rent	**6,967,438**	**6,372,405**
	595,866,357	*563,149,712*

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Note 30: Cost of trading goods.

Particulars	*31 December 2019*	*31 December 2018 (Restated)*
Cost of trading goods	**32,523,544**	**15,186,695**
	32,523,544	*15,186,695*

Note:31 Employee benefit expenses

Particulars	*31 December 2019*	*31 December 2018 (Restated)*
Salaries and bonus	**276,510,206**	**256,072,723**
Provident fund contribution	**19,375,095**	**15,848,003**
Gratuity	**30,528,741**	**20,656,453**
Staff welfare expenses	**3,675,602**	**6,984,128**
Others	**36,367,128**	**35,624,228**
Provision for separation allowance	**1,109,863**	**1,224,000**
Provision for carriage allowance	**818,871**	**1,140,081**
Provision for travel allowance	**1,111,791**	**1,224,000**
	369,497,297	*338,773,616*

Note:32 Depreciation and amortization

Particulars	*31 December 2019*	*31 December 2018 (Restated)*
Depreciation*	**590,933,316**	**606,725,694**
Amortization*	**364,355,683**	**330,789,663**
	955,288,999	*937,515,357*

*** Depreciation expense has been netted off with amortisation of government grant.**

Note:33 Finance cost

Particulars	*31 December 2019*	*31 December 2018 (Restated)*
Interest on loans*	**64,631,418**	**63,826,406**
Bank charges	**892,108**	**1,119,478**
	65,523,526	*64,945,884*

Note 34: Other expenses.

Particulars	*31 December 2019*	*31 December 2018 (Restated)*
Fines and penalty	**60,746**	**984,967**
Rates and taxes	**1,020,921**	**2,304,139**
Provision for loss allowance	**13,250,310**	**6,425,315**
Deposit work expenses	**10,065,374**	**31,104,178**
Communication (fax, mail, post)	**337,863**	**439,828**
Business promotion	**3,270,518**	**1,226,489**
Advertisement	**1,884,510**	**1,936,332**
Commission	**186,838,884**	**160,130,423**
Brand and management fees	**23,681,081**	**19,194,172**
Carriage outward and inward	**1,433,507**	**932,843**
Vehicle running expense - POL	**10,395,717**	**9,341,713**
Audit expenses	**603,121**	**541,510**
Printing and stationery	**1,164,172**	**1,279,828**
Insurance	**671,122**	**999,701**
Loss on sale or retirement of asset	**3,369,986**	**1,458,321**
Professional fees	**1,973,836**	**2,873,172**
Charity and donation	**1,778,576**	**600,000**
Travel	**17,334,531**	**15,725,116**
Physical verification of inventory loss	**-**	**477,724**
R&M building - service	**5,432,863**	**7,140,341**
Repair and maintenance others	**12,345,142**	**13,740,529**
Provision for old inventories	**13,700,637**	**8,708,854**
Other expenses	**8,952,824**	**12,999,958**
Rent	**17,409**	**60,917**
	319,583,650	*300,626,370*

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Note 35: Tax Expenses.

Particulars	**31 December 2019**	**31 December 2018**
Deferred tax income	**55,820,005**	**(30,744,848)**
Deferred Tax Expense		
Corporate income tax paid	**542,390,741**	**462,040,290**
Tax expense related to prior period	**-**	**-**
	598,210,746	**431,295,442**

(refer note 37 for tax expense reconciliation)

Note: 36 Earning per share

Particulars	*31 December 2019*	*31 December 2018*
Profit available for equity shareholders	**1,102,511,895**	**941,788,658**
Weighted number of equity shares outstanding	**854,082**	**854,082**
Nominal value of equity shares	**1000**	**1000**
Basic and diluted earnings per share	**1,291**	**1,103**
No. of employee as on 31st Dec 19	**667**	**661**
Profit after tax	**1103**	**942**
Earning per employee	**1.7**	**1.4**

Note 37: Income tax expense

This note provides an analysis of the Company's income tax expense, shows 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	*31 December 2019*	*2018 (Restated)*
(a) Income tax expense		
Current Tax		
Current income tax charge for the year	**542,390,741**	**462,040,290**
Adjustment for current tax of prior periods	**-**	**-**
Total current tax expense	*542,390,741*	*462,040,290*
Deferred tax		
Decrease (increase) in deferred tax assets	**62,175,300**	**(28,173,584)**
(Decrease) increase in deferred tax liabilities	**-6,355,297**	**(2,571,265)**
Total deferred tax expense/(benefit)	**55,820,003**	**(30,744,849)**
Income tax expense	*598,210,745*	*431,295,441*

Particulars	*31 December 2019*	*2018 (Restated)*
Current tax expense recognised in profit or loss		
Current tax on profits for the year		
Profit and loss	**542,390,741**	**462,040,290**
Adjustment for current tax of earlier years	**-**	**-**
Total current tax expense (A)	*542,390,741*	*462,040,290*
Deferred tax expense recognised in profit or loss		
Deferred taxes	**55,820,003**	**(30,744,849)**
Total deferred tax expense recognised in profit or loss (B)	*55,820,003*	*(30,744,849)*
Total deferred tax expense recognised in Other comprehensive income (C)	*(7,808,248)*	*(6,617,926)*
Total deferred tax for the year (B+C)	*48,011,755*	*(37,362,775)*
Total income tax expense recognised in profit or loss (A+B)	*598,210,745*	*431,295,441*
Total income tax expense recognised in Other comprehensive income (C)	**(7,808,248)**	**(6,617,926)**
Total income tax expense (A+B+C)	*590,402,497*	*424,677,515*

(b) Reconciliation of tax expense and the accounting profit multiplied by tax rate:

Particulars	*31 December 2019*	*31 December 2018 (Restated)*
Profit before tax	*1,700,722,641*	*1,373,084,100*
Tax at the rate of 30% (31 Dec 2018 – 30%)	*510,216,792*	*411,925,230*
Effect of non-deductible expenses, exempt income and others	**87,993,952**	**8,632,596**
Effect of prior year re-assessments	**-**	**10,737,614**
Income tax expense reported in the Statement of Profit and Loss	*598,210,745*	*431,295,441*

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Note 38: Deferred tax assets / liabilities
Movement in deferred tax assets/ (liabilities)

Particulars	Property, plant and equipment	Staff training cost	Provision for leave encashment	Provision for doubtful debt	Provision for bonus	Amortisation of sim cards and wires	Deferred rent	Provision for separation allowance	Provision for carriage allowance	Provision for travel allowance	Amortisation of licence fees	Trade receivables	Deferred liability on account of license fees	Total
At 1st Januray 2018	**388,141,642**	**10,502,402**	**12,267,227**	**8,880,446**	**13,761,434**	**-**	**178,413**	**2,082,300**	**1,976,114**	**2,082,300**	**13,788,260**	**-**	**(15,585,585)**	**438,074,953**
(Charged)/credited:														**-**
- to profit or loss	47,124,235	(6,713,063)	(7,953,527)	323,053	(287,042)	513,092	5,429	149,526	160,295	149,499	(4,888,043)	(2,032,679)	4,194,074	**30,744,850**
- to other comprehensive income								(105,726)	(198,446)	(105,699)	-			**(409,871)**
At 31st December 2018	**435,265,877**	**3,789,339**	**4,313,700**	**9,203,499**	**13,474,392**	**513,092**	**183,842**	**2,126,100**	**1,937,963**	**2,126,100**	**8,900,217**	**(2,032,679)**	**(11,391,511)**	**468,409,932**
Charged/(credited):														
- to profit or loss	(58,174,145)	(3,789,339)	443,421	3,360,484	1,701,144	(513,092)	(4,945)	137,054	104,420	152,088	(4,888,043)	2,032,679	3,618,271	**(55,820,003)**
- to other comprehensive income								55,608	(800,529)	40,574				**(704,347)**
At 31st December 2019	**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**	**0**	**(7,773,240)**	**411,885,582**

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Note 39: Fair value measurement.

Financial instruments by category

Particulars	31st December 2019			31st December 2018			1st January 2018		
	FVPL	FVOCI	Amortized cost	FVPL	FVOCI	Amortized cost	FVPL	FVOCI	Amortized cost
Financial assets									
Investment in fixed deposits	-	-	755,000,000	-	-	195,000,000	-	-	135,000,000
Security deposit with BOB	-	-	1,000,000	-	-	1,000,000	-	-	-
Accrued income on investments	-	-	19,090,198	-	-	10,529,775	-	-	5,581,485
Trade receivables	-	-	116,858,064	-	-	115,686,891	-	-	127,062,333
Cash and cash equivalent	-	-	621,732,645	-	-	634,920,083	-	-	181,939,529
Security deposits	-	-	1,235,005	-	-	1,214,006	-	-	788,565
Income accrued but not due	-	-	2,007,810	-	-	2,007,813	-	-	2,007,813
Other receivables	-	-	5,607,819	-	-	64,262	-	-	64,264
Inter-corporate loan given	-	-	400,000,000	-	-	-	-	-	-
Total financial assets	**-**	**-**	**1,922,531,541**	**-**	**-**	**960,422,830**	**-**	**-**	**452,443,990**
Financial liabilities									
Long term loan	-	-	201,583,020	-	-	302,627,143	-	-	348,615,398
Corporate bond	-	-	300,000,000	-	-	300,000,000	-	-	300,000,000
License fee payable	-	-	90,639,198	-	-	117,428,294	-	-	142,298,048
Deferred rent	-	-	711,581	-	-	694,172	-	-	633,255
Inter-corporate loan taken	-	-	400,000,000	-	-	-	-	-	-
Sundry creditors	-	-	39,364,875	-	-	124,407,355	-	-	71,318,097
Other payables	-	-	30,109,176	-	-	30,489,071	-	-	31,635,806
Current maturity for license payable	-	-	38,850,000	-	-	38,850,000	-	-	38,850,000
Current maturity of long term loan		-	100,961,289	-	-	94,199,332	-	-	79,636,473
Payable to employees	-	-	60,661	-	-	57,411	-	-	56,661
Security deposits		-	13,204,409	-	-	12,703,958	-	-	11,314,095
Total financial liabilities	**-**	**-**	**1,215,484,208**	**-**	**-**	**1,021,456,737**	**-**	**-**	**1,024,357,833**

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(i) Fair value hierarchy

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

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

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

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

Note:

a) There have been no transfers between Level 1 and Level 2 for the years ended 31 December 2019, 31 December 2018 and 1 January 2018.

(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 amortized cost

Particulars	*31st December 2019*		*31st December 2018*		*1st January 2018*	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Financial assets						
Investment in fixed deposits	**774,090,198**	**774,736,559**	**205,529,775**	**205,431,734**	**140,581,485**	**143,547,583**
Security deposit with BOB	**1,000,000**	**1,000,000**	**1,000,000**	**1,000,000**	**-**	**-**
Total financial assets	*775,090,198*	*775,736,559*	*206,529,775*	*206,431,734*	*140,581,485*	*143,547,583*
Financial liabilities						
Long term loan	**302,544,309**	**314,072,651**	**396,826,476**	**404,929,739**	**428,251,871**	**435,531,821**
Corporate bond	**300,000,000**	**304,217,164**	**300,000,000**	**303,475,705**	**300,000,000**	**302,835,855**
License fee payable	**129,489,197**	**129,556,713**	**156,278,294**	**156,269,730**	**181,148,048**	**181,148,048**
Deferred Rent	**711,581**	**711,581**	**694,172**	**694,172**	**633,255**	**633,255**
Total financial liabilities	*732,745,087*	*748,558,109*	*853,798,942*	*865,369,346*	*910,033,174*	*920,148,979*

(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 amortized cost approximate to their carrying amounts largely due to the short-term maturities of these instruments.

(c) Management uses its best judgment 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 realized 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.

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Note 40: 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 sheet is considered as Capital.

(b) Dividends paid and proposed

Particulars	*31 December 2019*	*31 December 2018*
(i) Equity shares **Final dividend for the year ended 31 December 2018 - Nu. 1010 (1 January 2018 - Nu. 880) per fully paid share**	**862,622,820**	**751,592,160**
(ii) Dividends not recognized 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. 1,030.078 Million (31 December 2018 – Rs.1010). This proposed dividend is subject to the approval of shareholders in the ensuing annual general meeting.**		**862,622,820**

Note 41: 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 amortized cost.**	**Ageing analysis**	**Diversification of bank deposits, customer base and credit limits**
Liquidity risk	**Trade payables and other financial liabilities**	**Rolling cash flow forecasts**	**Availability of committed credit lines and borrowing facilities**
Market risk – foreign exchange	**Recognized financial assets and liabilities not denominated in Ngultrum (Nu.)**	**Cash flow forecasting Sensitivity analysis**	**Diversification of liability**
Market risk – interest rate	**Long-term borrowings at variable rates**	**Sensitivity analysis**	**Portfolio of loan contains fixed interest loans from financial institutions**

(A) Credit risk

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 39.

(i) Trade and other receivables

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 organization to ensure proper attention and focus for realization.

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 from ranges from 60-90 days.

Company categorized its trade receivables mainly into two categories, due from international customers and from domestic

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customers. In case of international debtors, there is no history of default and delay risk. Further, as per the arrangement and company's policy in case of majority of the international customers, receivables balances are settled on regular interval. Therefore, considering the forward looking approach management believes that the credit risk in case of international customers is not significant and no loss allowance is required to be provided.
In case of domestic trade receivables, company have history of delay in recovery as well as default in recovery. However, as per the company policy, in case of delay in recovery, company billed and recover delay charges for the delay period. Accordingly, company is not exposed to delay risk. For default risk, company based on history, past trends and forwarding looking approach provides for loss allowance following expected credit loss method.

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 days*	*More than 180 days*	*Total*
Trade receivables as at 31 December 2019 (gross)	**118,508,905**	**40,229,102**	**158,738,007**
Less: Loss allowance	**(9,086,049)**	**(32,793,894)**	**(41,879,943)**
Trade receivables as at 31 December 2019	*109,422,856*	*7,435,208*	*116,858,064*

Particulars	*Less than 180 days*	*More than 180 days*	*Total*
Trade receivables as at 31 December 2018 (gross)	**102,816,337**	**43,548,885**	**146,365,221**
Less: Loss allowance	**(6,475,762)**	**(24,202,570)**	**(30,678,331)**
Trade receivables as at 31 December 2018	*96,340,575*	*19,346,315*	*115,686,890*

Particulars	*Less than 180 days*	*More than 180 days*	*Total*
Trade receivables as at 1 January 2018 (gross)	**132,858,602**	**23,805,218**	**156,663,820**
Less: Loss allowance	**(10,179,997)**	**(19,421,490)**	**(29,601,487)**
Trade receivables as at 1 January 2018	*122,678,605*	*4,383,728*	*127,062,333*

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 minimize 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 2019, 31st December 2018 and 1st January 2018.

(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. Company's total loan outstanding as on 31.12.2019 stands at Nu. 1002,627,143 out of which company will liquidate Nu 800,961,289.18 in 2020. During the same year company also availed Nu 400,000,000.00 from Druk Holding & Investment limited in the form of inter-corporate borrowings.

(i) Maturities of financial liabilities

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

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Contractual maturities of financial liabilities

Particulars	*Less than 1 year*	*More than 1 year*	*Total*
31 December 2019			
Long term loan	**193,135,854**	**381,518,165**	**574,654,019**
Corporate bond	**316,327,397**	**-**	**316,327,397**
License fee payable	**38,850,000**	**90,639,198**	**129,489,197**
Deferred Rent	**-**	**711,581**	**711,581**
Inter-corporate loan	**400,000,000**		**400,000,000**
Sundry creditors	**39,364,875**	**-**	**39,364,875**
Other payables	**30,109,176**	**-**	**30,109,176**
Payable to employees	**60,661**	**-**	**60,661**
Provision for Bonus	**-**	**-**	**-**
Security deposits	**13,204,409**	**-**	**13,204,409**
Total non-derivative liabilities	*1,031,052,372*	*472,868,943*	*1,503,921,315*
31 December 2018			
Long term loan	**180,934,827**	**574,736,854**	**755,671,681**
Corporate bond	**21,750,000**	**316,327,397**	**338,077,398**
License fee payable	**38,850,000**	**117,428,294**	**156,278,295**
Deferred Rent	**-**	**694,172**	**694,172**
Sundry creditors	**124,407,355**	**-**	**124,407,355**
Other payables	**30,489,071**	**-**	**30,489,071**
Payable to employees	**57,411**	**-**	**57,411**
Provision for Bonus	**-**	**-**	**-**
Security deposits	**12,703,958**	**-**	**12,703,958**
Total non-derivative liabilities	*409,192,623*	*1,009,186,717*	*1,418,379,340*
1 January 2018			
Long term loan	**107,556,336**	**404,869,358**	**512,425,694**
Corporate bond	**21,750,000**	**338,077,397**	**359,827,398**
License fee payable	**38,850,000**	**142,298,048**	**181,148,049**
Deferred Rent	**-**	**633,255**	**633,255**
Sundry creditors	**71,318,097**	**-**	**71,318,097**
Other payables	**31,635,806**	**-**	**31,635,806**
Payable to employees	**56,661**	**-**	**56,661**
Provision for Bonus	**-**	**-**	**-**
Security deposits	**11,314,095**	**-**	**11,314,095**
Total non-derivative liabilities	*282,480,995*	*885,878,058*	*1,168,359,054*

(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 Nu. are as follows:

Particulars	*December 31, 2019*	*December 31, 2018*	*January 1, 2018*
	USD	*USD*	*USD*
Financial assets	**249,867**	**208,824**	**113,505**
Financial liabilities	**302,182**	**972,628**	**42,305**
Net exposure to foreign currency risk	**(52,315.45)**	**(763,804)**	**71,200**

Particulars	*December 31, 2019*	*December 31, 2018*	*January 1, 2018*
	Euro	*Euro*	*Euro*
Financial assets	**1690**	**3,234**	**523**
Financial liabilities	**(686)**	**785**	**423**
Net exposure to foreign currency risk	**1,003**	**2,449**	**100**

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Sensitivity

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

Particulars	*Change in currency exchange rate*	*Impact on profit before tax*		
		December 31, 2019	*December 31, 2018*	*January 1, 2018*
USD sensitivity				
Appreciation in Nu.*	**5%**	**(2,616)**	**38,190**	**(3,560)**
Depreciation in Nu.*	**-5%**	**2,616**	**(38,190)**	**3,560**
EURO sensitivity				
Appreciation in Nu.*	**5%**	**50.16**	**(122)**	**(5)**
Depreciation in Nu.*	**-5%**	**(50.16)**	**122**	**5**

*** 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.

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Note 42: Disclosure as per BAS 19, 'Employee Benefit as regards defined as Scheme (Gratuity).

A	*Change in Defined Benefit Obligation (DBO)*	*31-Dec-19*	*31-Dec-18*
1	**DBO at end of prior period**	**168,650,000**	**132,555,663**
2	**Current service cost**	**13,523,780**	**10,052,000**
3	**Interest cost on the DBO**	**13,087,644**	**10,604,453**
4	**Curtailment (credit)/ cost**	**-**	**-**
5	**Settlement (credit)/ cost**	**-**	**-**
6	**Past service cost - plan amendments**	**3,917,317**	**-**
7	**Acquisitions (credit)/ cost**	**-**	**-**
8	**Actuarial (gain)/loss - experience**	**28,375,317**	**23,425,989**
9	**Actuarial (gain)/loss - demographic assumptions**	**-**	**-**
10	**Actuarial (gain)/loss - financial assumptions**	**-**	**-**
11	**Benefits paid directly by the Company**	**-**	**-**
12	**Benefits paid from plan assets**	**(10,108,904)**	**(7,988,105)**
13	*DBO at end of current period*	*217,445,154*	*168,650,000*
B	*Statement of Profit & Loss*	*31-Dec-19*	*31-Dec-18*
1	**Current service cost**	**13,523,780**	**10,052,000**
2	**Past service cost - plan amendments**	**3,917,317**	**-**
3	**Curtailment cost / (credit)**	**-**	**-**
4	**Settlement cost / (credit)**	**-**	**-**
5	**Service cost**	**17,441,097**	**10,052,000**
6	**Net interest on net defined benefit liability / (asset)**	**13,087,644**	**10,604,453**
7	**Immediate recognition of (gains)/losses – other long term employee benefit plans**	**-**	**-**
8	*Cost recognized in P&L*	*30,528,741*	*20,656,453*
C	*Defined Benefit Cost*	*31-Dec-19*	*31-Dec-18*
1	**Service cost**	**17,441,097**	**10,052,000**
2	**Net interest on net defined benefit liability / (asset)**	**13,087,644**	**10,604,453**
3	**Actuarial (gains)/ losses recognized in OCI**	**28,375,317**	**23,425,989**
4	**Immediate recognition of (gains)/losses – other long term employee benefit plans**	**-**	**-**
5	*Defined Benefit Cost*	*58,904,058*	*44,082,442*
D	*Development of Net Financial Position*	*31-Dec-19*	*31-Dec-18*
1	**Defined Benefit Obligation (DBO)****	**(217,445,154)**	**(168,650,000)**
2	**Fair Value of Plan Assets (FVA)**	**-**	**-**
3	**Funded Status (Surplus/(Deficit))**	**(217,445,154)**	**(168,650,000)**
4	*Net Defined Benefit Liability*	*(217,445,154)*	*(168,650,000)*
E	*Reconciliation of Net Balance Sheet Position*	*31-Dec-19*	*31-Dec-18*
1	**Net defined benefit asset/ (liability) at end of prior period**	**(168,650,000)**	**(132,555,663)**
2	**Service cost**	**(17,441,097)**	**(10,052,000)**
3	**Net interest on net defined benefit liability/ (asset)**	**(13,087,644)**	**(10,604,453)**
4	**Amount recognized in OCI**	**(28,375,317)**	**(23,425,989)**
5	**Amount recognized in Profit & Loss**	**-**	**-**
6	**Employer contributions**	**-**	**-**
7	**Benefit paid directly by the Company**	**10,108,904**	**7,988,105**
8	**Acquisitions credit/ (cost)**	**-**	**-**
9	**Divestitures**	**-**	**-**
10	**Withdrawals From the Plan Assets**	**-**	**-**
11	**Cost of termination benefits**	**-**	**-**
	Net defined benefit liability at end of current period	*(217,445,154)*	*(168,650,000)*
F	*Other Comprehensive Income (OCI)*	*31-Dec-19*	*31-Dec-18*
1	**Actuarial (gain)/loss due to liability experience**	**28,375,317**	**23,425,989**
2	**Actuarial (gain)/loss due to liability assumption changes**	**-**	**-**
3	**Actuarial (gain)/loss arising during period**	*28,375,317*	*23,425,989*
4	**Return on plan assets (greater)/less than discount rate**		**-**
5	**Actuarial (gains)/ losses recognized in OCI**	**28,375,317**	**23,425,989**
6	**Adjustment for limit on net asset**	**-**	**-**
	Actuarial (Gain) or Loss Recognized via OCI at Current Period End	*28,375,317*	*23,425,989*

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G	*Expected benefit payments for the year ending*	*31-Dec-19*	*31-Dec-18*	*1-Jan-18*
	Less than a year	**31,357,408**	**13,839,000**	**20,336,615**
	Between 1 - 2 years	**22,286,652**	**17,019,000**	**18,009,709**
	Between 2 - 5 years	**99,501,582**	**57,424,000**	**58,634,861**
	Over 5 years	**626,717,448**	**115,662,000**	**125,736,807**

(i)	*Expected employer contributions for the period ending 31 December 2020*	*Not Applicable*
(ii)	*Weighted average duration of defined benefit obligation*	*12.27 years*
(iii)	*Significant estimates: actuarial assumptions and sensitivity*	

a	*Discount Rate*	*31-Dec-19*	*31-Dec-18*	*1-Jan-18*
	Discount Rate as at 31 December 2019	**8.00%**	**8.00%**	**8.00%**
	Effect on DBO due to 0.5% (2018: 1%, 2017: 1%) increase in Discount Rate	**(7,760,077)**	**(11,834,000)**	**(8,457,964)**
	Effect on DBO due to 0.5% (2018: 1%, 2017: 1%) decrease in Discount Rate	**8,298,784**	**13,516,000**	**8,979,120**
b	*Salary Escalation rate*	*31-Dec-19*	*31-Dec-18*	*1-Jan-18*
	Salary Escalation rate as at 31 December 2016	**8.00%**	**8.00%**	**8.00%**
	Effect on DBO due to 0.5% (2018: 1%, 2017: 1%) increase in Salary escalation rate	**8,840,933**	**11,565,000**	**8,961,026**
	Effect on DBO due to 0.5% (2018: 1%, 2017: 1%) decrease in Salary escalation rate	**(8,340,548)**	**(11,238,000)**	**(9,452,746)**

(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 2006-08 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. Investment risk
As the gratuity scheme is funded, there is a risk that the fund's investment is not able to earn the assumed rate of return. In such a situation, the ultimate cost of the plan will be affected.

7. 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.

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

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

V) Other Long-Term benefits (Un-Funded)			
	Particulars	*31-Dec-19*	*31-Dec-18*
	Present value obligation at the end of the year towards compensated absences **Excluding earned leave on contract labor**	**15,857,069**	**14,379,000**

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
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 2006-08 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 honor the Travel allowance payments in the short-run due to liquidity constraints.

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

A	*Change in Defined Benefit Obligation (DBO)*	*31-Dec-19*	*31-Dec-18*
1	**DBO at end of prior period**	**6,459,876**	**6,587,046**
2	**Current service cost**	**339,745**	**661,944**
3	**Interest cost on the DBO**	**479,126**	**478,137**
4	**Curtailment (credit)/ cost**	**-**	**-**
5	**Settlement (credit)/ cost**	**-**	**-**
6	**Past service cost - plan amendments**	**-**	**-**
7	**Acquisitions (credit)/ cost**	**-**	**-**
8	**Actuarial (gain)/loss - experience**	**(2,668,429)**	**(661,485)**
9	**Actuarial (gain)/loss - demographic assumptions**	**-**	**-**
10	**Actuarial (gain)/loss - financial assumptions**	**-**	**-**
11	**Benefits paid directly by the Company**	**(470,805)**	**(605,766)**
12	**Benefits paid from plan assets**	**-**	**-**
13	*DBO at end of current period*	*4,139,513*	*6,459,876*
B	*Statement of Profit & Loss*	*31-Dec-19*	*31-Dec-18*
1	**Current service cost**	**339,745**	**661,944**
2	**Past service cost - plan amendments**	**-**	**-**
3	**Curtailment cost / (credit)**	**-**	**-**
4	**Settlement cost / (credit)**	**-**	**-**
5	**Service cost**	**339,745**	**661,944**
6	**Net interest on net defined benefit liability / (asset)**	**479,126**	**478,137**
7	**Immediate recognition of (gains)/losses – other long term employee benefit plans**	**-**	**-**
8	*Cost recognized in P&L*	*818,871*	*1,140,081*

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C	*Defined Benefit Cost*	*31-Dec-19*	*31-Dec-18*
1	**Service cost**	**339,745**	**661,944**
2	**Net interest on net defined benefit liability / (asset)**	**479,126**	**478,137**
3	**Actuarial (gains)/ losses recognized in OCI**	**(2,668,429)**	**(661,485)**
4	**Immediate recognition of (gains)/losses – other long term employee benefit plans**	**-**	**-**
5	*Defined Benefit Cost*	*(1,849,558)*	*478,596*

D	*Development of Net Financial Position*	*31-Dec-19*	*31-Dec-18*
1	**Defined Benefit Obligation (DBO)****	**(4,139,513)**	**(6,459,876)**
2	**Fair Value of Plan Assets (FVA)**	**-**	**-**
3	**Funded Status (Surplus/(Deficit))**	**(4,139,513)**	**(6,459,876)**
4	*Net Defined Benefit Liability*	*(4,139,513)*	*(6,459,876)*

E	*Reconciliation of Net Balance Sheet Position*	*31-Dec-19*	*31-Dec-18*
1	**Net defined benefit asset/ (liability) at end of prior period**	**(6,459,876)**	**(6,587,046)**
2	**Service cost**	**(339,745)**	**(661,944)**
3	**Net interest on net defined benefit liability/ (asset)**	**(479,126)**	**(478,137)**
4	**Amount recognized in OCI**	**2,668,429**	**661,485**
5	**Amount recognized in Profit & Loss**	**-**	**-**
6	**Employer contributions**	**-**	**-**
7	**Benefit paid directly by the Company**	**470,805**	**605,766**
8	**Acquisitions credit/ (cost)**	**-**	**-**
9	**Divestitures**	**-**	**-**
10	**Withdrawals From the Plan Assets**	**-**	**-**
11	**Cost of termination benefits**	**-**	**-**
	Net defined benefit liability at end of current period	*(4,139,513)*	*(6,459,876)*

F	*Other Comprehensive Income (OCI)*	*31-Dec-19*	*31-Dec-18*
1	**Actuarial (gain)/loss due to liability experience**	**(2,668,429)**	**(661,485)**
2	**Actuarial (gain)/loss due to liability assumption changes**	**-**	**-**
3	**Actuarial (gain)/loss arising during period**	**(2,668,429)**	**(661,485)**
4	**Return on plan assets (greater)/less than discount rate**		**-**
5	**Actuarial (gains)/ losses recognized in OCI**	**(2,668,429)**	**(661,485)**
6	**Adjustment for limit on net asset**	**-**	**-**
	Actuarial (Gain) or Loss Recognized via OCI at Current Period End	*(2,668,429)*	*(661,485)*

G	*Expected benefit payments for the year ending*	*31-Dec-19*	*31-Dec-18*	*1-Jan-18*
	Less than a year	**1,059,587**	**1,188,324**	**1,220,677**
	Between 1 - 2 years	**796,881**	**1,186,626**	**1,121,633**
	Between 2 - 5 years	**2,844,443**	**3,260,007**	**3,259,788**
	Over 5 years	**11,792,438**	**4,550,101**	**4,807,625**

(i)	*Expected employer contributions for the period ending 31 December 2020*	*Not Applicable*
(ii)	*Weighted average duration of defined benefit obligation*	*8.8 years*
(iii)	*Significant estimates: actuarial assumptions and sensitivity*	

a	*Discount Rate*	*31-Dec-19*	*31-Dec-18*	*1-Jan-18*
	Discount Rate as at 31 December 2019	**8.00%**	**8.00%**	**8.00%**
	Effect on DBO due to 0.5% (2018: 1%, 2017: 1%) increase in Discount Rate	**(124,212)**	**(282,244)**	**(295,258)**
	Effect on DBO due to 0.5% (2018: 1%, 2017: 1%) decrease in Discount Rate	**132,116**	**311,001**	**325,662**

b	*Carriage cost inflation rate*	*31-Dec-19*	*31-Dec-18*	*1-Jan-18*
	Carriage cost inflation rate as at 31 December 2019	**5.00%**	**Not Applicable**	**Not Applicable**
	Effect on DBO due to 0.5% increase in Salary escalation rate	**147,003**	**Not Applicable**	**Not Applicable**
	Effect on DBO due to 0.5% decrease in Salary escalation rate	**(139,320)**	**Not Applicable**	**Not Applicable**

GS & ASSOCIATES ★ NEW DELHI CHARTERED ACCOUNTANTS *(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 2006-08 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 :45 Disclosure as per BAS 19, 'Employees Benefit' as regards defined benefit scheme (Separation Allowance)

A	*Change in Defined Benefit Obligation (DBO)*	*31-Dec-19*	*31-Dec-18*
1	**DBO at end of prior period**	**7,087,000**	**6,941,000**
2	**Current service cost**	**569,024**	**702,000**
3	**Interest cost on the DBO**	**540,839**	**522,000**
4	**Curtailment (credit)/ cost**		**-**
5	**Settlement (credit)/ cost**		**-**
6	**Past service cost - plan amendments**		**-**
7	**Acquisitions (credit)/ cost**		**-**
8	**Actuarial (gain)/loss - experience**	**185,359**	**(352,420)**
9	**Actuarial (gain)/loss - demographic assumptions**		**-**
10	**Actuarial (gain)/loss - financial assumptions**		**-**
11	**Benefits paid directly by the Company**	**(653,016)**	**(725,580)**
12	**Benefits paid from plan assets**		**-**
13	*DBO at end of current period*	*7,729,206*	*7,087,000*
B	*Statement of Profit & Loss*	*31-Dec-19*	*31-Dec-18*
1	**Current service cost**	**569,024**	**702,000**
2	**Past service cost - plan amendments**	**-**	**-**
3	**Curtailment cost / (credit)**	**-**	**-**
4	**Settlement cost / (credit)**	**-**	**-**
5	**Service cost**	**569,024**	**702,000**
6	**Net interest on net defined benefit liability / (asset)**	**540,839**	**522,000**
7	**Immediate recognition of (gains)/losses – other long term employee benefit plans**	**-**	
8	*Cost recognized in P&L*	*1,109,863*	*1,224,000*
C	*Defined Benefit Cost*	*31-Dec-19*	*31-Dec-18*
1	**Service cost**	**569,024**	**702,000**

2	**Net interest on net defined benefit liability / (asset)**	**540,839**	**522,000**
3	**Actuarial (gains)/ losses recognized in OCI**	**185,359**	**(352,420)**
4	**Immediate recognition of (gains)/losses – other long term employee benefit plans**	**-**	**-**
5	*Defined Benefit Cost*	*1,295,222*	*871,580*
D	*Development of Net Financial Position*	*31-Dec-19*	*31-Dec-18*
1	**Defined Benefit Obligation (DBO)****	**(7,729,206)**	**(7,087,000)**
2	**Fair Value of Plan Assets (FVA)**	**-**	
3	**Funded Status (Surplus/(Deficit))**	**(7,729,206)**	**(7,087,000)**
4	*Net Defined Benefit Liability*	*(7,729,206)*	*(7,087,000)*
E	*Reconciliation of Net Balance Sheet Position*	*31-Dec-19*	*31-Dec-18*
1	**Net defined benefit asset/ (liability) at end of prior period**	**(7,087,000)**	**(6,941,000)**
2	**Service cost**	**(569,024)**	**(702,000)**
3	**Net interest on net defined benefit liability/ (asset)**	**(540,839)**	**(522,000)**
4	**Amount recognized in OCI**	**(185,359)**	**352,420**
5	**Amount recognized in Profit & Loss**		**-**
6	**Employer contributions**		**-**
7	**Benefit paid directly by the Company**	**653,016**	**725,580**
8	**Acquisitions credit/ (cost)**		**-**
9	**Divestitures**		**-**
10	**Withdrawals From the Plan Assets**		**-**
11	**Cost of termination benefits**		**-**
10	*Net defined benefit liability at end of current period*	*(7,729,206)*	*(7,087,000)*
F	*Other Comprehensive Income (OCI)*	*31-Dec-19*	*31-Dec-18*
1	**Actuarial (gain)/loss due to liability experience**	**185,359**	**(352,420)**
2	**Actuarial (gain)/loss due to liability assumption changes**	**-**	**-**
3	**Actuarial (gain)/loss arising during period**	**185,359**	**(352,420)**
4	**Return on plan assets (greater)/less than discount rate**		**-**
5	**Actuarial (gains)/ losses recognized in OCI**	**185,359**	**(352,420)**
6	**Adjustment for limit on net asset**	**-**	**-**
	Actuarial (Gain) or Loss Recognized via OCI at Current Period End	*185,359*	*(352,420)*

G	*Expected benefit payments for the year ending*	*31-Dec-19*	*31-Dec-18*	*1-Jan-18*
	Less than a year	**1,464,611**	**805,000**	**825,000**
	Between 1 - 2 years	**1,193,968**	**899,000**	**809,000**
	Between 2 - 5 years	**4,436,521**	**2,879,000**	**2,724,000**
	Over 5 years	**23,592,548**	**5,449,000**	**5,556,000**
(i)	*Expected employer contributions for the period ending 31 December 2020.*			*Not Applicable*
(ii)	*Weighted average duration of defined benefit obligation.*			*10.03 years*
(iii)	*Significant estimates: actuarial assumptions and sensitivity.*			
a	*Discount Rate*	*31-Dec-19*	*31-Dec-18*	*1-Jan-18*
	Discount Rate as at 31 December 2019	**8.00%**	**8.00%**	**8.00%**
	Effect on DBO due to 0.5% (2018: 1%, 2017: 1%) increase in Discount Rate	**(264,057)**	**(446,000)**	**(448,000)**
	Effect on DBO due to 0.5% (2018: 1%, 2017: 1%) decrease in Discount Rate	**281,845**	**507,000**	**508,000**
b	*Salary Escalation rate*	*31-Dec-19*	*31-Dec-18*	*1-Jan-18*
	Salary Escalation rate as at 31 December 2019	**8.00%**	**8.00%**	**8.00%**
	Effect on DBO due to 0.5% (2018: 1%, 2017: 1%) increase in Salary escalation rate	**301,189**	**502,000**	**504,000**
	Effect on DBO due to 0.5% (2018: 1%, 2017: 1%) decrease in Salary escalation rate	**(284,705)**	**(451,000)**	**(453,000)**

(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 2006-08 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 :46 Disclosure as per BAS 19, 'Employees Benefit' as regards defined benefit scheme (Travel Allowance)

A	*Change in Defined Benefit Obligation (DBO)*	*31-Dec-19*	*31-Dec-18*
1	DBO at end of prior period	7,087,000	6,941,000
2	Current service cost	569,024	702,000
3	Interest cost on the DBO	542,767	522,000
4	Curtailment (credit)/ cost		-
5	Settlement (credit)/ cost		-
6	Past service cost - plan amendments		-
7	Acquisitions (credit)/ cost		-
8	Actuarial (gain)/loss - experience	135,246	(352,330)
9	Actuarial (gain)/loss - demographic assumptions		-
10	Actuarial (gain)/loss - financial assumptions		-
11	Benefits paid directly by the Company	(604,831)	(725,670)
12	Benefits paid from plan assets		-
13	*DBO at end of current period*	*7,729,206*	*7,087,000*
B	*Statement of Profit & Loss*	*31-Dec-19*	*31-Dec-18*
1	Current service cost	569,024	702,000
2	Past service cost - plan amendments	-	-
3	Curtailment cost / (credit)	-	-
4	Settlement cost / (credit)	-	-
5	Service cost	569,024	702,000
6	Net interest on net defined benefit liability / (asset)	542,767	522,000
7	Immediate recognition of (gains)/losses – other long term employee benefit plans	-	
8	*Cost recognized in P&L*	*1,111,791*	*1,224,000*
C	*Defined Benefit Cost*	*31-Dec-19*	*31-Dec-18*
1	Service cost	569,024	702,000
2	Net interest on net defined benefit liability / (asset)	542,767	522,000
3	Actuarial (gains)/ losses recognized in OCI	135,246	(352,330)
4	Immediate recognition of (gains)/losses – other long term employee benefit plans	-	-
5	*Defined Benefit Cost*	*1,247,037*	*871,670*
D	*Development of Net Financial Position*	*31-Dec-19*	*31-Dec-18*
1	Defined Benefit Obligation (DBO)**	(7,729,206)	(7,087,000)
2	Fair Value of Plan Assets (FVA)	-	
3	Funded Status (Surplus/(Deficit))	(7,729,206)	(7,087,000)
4	*Net Defined Benefit Liability*	*(7,729,206)*	*(7,087,000)*
E	*Reconciliation of Net Balance Sheet Position*	*31-Dec-19*	*31-Dec-18*
1	Net defined benefit asset/ (liability) at end of prior period	(7,087,000)	(6,941,000)
2	Service cost	(569,024)	(702,000)
3	Net interest on net defined benefit liability/ (asset)	(542,767)	(522,000)
4	Amount recognized in OCI	(135,246)	352,330

GSA & ASSOCIATES ★ CHARTERED ACCOUNTANTS ★ DELHI

5	**Amount recognized in Profit & Loss**			**-**
6	**Employer contributions**			**-**
7	**Benefit paid directly by the Company**	**604,831**		**725,670**
8	**Acquisitions credit/ (cost)**			**-**
9	**Divestitures**			**-**
10	**Withdrawals From the Plan Assets**			**-**
11	**Cost of termination benefits**			**-**
10	*Net defined benefit liability at end of current period*	*(7,729,206)*		*(7,087,000)*
F	*Other Comprehensive Income (OCI)*	*31-Dec-19*		*31-Dec-18*
1	*Actuarial (gain)/loss due to liability experience*	*135,246*		*(352,330)*
2	*Actuarial (gain)/loss due to liability assumption changes*	*-*		*-*
3	*Actuarial (gain)/loss arising during period*	*135,246*		*(352,330)*
4	*Return on plan assets (greater)/less than discount rate*			*-*
5	*Actuarial (gains)/ losses recognized in OCI*	*135,246*		*(352,330)*
6	*Adjustment for limit on net asset*	*-*		*-*
	Actuarial (Gain) or Loss Recognized via OCI at Current Period End	*135,246*		*(352,330)*
G	*Expected benefit payments for the year ending*	*31-Dec-19*	*31-Dec-18*	*1-Jan-18*
	Less than a year	**1,464,611**	**805,000**	**825,000**
	Between 1 - 2 years	**1,193,968**	**899,000**	**809,000**
	Between 2 - 5 years	**4,436,521**	**2,879,000**	**2,724,000**
	Over 5 years	**23,592,548**	**5,449,000**	**5,556,000**
(i)	*Expected employer contributions for the period ending 31 December 2020*			*Not Applicable*
(ii)	*Weighted average duration of defined benefit obligation*			*10.03 years*
(iii)	*Significant estimates: actuarial assumptions and sensitivity*			
a	*Discount Rate*	*31-Dec-19*	*31-Dec-18*	*1-Jan-18*
	Discount Rate as at 31 December 2019	**8.00%**	**8.00%**	**8.00%**
	Effect on DBO due to 0.5% (2018: 1%, 2017: 1%) increase in Discount Rate	**(264,057)**	**(446,000)**	**(448,000)**
	Effect on DBO due to 0.5% (2018: 1%, 2017: 1%) decrease in Discount Rate	**281,845**	**507,000**	**508,000**
b	*Salary Escalation rate*	*31-Dec-19*	*31-Dec-18*	*1-Jan-18*
	Salary Escalation rate as at 31 December 2019	**8.00%**	**8.00%**	**8.00%**
	Effect on DBO due to 0.5% (2018: 1%, 2017: 1%) increase in Salary escalation rate	**301,189**	**502,000**	**504,000**
	Effect on DBO due to 0.5% (2018: 1%, 2017: 1%) decrease in Salary escalation rate	**(284,705)**	**(451,000)**	**(453,000)**

(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 2006-08 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.

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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 47: 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	Dr. Damber S. Kharka	Present
Director	Mr. Gonpo Tenzin	Present
Director	Mr. Jigme Tenzing	Present
Director	Mr. Dechen 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 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
Controlled company of holding company	Bank of Bhutan Ltd	BOBL
Controlled company of holding company	Dungsam Polymers Ltd	DPL
Controlled company of holding company	State Trading Corporation of Bhutan Ltd	STCBL
Linked company of holding company	Bhutan Board Product Ltd	BBPL
Linked company of holding company	Penden Cement Authority Ltd	PCAL

a) *Transactions with related parties during the year:*

Government Agencies

Nature of relationship	Name of entity	Acronym 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 Agencies	Ministry of Information and Communication	MoIC

GSA & ASSOCIATES ★ CHARTERED ACCOUNTANTS ★ DELHI

i. DSA and Sitting Fee:

Transactions	*Amount in Nu*			
	2019		*2018*	
	DSA	*Sitting Fee*	*DSA*	*Sitting Fee*
Mr. Tenzin Dhendup			**69,418**	**28,000**
Mr. Pema L Dorji	**183,030**	**720,000**	**57,098**	**40,000**
Dr. Damber S. Kharka		**132,000**		**108,000**
Mr. Pasang Dorji				**24,000**
Mr. Dechen Dorji	**25,613**	**40,000**		**72,000**
Ms. Leki Wangmo				**40,000**
Mr. Jigme Tenzing	**51,861**	**68,000**		**76,000**
Ms. Jamyang Choeden	**51,861**	**104,000**	**57,098**	**52,000**
Mr. Gonpo Tenzin	**99,552**	**92,000**	**57,098**	**56,000**
Total	*411,917*	*508,000*	*240,712*	*496,000*

ii. Chief Executive Officer's remuneration:

Name	*Particulars*	*2019*	*2018*
Mr. Karma Jurme	**Salary**	**1,797,638**	**1,745,280**
(Present)	**Leave travel concession**	**15,000**	**15,000**
	Leave Encashment	**83,224**	**-**
	Salary Arrears	**186,590**	**-**
	Bonus and PBVA	**391,201**	**162,740**
	Contribution to superannuation fund	**130,095**	**106,656**
	Sitting fess	**148,000**	**108,000**
	Total	*2,751,748*	*2,137,676*

iii. Intergroup transaction with the DOC companies:

GROUP GL CODE	*GCOA Ledger*	*Entity*	*Inter CO ID*	*2019.DEC*	*Amount*
4107010514	**Communication and ICT revenue from DHI Group companies**	**BTL**	**I_DACL**	**2019.DEC**	**(4,295,646)**
1109010102	**Intragroup trade receivables**	**BTL**	**I_DACL**	**2019.DEC**	**306,443**
3109010614	**Flight tickets and other services purchased from DACL**	**BTL**	**I_DACL**	**2019.DEC**	**4,619,143**
4107010521	**Rental Income from Group Companies**	**BTL**	**I_DACL**	**2019.DEC**	**(67,002)**
4107010524	**Inter Group Miscellaneous Income**	**BTL**	**I_DACL**	**2019.DEC**	**(65,880)**
4107010514	**Communication and ICT revenue from DHI Group companies**	**BTL**	**I_BBPL**	**2019.DEC**	**(468,052)**
1213030001	**Furniture, fixtures, computers and office equipment**	**BTL**	**I_BBPL**	**2019.DEC**	**1,237,019**
1109010102	**Intragroup trade receivables**	**BTL**	**I_PCAL**	**2019.DEC**	**82,521**
4107010514	**Communication and ICT revenue from DHI Group companies**	**BTL**	**I_PCAL**	**2019.DEC**	**(845,441)**
2503010008	**Intragroup Dividends relating to current year**	**BTL**	**I_DI01**	**2019.DEC**	**862,622,820**
3109010617	**Inter group Brand management Fees**	**BTL**	**I_DI01**	**2019.DEC**	**23,681,081**
2501010001	**Equity Shares held by DHI**	**BTL**	**I_DI01**	**2019.DEC**	**(854,082,000)**
4107010514	**Communication and ICT revenue from DHI Group companies**	**BTL**	**I_DI01**	**2019.DEC**	**(1,324,112)**
2104060302	**Intragroup borrowings - current**	**BTL**	**I_DI01**	**2019.DEC**	**(400,000,000)**
3110010002	**Interest on borrowings-Intergroup**	**BTL**	**I_DI01**	**2019.DEC**	**6,136,986**
2103040002	**Intergroup Accrued Expense**	**BTL**	**I_DI01**	**2019.DEC**	**1,205,479**
3109010041	**Intragroup Lease Rent**	**BTL**	**I_DI01**	**2019.DEC**	**58,863**
1109010102	**Intragroup trade receivables**	**BTL**	**I_DI01**	**2019.DEC**	**104,936**
4107010514	**Communication and ICT revenue from DHI Group companies**	**BTL**	**I_DH01**	**2019.DEC**	**(19,096)**
1109010102	**Intragroup trade receivables**	**BTL**	**I_DH01**	**2019.DEC**	**2,008**
4107010514	**Communication and ICT revenue from DHI Group companies**	**BTL**	**I_WCC**	**2019.DEC**	**(278,397)**
1109010102	**Intragroup trade receivables**	**BTL**	**I_WCC**	**2019.DEC**	**(1,700,354)**
4108010014	**Income from Deposit Works**	**BTL**	**I_WCC**	**2019.DEC**	**(2,400,000)**

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4107010514	Communication and ICT revenue from DHI Group companies	BTL	I_KIL	2019.DEC	(129,318)
2103010302	Intragroup trade payables	BTL	I_TTPL	2019.DEC	(1,532,199)
1109010102	Intragroup trade receivables	BTL	I_TTPL	2019.DEC	25,578
4107010514	Communication and ICT revenue from DHI Group companies	BTL	I_TTPL	2019.DEC	(177,116)
3109010616	Rental Expenses paid to DHI Group Companies	BTL	I_TTPL	2019.DEC	116,412
3107010013	Running & Maintenance Of Others-Intergroup	BTL	I_TTPL	2019.DEC	1,523,783
4107010514	Communication and ICT revenue from DHI Group companies	BTL	I_DP01	2019.DEC	(649,267)
1109010102	Intragroup trade receivables	BTL	I_DP01	2019.DEC	42,029
4107010514	Communication and ICT revenue from DHI Group companies	BTL	I_THEL	2019.DEC	(1,434,074)
1109010102	Intragroup trade receivables	BTL	I_THEL	2019.DEC	117,681
4107010514	Communication and ICT revenue from DHI Group companies	BTL	I_DG01	2019.DEC	(2,538,209)
1109010102	Intragroup trade receivables	BTL	I_DG01	2019.DEC	3,109,461
3109010616	Rental Expenses paid to DHI Group Companies	BTL	I_DG01	2019.DEC	15,204
4107010508	Service Revenue from DHI Group companies	BTL	I_DG01	2019.DEC	(20,551,191)
4107010514	Communication and ICT revenue from DHI Group companies	BTL	I_NRDCL	2019.DEC	(2,008,107)
3109010043	Intra Group Miscellaneous Expenses	BTL	I_NRDCL	2019.DEC	16,433
1109010102	Intragroup trade receivables	BTL	I_NRDCL	2019.DEC	258,939
4107010508	Service Revenue from DHI Group companies	BTL	I_NRDCL	2019.DEC	(700,000)
3109010017	Transportation and Hire expenses	BTL	I_NRDCL	2019.DEC	75,000
1109010102	Intragroup trade receivables	BTL	I_DC01	2019.DEC	148,371
4107010514	Communication and ICT revenue from DHI Group companies	BTL	I_DC01	2019.DEC	(1,904,157)
1111010104	Intragroup loans	BTL	I_DC01	2019.DEC	400,000,000
4107010504	Interest income from loans to DHI Group companies	BTL	I_DC01	2019.DEC	(11,013,699)
3109010627	Electricity Charges - paid to DHI Group companies	BTL	I_BPC	2019.DEC	42,045,058
4107010514	Communication and ICT revenue from DHI Group companies	BTL	I_BPC	2019.DEC	(9,144,358)
3109010616	Rental Expenses paid to DHI Group Companies	BTL	I_BPC	2019.DEC	975,551
4107010524	Inter Group Miscellanous Income	BTL	I_BPC	2019.DEC	(50,400)
1213040001	Cables and Power System	BTL	I_BPC	2019.DEC	3,883,982
4107010514	Communication and ICT revenue from DHI Group companies	BTL	I_CDCL	2019.DEC	(1,885,807)
1212010001	Capital Work-in-Progress	BTL	I_CDCL	2019.DEC	11,415,032
4107010508	Service Revenue from DHI Group companies	BTL	I_CDCL	2019.DEC	(1,400,000)
4107010514	Communication and ICT revenue from DHI Group companies	BTL	I_SMCL	2019.DEC	(1,421,618)
4107010508	Service Revenue from DHI Group companies	BTL	I_SMCL	2019.DEC	(1,097,652)
4107010524	Inter Group Miscellaneous Income	BTL	I_SMCL	2019.DEC	(34,380)
1109010102	Intragroup trade receivables	BTL	I_SMCL	2019.DEC	200,000
4107010514	Communication and ICT revenue from DHI Group companies	BTL	I_STCBL	2019.DEC	(2,203,339)
3109010043	Intra Group Miscellaneous Expenses	BTL	I_STCBL	2019.DEC	978,010
3107010012	Running & Maintenance Of Vehicle-Intergroup	BTL	I_STCBL	2019.DEC	2,480,226
1109010102	Intragroup trade receivables	BTL	I_STCBL	2019.DEC	701,131
1101020103	Balances with BOBL	BTL	I_BOBL	2019.DEC	494,287,154
1109020104	Intragroup deposits	BTL	I_BOBL	2019.DEC	320,000,000
3110010607	Interest on intra group bonds	BTL	I_BOBL	2019.DEC	22,500,000
3110010602	Interest on loans from BoBL	BTL	I_BOBL	2019.DEC	20,411,086
2204050401	Borrowings from BOBL- noncurrent	BTL	I_BOBL	2019.DEC	(171,656,445)
2104060301	Borrowings from BOBL- current	BTL	I_BOBL	2019.DEC	(391,679,759)
2103040002	Intergroup Accrued expenses	BTL	I_BOBL	2019.DEC	(9,320,797)
4107010521	Rental Income from Group Companies	BTL	I_BOBL	2019.DEC	(48,000)
4107010524	Inter Group Miscellaneous Income	BTL	I_BOBL	2019.DEC	(448,775)

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3109010044	Intra Group Commission and Brokerage fees	BTL	I_BOBL	2019.DEC	41,931,362
4107010522	Intra Group Commission and Brokerage Income	BTL	I_BOBL	2019.DEC	(1,795,677)
4107010514	Communication, internet and telephone charges paid to BTL	BTL	I_BOBL	2019.DEC	(21,875,104)
1101030002	Interest accrued on short-term bank deposits	BTL	I_BOBL	2019.DEC	(3,356,627)

iv. Outstanding balances with Holding Company

Particulars	*Amount*
Equity Shares held by DHI	(854,082,000)
Intragroup borrowings - current	(400,000,000)
Intergroup Accrued Expense	1,205,479
Intragroup trade receivables	104,936

v. Outstanding balances with entities under common control

Particulars	*Amount*
Trade recievables	6,797,443
Trade Payable	1,532,199

Note 48: Provisions and Contingent Liabilities

a) Capital Commitments

Particulars	*2019*	*2018*
Amount of contracts remaining to be executed on Gasa Staff Quarters and Office Building	12,888,807	-
Amount of contracts remaining to be executed on Khuruthang Residential cum Office building	8,341,169	-
Amount of contracts remaining to be executed on residential building at Paro	32,667,667	-
Amount of contracts remaining to be executed on residential building at Gelephu	32,361,189	-
Estimated amount of contracts remaining to be executed on Capital Account	-	-
Amount of contract remaining to be executed on Capital Accounts but not provided (Net of Advances)	-	-

b) Movement in Provision:

Particular	*2019*				
	Leave Encashment	*Gratuity*	*Expected credit loss*	*Bonus*	*Provision for Inventory*
Opening	14,379,000	48,604,485	30,678,331	44,914,640	8,708,854
Addition	13,289,494	58,904,059	13,250,310	50,585,120	8,669,354
Adjustment		-		1,683,212	
Utilized	11,811,425	10,108,904	2,048,698	46,597,853	9,018,597
Closing	15,857,069	97,399,639	41,879,943	50,585,119	8,359,611

Note 49: 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:

Particulars	*31-Dec-19*	*31-Dec-18*	*1-Jan-18*
(i) Not later than one year	3,330,481	3,143,015	3,064,131
(ii) Later than one year but not later than five years.	10,662,446	10,254,178	10,407,331
(iii) Later than five years	11,557,125	11,388,308	12,648,950
Total	25,550,051	24,785,501	26,120,412

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Operating lease: Company as lessor

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

Particulars	*31-Dec-19*	*31-Dec-18*	*1-Jan-18*
(i) Not later than one year	2,624,499	2,622,137	18,808,661
(ii) Later than one year but not later than five years.	3,231,940	3,231,940	4,770,382
(iii) Later than five years	-	-	-
Total	**5,856,439**	**5,854,077**	**23,579,043**

Note 50. External Confirmation - Debtors & Creditors

The balance appearing in financial statements are subject to confirmation for Debtors balance and creditors balance.

Note 51: Reconciliation between earlier reported financial statement and restated financial statements due to BAS/BFRS review:

The Company during the year identified some of the adjustment not recorded/erroneously recorded in earlier years. Rectification of the same has been carried out in the current year and below are the impact of the adjustments that has been made consequent to such review as per BAS 8.

Due to these adjustments the earning per share of the Company has been changed from Nu 1,080.06 to Nu. 896.82

Particulars	*Note*	*31st December 2018*	*1st January 2018*
Total equity (shareholders' funds) as per previous GAAP		3,757,833,554	3,792,998,122
Adjustments to financial statement line items			
Reversal of provision created for insurance of assets	1	26,450,210	26,450,210
Recording of license fees as per BAS 38	2	(29,667,388)	(45,960,866)
Unwinding and discounting of license fees	2	37,971,706	51,951,952
Employee benefit obligation recognized as per actuarial report	3	(20,633,876)	(20,469,046)
Lease rental recognized as per straight lining for assets taken on lease	4	(694,172)	(633,255)
Lease rental recognized as per straight lining for assets given on lease	5	81,367	38,545
Group investment reserve adjusted with investment amount	6	-	(92,308,400)
Reversal of liability created towards shareholder for transfer of land	7	99,285,178	-
Recognition of revenue in correct period		6,775,596	
Adjustments for negative assets		102,209,822	103,182,583
Amortization of sim cards and wires	8	(1,197,214)	-
Tax effect on above adjustments		440,004,814	428,415,084
Total equity as per BFRS		**4,418,419,597**	**4,243,664,928**

2. Reconciliation of total comprehensive income for the year ended 31st December 2018

Particulars	*Note*	*Year ended 31st December 2018*
total comprehensive income for the year as per previous GAAP		908,021,171
Adjustments relating to BFRS		
Recording of license fees as per BAS 38	2	16,293,478
Unwinding and discounting of license fees	2	(13,980,246)
Employee benefit obligation recognized as per actuarial report	3	(1,531,065)
Lease rental recognized as per straight lining for assets taken on lease	4	(60,917)
Lease rental recognized as per straight lining for assets given on lease	5	42,822
Interest income on financial assets measured at amortized cost		2,801,673
Recognition of revenue in correct period		6,775,596
Adjustments for negative assets		(972,761)
Amortization of sim cards and wires	8	(1,710,305)
Tax effect on above adjustments		11,672,191
Profit after tax as per BFRS		*927,351,636*
Other comprehensive income (net of tax)		(1,004,807)
Total comprehensive income as per BFRS		*926,346,829*

B.3 Impact of BAS adoption on cash flow statement for the year ended 31st December 2019

Particulars	*Year ended 31st December 2018*	*Reclassification adjustments*	*Year ended 31st December 2018*
Net Cash inflow/ (outflow) from operating activities	2,092,358,485	4,685,675	2,097,044,160
Net Cash inflow/ (outflow) from investing activities	(689,717,629)		(689,717,629)
Net Cash inflow/ (outflow) from financing activities	(941,164,116)		(941,164,116)
Net increase/decrease in cash and cash equivalents	*461,476,740*	*4,685,675*	*466,162,415*
Cash and cash equivalents as at 1st January 2019	172,043,086	116,708,471	288,751,557
Cash and cash equivalents as at 31st December 2019	*633,519,825*	*121,394,146*	*754,913,972*

Notes to above restatements

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1. Reversal of provision created for insurance of assets

Previously the Company has created a provision for insurance assets in the books of accounts. However the same does not meet the definition of provision as per BAS 37. Therefore the same been reversed and adjusted with retained earnings as at 1 January 2018.

2. Recording of license fees as per BAS 38

Previously the Company has record the licence fees under intangible assets on gross value i.e. the amount paid or required to be paid for licence fees. However currently the same has been recognised at its cash price equivalent and the difference between such price and the total payments is recognised as interest expense over the period of credit period provided for such licenses

3. Employee benefit obligation recognised as per actuarial report

Under BAS, the Company had not recognised certain employee benefit obligations. However under BFRS employee benefit obligations have been accounted for as per the requirement of BAS 19 and the actuarial valuation report.

4. Lease rental recognised as per straight lining for assets taken on lease

Previously, the Company recognised lease rental as per the contractual terms. However as per BAS 17, lease expenses under an operating lease are to be recognised as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

5. Lease rental recognised as per straight lining for assets given on lease

Previously, the Company recognised lease rental as per the contractual terms. However as per BAS 17, lease income under an operating lease are to be recognised as an income on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

6. Group investment reserve adjusted with investment amount

As per BAS 1, offsetting should be done when it would reflect the substance of the transaction or other event. Investment in TTPL and group investment has been offset to reflect the substance of the transaction for which the group investment reserve was created.

7. Reversal of liability created towards shareholder for transfer of land

Previously, the Company has recognised the liability towards shareholder for the land to be transferred to DHI. However the same does not meets the defination of liability as per ASI 17. Hence the same has been adjusted with retained earnings as at 31 December 2018.

8. Amortisation of sim cards and wires

Previously, the Company has recognised the cost of sim card and wires as contract assets and the same was amortised over the period of 5 years. However, currently the same has been charged to profit and loss account

For GSA & Associates.
Chartered accountants
(Firm Reg. No. 000257N)

GSA & ASSOCIATES ★ DELHI ★ CHARTERED ACCOUNTANTS

Tanuj Chugh
Partner
M. No. 529619

for and on behalf of board of directors

Chairman

Chief Executive Officer

13 Ratio Analysis for the year ended 31st December, 2019

Particulars	2019	2018
1. LIQUIDITY		
A. Current Ratio	1.51:1	1.42:1
B. Quick Ratio:	1.48:1	1.29:1
Quick Assets/Quick Liabilities		
C. Accounts Receivable Period	35.07 Days	37.78 Days
365/Accounts receivable turnover		
D. Working Capital to Sales	12.28%	1.79%
Average Current Assets-Average Current Liabilities/Net sales		
2. SOLVENCY:		
A. Term Debt to Total Fixed Assets	19.2%	15.92%
Long term Debt/Total Fixed Asset-Net		
B. Debt Equity Ratio:	0.18:1	0.15:1
Debt/(Capital Fund+Reserve & Surplus)		
3. PROFITABILITY:		
A. Return on Capital Employed:		
a) PBT/Capital Employed	30.8%	26.87%
b) PAT/Capital Employed	19.97%	18.77%
Capital Employed=Equity Capital + Loan Fund		
B. Return on Equity:	23.76%	21.31%
Profit After Tax/Total Equity		
Total Equity= Capital + Reserve & Surplus		
C. Return on Sales	42.75%	39.13%
PBT/Operating Income		
D. Employee Cost to Gross Income	9.288%	9.44%
Total Employee Expenses/Operating Income		
E. Profit per Employee:	1.67 million	1.40 million
PAT/Total no. of Employees		

For GSA & Associates.
Chartered accountants
(Firm Reg. No. 000257N)

GSA & ASSOCIATES ★ DELHI ★ CHARTERED ACCOUNTANTS

Tanuj Chugh
Partner
M. No. 529619

Place: Thimphu
Date: 28 / 02 / 2020

for and on behalf of board of directors

Chairman

Chief Executive Officer

A dhi Company

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