BHUTAN TELECOM LTD

Always there for you

A dhi Company

ANNUAL REPORT 2023

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The Year in Review:

As we mark two decades of providing cellular service in the country on November 11, 2023, coinciding with His Majesty the Fourth Druk Gyalpo's Birth Anniversary, our journey highlights significant progress in expanding coverage and delivering mobile data and voice services nationwide. Starting with basic 2G voice service in 2003, covering key regions, we now extend comprehensive cellular data and voice services across the entire nation, incorporating the latest 5G technology in select districts. However, the company faces challenges posed by rapidly growing service demands and the need to keep pace with evolving technology. Decreasing tariffs over the years adds complexity to investment decisions, with the risk of potential technology obsolescence. The GSMA emphasizes the need for constant investment from mobile operators to address the surging data traffic and demand for data-heavy digital content, posing a substantial challenge to operators striving to sustain service performance amid the evolving landscape.

In keeping with its corporate social responsibilities, BT persistently improves mobile connectivity in remote villages and along national highways while simultaneously enhancing its network infrastructure to meet the increasing demand for internet services nationwide. The recent extensive Point of Presence (PoP) upgrade and expansion initiative, spanning 35 sites nationwide, has significantly broadened the reach and accessibility of the network, ensuring users throughout the country benefit from a well-connected and efficient infrastructure. Additionally, as part of its digital initiatives and strategic roadmap, the company has successfully developed and implemented an application to manage access to its Network Operations Center (NOC) in Thimphu and its tier III design-certified data center in Phuntsholing. This proactive approach not only strengthens connectivity but also enhances operational efficiency, reflecting a commitment to advancing both social welfare and technological progress for the benefit of all its stakeholders in the country.

Despite facing challenges in 2023, like many global telecom operators, the company exhibited resilient performance, successfully meeting all financial targets except for the revenue target set by the shareholder and the Board. With revenue of Nu 6,098.46 million, the company fell short of the target by Nu 321.54 million, although it exceeded the revenue achievement of Nu 5,886.20 million in 2022. Likewise, the company surpassed the Profit After Tax (PAT) target by achieving a PAT of Nu 2,467.83 million, surpassing the target of Nu 2,238.52 million. This success in meeting the PAT target is attributed to the company's financial prudence and effective cost-containment measures, as shown by containing expenditures at Nu 2,672.26 million against the budget of Nu 3,222.57 million. The commendable operational efficiency and profitability stem from prudent investments guided by the Board and DHI, along with ongoing enhancements in daily operations aimed at improving overall cost efficiency.

In the telecommunications industry, technology risk ranges from cyber threats to the seamless integration of new technologies, ensuring network reliability, and navigating compliance intricacies. Similarly, talent risk involves effectively addressing skill shortages by attracting and retaining skilled employees. Another challenge for the company lies in meeting the customer satisfaction score. In 2023, despite achieving a satisfaction score of 3.91, surpassing the 2022 achievement of 3.83, the company fell short of its annual target of 4.5. With the invaluable support and guidance of the Board and DHI, BT will manage these technologies, talent risks, and customer satisfaction parameters, thereby strengthening its resilience, fostering innovation, and enhancing customer satisfaction in the ever-evolving telecom industry. Additionally, in alignment with His Majesty the Druk Gyalpo's visionary decree for a Mindfulness City in Gelephu, BT is committed to expanding and ensuring seamless connectivity in Gelephu, along the Thimphu-Gelephu Highway, and in Paro.

Lastly, I would like to take this opportunity to extend sincere gratitude to His Majesty the Druk Gyalpo for his exemplary leadership, especially in spearheading the initiative for the Gelephu Mindfulness City, which marks a significant milestone for our nation. I also extend heartfelt appreciation to our valued customers for their unwavering support, providing us with invaluable opportunities for growth and improvement despite the challenges of this rapidly evolving industry. Furthermore, I express gratitude to DHI and the BT Board for their invaluable guidance and support throughout 2023. Lastly, I extend my deepest thanks to all employees for their unwavering dedication and commitment, ensuring uninterrupted services and rising to the occasion when needed. On behalf of all the employees in the company, I restate our commitment to serving the Tsa-Wa-Sum.

Yours Sincerely,

Karma Jurme
Chief Executive Officer

1 Company Profile

Mission:	**Providing innovative and reliable ICT services**
Vision:	**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.

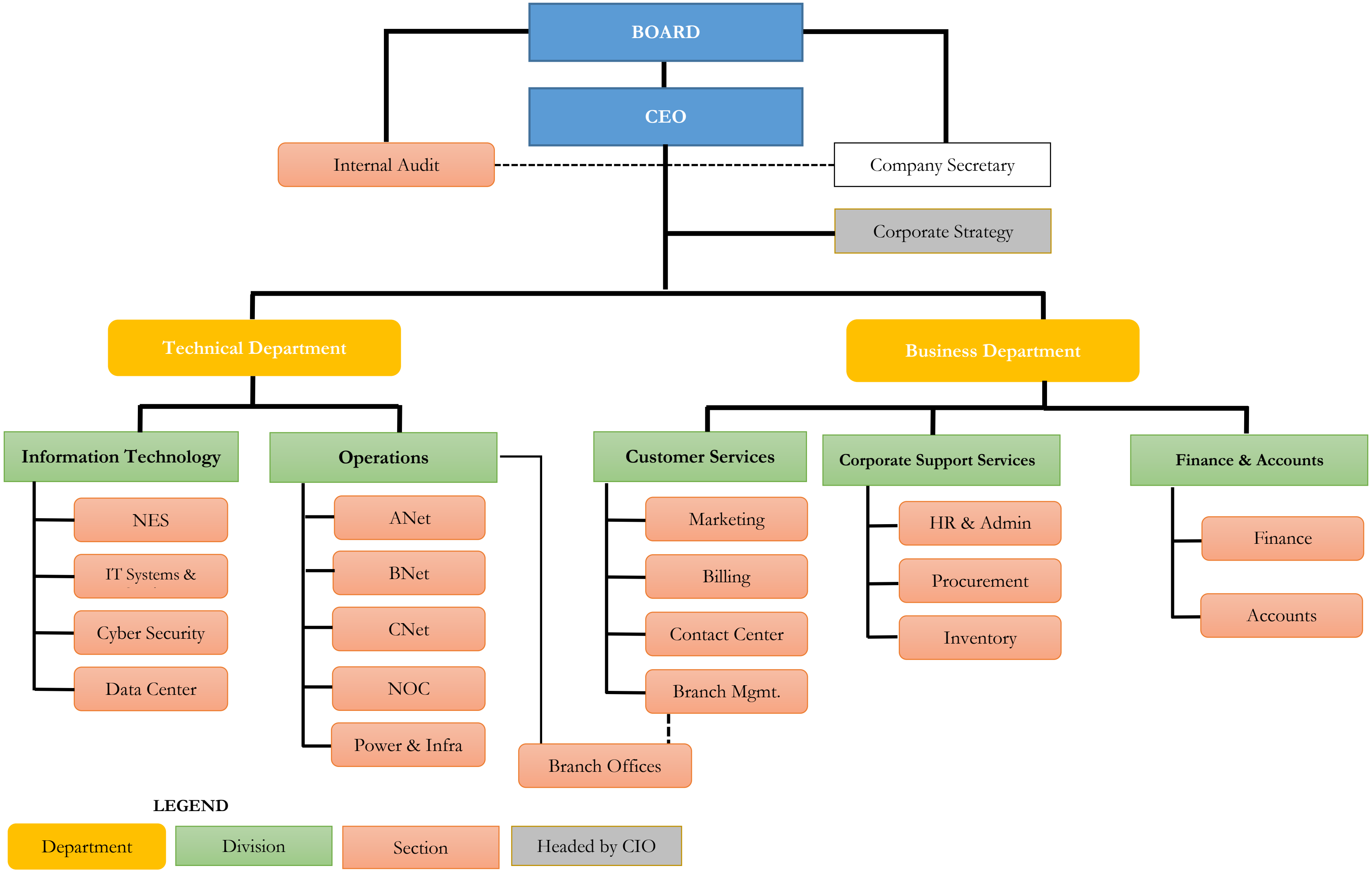
Excellence

- 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

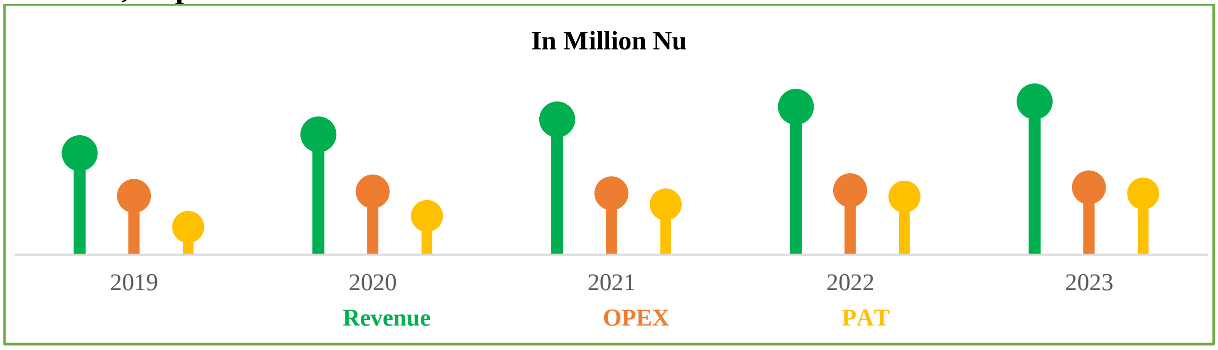
- We believe and commit to respond swiftly to the fast changing market environment and requirements/feedbacks of customers. We should be able to anticipate emerging needs of the customers and market dynamics.

1.2 Organization Chart



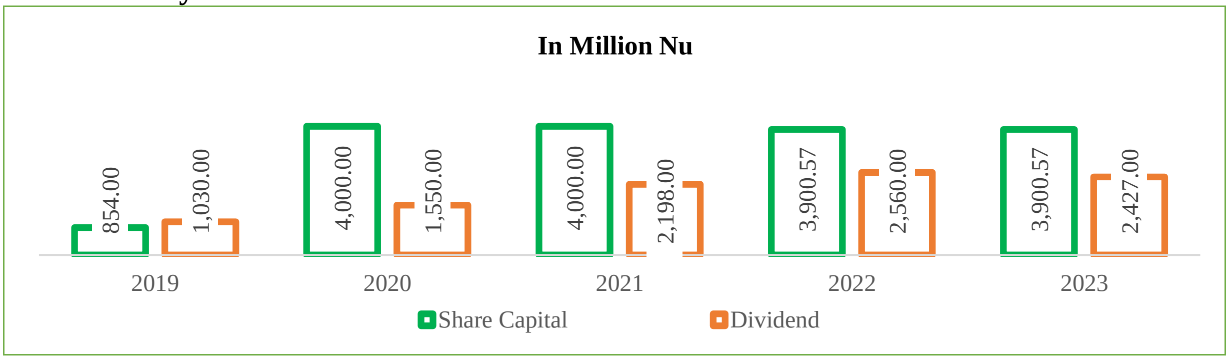
1.3 Financials

Revenue, Expenditure and Profit after Tax

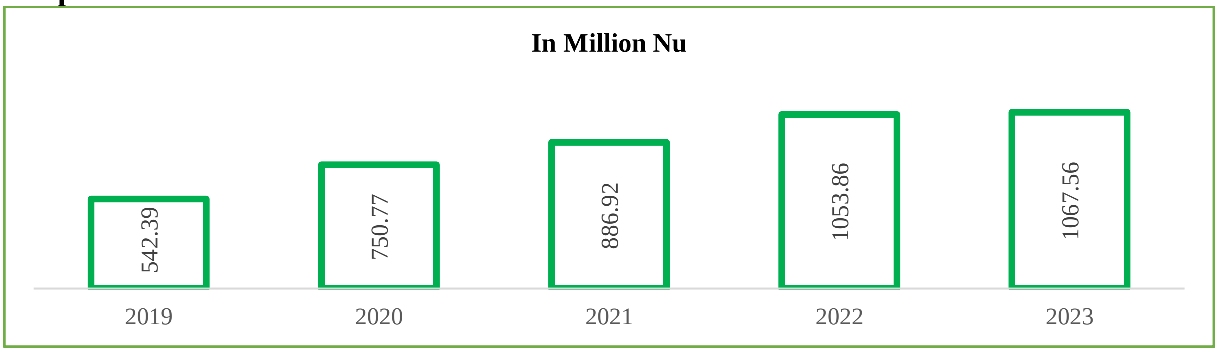


4,039.01	4,785.75	5,382.81	5,886.19	6,098.75
2,338.28	2,514.01	2,439.99	2,562.88	2,677.05
1,102.51	1,538.25	1,998.28	2,309.25	2,431.57

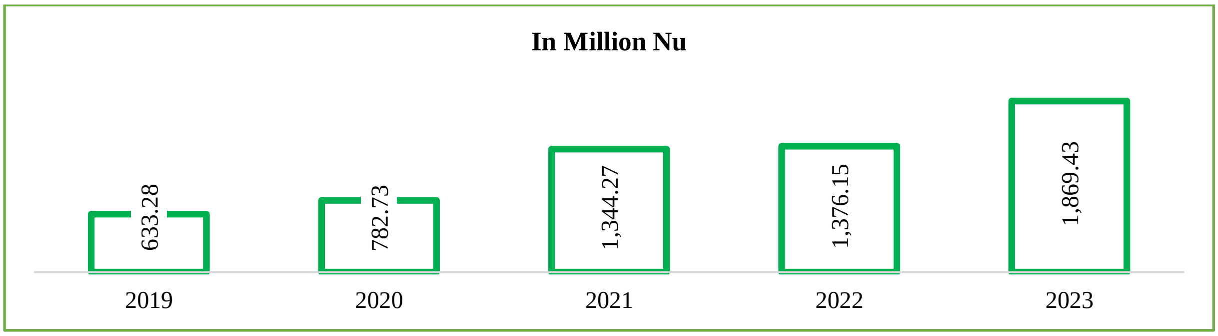
Dividend Payment



Corporate Income Tax



Capital Expenditure



2 Board Directors

Dasho Nim Dorji is the Former Secretary of Ministry of Finance. He received his Master's in Business Administration from the University of Canberra, Australia. He joined DHI Board from 21st July 2016 and served as Non-Independent Non-Executive Director on DHI Board till 13th April 2022. He serves as an independent, non-executive director and Chairman on BT Board from 13th April 2022.

Dasho Tashi Wangmo is the Secretary of Ministry of Commerce, Industry and Employment. She received Master's in Public Policy from the National Graduate Institute for Policy Studies, Tokyo, Japan. She was the Eminent Member of National Council from 27th March, 2008 - 13th August, 2021. She serves as a non-independent, non-executive director on BT Board from 13th April 2022.

Dasho Tshewang C. Dorji is a diplomat with more than 31 years of government service. He served as Ambassador to Thailand, Singapore, Myanmer and Australia. He is currently serving as the Secretary, Ministry of Education and Skills Development, and as a non independent, non-executive director on BT Board from 13th April 2022.

Mr. Kado Zangpo is the Director, Department of Local Governance and Disaster Management, Ministry of Home & Cultural Affairs responsible for developing Local Government systems and coordinating 205 Gewogs and 20 Dzongkhags. He started his career in the field of data mining and analysis. He comes with vast experiences in plan and policy formulation, monitoring and evaluation of programs. He has a Master's in Information Technology from RMIT University, Melbourne, Australia. He is currently serving as a non-independent, non-executive director on BT Board from 13th April 2022

Dr. Lam Dorji has a Ph.D in Natural Resources Management from Asian Institute of Technology, Thailand. He has more than 30 years of experience in the field of environment management, innovative financing and sustainable development, governance and organizational management. He served as the Executive Director for the Royal Society for protection of nature and currently serving as an Independent Environmental Monitoring Expert at Construction Development Corporation Limited (CDCL)/ADB. He serves as an independent, non-executive director on BT Board.

Mr. Chencho Tshering Namgay has a Masters in Business Administration from Asian Institute of Management, Phillipines. He has more than 20 Years of work experience in the field of corporate finance, Financial securities, investment, risk management, project management, telecom infrastructure and power system automation. He is currently serving as the Director, Department of Investments for Druk Holding and Investments Ltd. He serves as a non-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 33 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 a non-independent, executive director on bt board.

3 Management Team

Mr. Karma Jurme is the Chief Executive Officer and he has more than 33 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 27 years of work experience in the field of management and telecommunications and holds a bachelor's degree in Electrical Engineering from PennState University in USA.

Mr. Sangay Wangdi is the Director, Business Department. He has more than 21 years of work experience in the field of Marketing and Finance and holds a Master of Business Administration from Southern Cross University, Australia.

Mr. Jambay Sither is the General Manager, Operations Division. He has more than 30 years of work experience in the field of telecommunications and holds a Masters in Technology in Mobile Communication and Networking Technology from the West Bengal University of Technology.

Mr. Chendra Dorji is the General Manager, Finance & Accounts Division. He has 15 years of work experience in the field of Finance and Accounts and holds master's degree in MBA with specialization in Finance and Accounting from Maastricht School of Management in Netherlands.

Ms. Kinga Choden is the General Manager, Customer Services Division. She has more than 17 years of work experience in IT, Marketing, and telecom billing and CRM, and has a master's degree from Murdoch University, Western Australia.

Ms. Kezang Choden has 23 years of work experience in the field of Human Resource Management. She holds a Master of Business in the fields of Marketing and Public Sector Management, from The University of Queensland.

Mr. Budhi Krishna Adhikari is the General Manager of the Information Technology Division. He has more than 13 years of experience in a range of positions in value-added services, system engineering, and enterprise networking. He holds a master's degree with high distinction on specializing in internetworking and security from Murdoch University in Western Australia.

4 Directors' Report

Introduction

On behalf of the Board of Directors of Bhutan Telecom Limited and the Management, I would like to present the Directors' Report for the Financial Year 2023 covering operational performance, audited financial statements, corporate governance, corporate social responsibility, the challenges, and way forward for 2024.

Operational Highlights

In keeping with the company's mandates, Bhutan Telecom has consistently pursued to improve mobile connectivity in remote villages and along national highways, while simultaneously enhancing its network infrastructure to cater to the growing demand for internet services nationwide. With commitment to improve mobile connectivity on highways with coverage, enhancements were made to the Gedu – Lhamoizingkha Highway, with no dark spots exceeding one kilometer. The extensive Point of Presence (PoP) upgrade and expansion initiative, spanning 35 sites nationwide, has significantly broadened the reach and accessibility of the network, ensuring users throughout the country benefit from a well-connected and efficient infrastructure. In response to the increasing demand for cellular data services and to keep abreast with the technological advancements, the company has expanded 5G network in additional 85 sites and deployed 112 more LTE sites across the nation.

During the year, active mobile subscriber base increased by 3% (from 442,811 in 2022 to 455,134), while leased line internet subscriptions increased by 49% (from 3,763 in 2022 to 5,615). In addition, the company also manages 1,963 active fixed broadband internet subscriptions and 18,381 fixed-line customers. For enhancing employee skills and learnings, the company organized a wide range of training and certification initiatives, which includes 9 ex-country trainings and seminars, 7 in-house training, 11 in-country programs, five online and three certifications courses. During the year, the BT recruited 95 new employees whereas 90 employees resigned from the company. By the end of the year, the employee strength of BT was 601, comprising of 527 regular employees, nine contract employees, 56 ESPs, and nine local caretakers.

Financial Position and Key Financial Performance Highlights

During the fiscal income 2023, the BT has performed well financially. The revenue of the company grew by 3.61 % from Nu 5,861 million in 2022 to Nu. 6,098 million and the profit after tax also increased by 5.30% from Nu. 2,321 million to Nu 2,431.56 million.

Financial highlights for 2023:

Revenue in Billion Nu.	Expenditure in Billion Nu.
Nu 6.098 b ▲ 3.61%	**Nu 2.677 b** ▲ 4.45%

The Revenue of the company marked a growth of 3.61% in 2023. The Operating Expenditure of the company increased by 4.45% in 2023.

Cash from Operations in Billion Nu.

Nu 3.576 b ▲14.39%

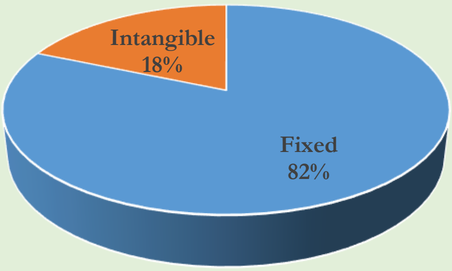
PBT in Billion Nu.	PAT in Billion Nu.
Nu 3.421 b ▲2.96%	**Nu 2.431 b** ▲ 5.30%

The PBT and PAT marked an increase as compared to 2022, PBT marked an increase by 2.96% and PAT marked an increase by 5.30% in 2023.

Asset (Net Worth) in Billion Nu.

Tangible Assets	**Nu 4.625 b**
Intangible Assets	**Nu 1.041 b**

The overall percentage increase in asset is 14.06% as compared to 2021



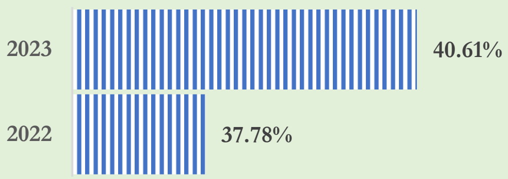
Liquidity

	2022	2023	
Current Ratio	2.34 : 1	1.18 : 1	↓
Quick Ratio	2.19 : 1	1.13 : 1	↓

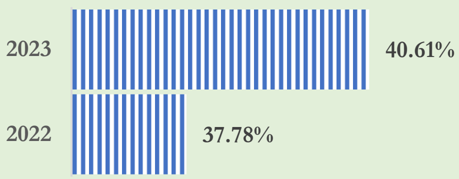
The current ratio decreased from 2.34:1 to 1.18:1 in 2023 and the quick ratio decreased from 2.19:1 in 2022 to 1.13:1 in 2023.

Profitability.

Return on Capital Employed



Return on Equity



Both RoCE and RoE increased from 37.78% in 2022 to 40.61% in 2023

Audit Issues:

The Company was audited by statutory auditors, **GSA & Associates LLP**, Chartered Accountants based in Delhi, India. The audit report has no significant observations, however, the auditors have made the following recommendations for the financial period ending 31st December 2023, to be reviewed during the next audit.

a. **Recommendation One: Non-reconciliation**

   Management is required to review the BRS process and ensure in the financial year 2024 that the payments for the financial year are to be recorded as trade payables instead of recording in bank balances.

b. **Recommendation Two: Non/wrong booking of expenditure**

   Management is to provide the decision of Druk Holding & Investments Limited on BFRS 16 "Lease" regarding the calculation of interest at the inception of lease or at the end of the contract period.

Dividend

Based on the profitability and financial sustainability of the company, and in keeping with DHI's dividend expectation, the Board has recommended a dividend of Nu. **2,427** million for the income year 2023 for adoption by the AGM. The dividend accounts for 62.23% of the Total Paid up Share Capital and is equivalent to 100% of Total Comprehensive Income (TCI).

Corporate Governance

The company has complied with the provisions of the Corporate Governance Code and Ownership Policy of DHI, the Companies Act 2016, and other statutory requirements. The business review and the implementation of the action points from the business reviews have strengthened the corporate governance. The signing of the integrity pledge with the Anti-Corruption Commission (ACC) since 2017, has helped the company in complying with the business code of conduct and other internal control systems, ensuring complete and accurate procedures to limit potential losses and lapses through fraud.

The Board Directors are appointed by DHI with subsequent endorsement in the general meetings. The The new BoDs participate in the Board orientation program conducted by DHI to familiarize with roles and responsibilities of the Board. At the end of 2023, the company's Board comprised seven directors, including the Chief Executive Officer, and held eight Board meetings, a Mid Term Review meeting, two quarterly review meetings and an Annual General meeting. The company had three Board Committees in place – The Board Audit Committee, The Board HR Committee, and The Board Tender Committee, and the committees held three, four, and four meetings respectively in 2023.

Corporate Social Responsibility

As part of its Corporate Social Responsibility, the company remained dedicated to extending telecommunication services to unprofitable and remote regions of the country. One milestone initiative includes providing one Gbps leased line internet service to Gyalpozhing College of Information Technology, aligning with the national objective of nurturing graduates committed to academic excellence, innovation, and social responsibility. The company also implemented 10 percent reduction in Voice and SMS tariffs for national calls, enhancing accessibility to its services nationwide. Additionally, the company contributed Nu. 1.06 million to various social causes, furthering its commitment to community development.

Challenges and Way Forward

As a telecom service provider, BT continues to face challenges in its operation. One major challenge is the growing attrition of qualified and experienced staff leaving the BT. In 2023, 90 employees have resigned mostly to pursue opportunities abroad. The Board and the management with support from DHI are have implemented strategies to attract and retain talent. The revision of renumeration towards end of 2023 and the planned introduction of talent retention allowance (TRA) from beginning of 2024 is expected to address the attrition related challenges. The company also faces the challenge of rapidly advancing technology and varying standards, necessitating substantial investments to meet the growing demand and for maintaining market share. The company remains optimistic about managing these challenges through the implementation of Corporate Strategic Plan, Five-Year Investment Plan, and Risk Management processes, guided by the Board and DHI. In response to the increasing demand for mobile data services, the Board approved a budget of Nu 860 million for mobile network expansion in 2024. Similarly, the company plans to invest Nu. 100 million for mobile core expansion to support 4G LTE and 5G expansions and Nu 130 million for power system to enhance network reliability.

In 2023, the customer satisfaction index (CSI) for BTL's customer experience was 3.91, a marked improvement from the 3.83 CSI score in 2022 yet falling short of the 2023 CSI target of 4.5. Based on the survey findings, customers are generally satisfied with B-Mobile's voice quality and pricing, though less satisfied with data speed and service innovation. Customer Care, Service Reliability, and Service Efficiency were identified as the highest-performing Key

Result Areas (KRAs). However, customers satisfaction was rated low with internet service quality attributes, particularly concerning network fluctuations/outages and slow/unstable internet speed. Despite tariff reductions, the value for money aspect consistently received lower ratings over the years. Therefore, the company intends to review tariffs again and enhance service quality. To address concerns regarding service quality attributes, the company plans to prioritize enhancing high-speed data availability nationwide by improving network capacities and expanding coverage across Bhutan. Additionally, the company will implement loyalty and incentive schemes to make BT services more affordable and accessible to all.

Acknowledgements

We thank the company's valued customers for their continued loyalty and support. Despite some shortcomings, the company has continued to receive cooperation and support from its valued customers. The company made substantial investments to improve the customer experience in 2023 and would continue to invest progressively in 2024 to improve the customer experience. With these initiatives, we are confident that our valued customers will enjoy better service and continue to support the company.

The DHI has guided the company throughout 2023 in overcoming the challenges and in ensuring the delivery of uninterrupted telecommunications services. The company has been able to undertake 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 all the support. We would also like to place on record our sincere thanks to all the other stakeholders for the continued support the company received during the year.

Lastly, the Board would like to thank the Management and employees of the company for working hard and achieving high level of performance in 2023. The Board looks forward to similar efforts and success in 2024.

On behalf of the Board of Directors.

(Nim Dorji)

CHAIRMAN

5 Corporate Governance

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 2016, and other statutory requirements.

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 Annual General Meetings for endorsement. The BT Board Comprised of Seven Directors, including the Chief Executive Officer. Necessary disclosures about each Board Director are provided below:

Name	Address	Category	Appointment to present term	Cessation	Term
Dasho Nim Dorji (Chairman)	Former Secretary, MoF	Independent, Non-Executive	April 13, 2022		1st Term
Dasho Tashi Wangmo	Secretary, MoICE	Non-Independent, Non-Executive	April 13, 2022		1st Term
Dasho Tshewang C. Dorji	Secretary, MoE & SD	Non-Independent, Non-Executive	April 13, 2022		1st Term
Mr. Kado Zangpo	Director, DLG & DM	Non-Independent, Non-Executive	April 13, 2022		1st Term
Dr. Lam Dorji	Independent Environmental Monitoring Expert	Independent, Non-Executive	April 13, 2022		2nd Term
Mr. Chencho T. Namgay	Director, Investments, DHI.	Non-Independent, Non-Executive	April 13, 2022		2nd Term
Mr. Karma Jurme	CEO, Bhutan Telecom	Non-Independent, Executive			

Board Meetings

A total of eight board meetings were held in 2023 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 2023 were held on the following dates:

Board Meetings	184th Board (Feb 15)	185th Board (Feb 20)	186th Board (Apr 12)	187th Board (Jun 30)	188th Board (Jul 20)	189th Board (Aug 24)	190th Board (Oct 23)	191st Board (Nov 10)
Dasho Nim Dorji (Chairman)	✓	✓	✓	✓	✓	✓	✓	✓
Dasho Tashi Wangmo	✓	✓	✓	✓	✓		✓	✓
Mr. Tshewang C. Dorji	✓	✓	✓	✓	✓	✓	✓	
Mr. Kado Zangpo		✓		✓	✓	✓	✓	✓
Dr. Lam Dorji	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Chencho T. Namgay	✓	✓	✓	✓			✓	✓
Mr. Karma Jurme (CEO)	✓	✓	✓	✓	✓	✓	✓	✓
Meeting Quorum	**6/7**	**7/7**	**6/7**	**7/7**	**6/7**	**5/7**	**7/7**	**6/7**

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 2023 were held at the Conference Hall of the Company's Headquarters in Chubachu, Thimphu, and also used virtual meeting platforms. The agenda and related documents for the Board Meetings are generally circulated to the Board Members at least five working days in advance of the Meetings.

The following Board Committees are in place:

i. Board Audit Committee (BAC).
ii. Board Tender Committee (BTC).
iii. Board HR Committee (BHRC).

Board Audit Committee (BAC)

The Board Audit Committee was established to monitor the internal control system and internal audit activities. The Committee held three meetings in 2023 on the following dates:

i. 38th BAC Meeting was held on March 29, 2023.
ii. 39th BAC meeting was held on June 27, 2023.
iii. 40th BAC meeting was held on November 20, 2023.

Meeting Number:	38th BAC	39th BAC	40th BAC	Total
Dasho Tashi Wangmo (Chair)	✓	✓	✓	3
Dr. Lam Dorji	✓	✓	✓	3
Mr. Chencho T. Namgay	✓	✓	✓	3
Mr. Kelzang Chophel (Secretary)	✓	✓	✓	3

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 four meetings in 2022 on the following dates:

i. 32nd BTC Meeting was held on March 22, 2023.
ii. 33rd BTC Meeting was held on August 23, 2023.
iii. 34th BTC Meeting was held on September 19, 2023.
iv. 35th BTC Meeting was held on December 18, 2023.

Meeting Number:	32nd BTC	33rd BTC	34th BTC	35th BTC	Total
Mr. Tshewang C Dorji (Chair)	✓	✓	✓	✓	4
Mr. Chencho T. Namgay	✓		✓	✓	3
Mr. Karma Jurme	✓	✓	✓	✓	4
Mr. Sangay Wangdi (Secretary)	✓	✓	✓	✓	4

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 eight meetings in 2022 on the following dates:

i. 62nd BHRC Meeting was held on June 08, 2023.
ii. 63rd BHRC Meeting was held on July 05, 2023.
iii. 64th BHRC Meeting was held on August 02, 2023.
iv. 65th BHRC Meeting was held on December 27, 2023.

Meeting Number:	62^{nd} BHRC	63^{rd} BHRC	64^{th} BHRC	65^{th} BHRC	Total
Mr. Kado Zangpo (Chair)	✓	✓	✓	✓	4
Mr. Chencho T Namgay	✓	✓	✓	✓	4
Mr. Karma Jurme	✓	✓	✓	✓	4
Ms. Kezang Choden (Secretary)	✓	✓	✓	✓	4

Board Remuneration

Name of Board Directors	Particulars	Sitting Fees	
		2023	2022
Dasho Nim Dorji	Chairperson	68,000	80,000
Dasho Tashi Wangmo	Director	72,000	76,000
Mr. Chencho T. Namgay	Director	100,000	160,000
Dr. Lam Dorji	Director	76,000	84,000
Mr. Tshewang C. Dorji	Director	76,000	76,000
Mr. Kado Zangpo	Director	64,000	68,000
Total		**456,000**	**632,000**

Chief Executive Officer's Remuneration

Name	Particulars	2023	2022
Mr. Karma Jurme	Salary	3,046,916	2,842,800
(Present)	Leave travel concession	15,000	15,000
	Leave Encashment	285,613	118,450
	Salary Arrears	66,060	-
	Bonus and PBVA	578,178	346,350
	Contribution to superannuation fund	219,708	213,216
	Sitting fess	108,000	160,000
Total		**4,319,475**	**3,581,516**

Annual General Meeting.

The 21^{st} Annual General Meeting was held on March 08, 2023 at BTL CHQ, Chubachu and attended by the Shareholder, Board Directors and the key members of the management team. The 21^{st} Annual General Meeting transacted the following business items:

i. Ratification of the minutes of 20^{th} Annual General Meeting.

ii. Consideration of audited accounts for the financial year ending December 31, 2023, Auditor's Report and Directors' Report.

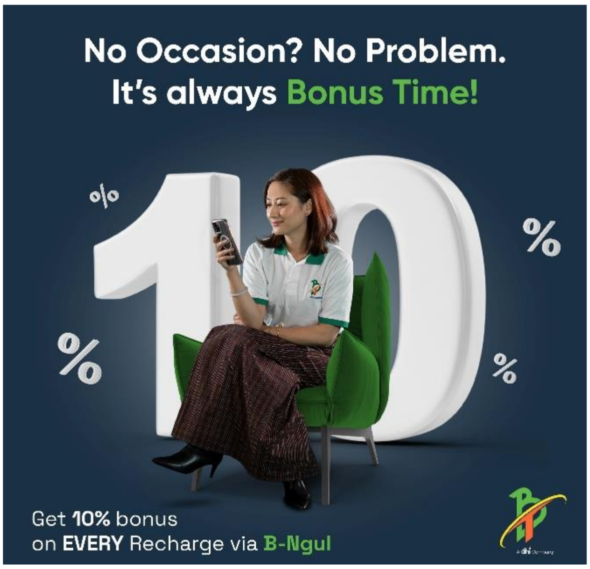
iii. Declaration of remuneration for CEO and Directors.

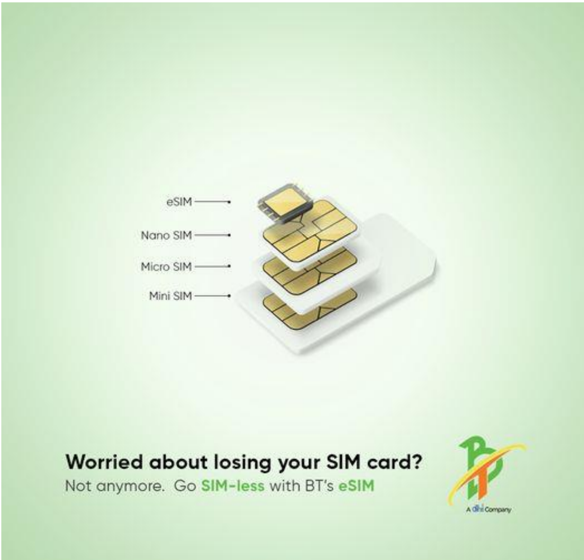
iv. Declaration of dividend.

v. Retirement and appointment of Directors.

vi. Appointment of Auditors.

vii. Review and assessment of Compact 2023.





6 Independent Auditors' Report

To,

The Members of

Bhutan Telecom Limited (BTL)

Opinion

We have audited the financial statements of **Bhutan Telecom Limited** (the company), which comprise the Statement of Financial Position as at **December 31, 2023**, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flow for the year then ended, and Notes to the financial statements, including significant accounting policies.

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

Basis for Opinion

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

Emphasis of Matter

We would like to draw attention to note 45 of the financial statements explaining the details of fraud cases that happened in the Company in 2023. The Company has made all required provisions in the books and has implemented the recommendations provided by the Anti-Corruption Commission "investigating agency". Review of the Implementation of these recommendations are under process by the investigating agency as on date of our report.

Our opinion is not modified in respect of this matter.

Other Matter

The financial statements of the Company for the year ended 31st December, 2022, included in these financial statements, have been audited by the predecessor auditor, Karma & Associates, who expressed an unmodified opinion on those statements on 13th February, 2023.

Our opinion is not modified with respect to this matter.

GSA & ASSOCIATES LLP ★ CHARTERED ACCOUNTANTS Delhi

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Tele-7862099205, 011-41811888 Email ID- admin@gsa.net.in
LLP registration No. AAS-8863 (Formerly known as GSA & Associates)
Branches at Akhnoor (Jammu) and Gurugram

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements 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 Matter	Auditor's Response
Revenue We considered accuracy and completeness of revenues relating to prepaid and postpaid mobile services as a key audit matter because of the complexity of the IT systems, significance of volumes of data processed by the IT systems and the impact of changing pricing models (tariff structures and discounts, etc.). Refer note 4 "Revenue recognition" for accounting policies, and note 24 on disclosures related to Revenue from operations in the financial statements.	**Our audit procedure included the following:** • We obtained an understanding, evaluated the design and tested the operating effectiveness of (i) controls over recording of revenue relating to prepaid and postpaid mobile services; and (ii) control over reconciliations; • We performed substantive analytical procedures over the significant revenue streams; • We tested inter se reconciliations between relevant IT systems (such as billing system, prepaid application systems, active customer database) and with general ledger, and performed verification of revenue recognised, deferred and unbilled revenue. Further, we have also performed data analytics and trend analysis; • We verified the appropriateness of the accounting policies and the disclosures related to Revenue from operations in notes 4 and 24 respectively in the financial statements.

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 include 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 financial statement.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with BAS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we have exercised professional judgment and maintained professional scepticism throughout the audit. Our responsibilities are to:

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

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

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

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

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

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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, actions taken to eliminate threats or safeguards applied.

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

Report on Other Legal and Regulatory Requirements

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

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

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

b) In our opinion, proper books of account as required by the Companies Act of Bhutan, 2016, have been kept by the Company insofar as it appears from our examination of those books;

c) The Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows dealt with by this report have been prepared in accordance with BAS; and

d) Based on the information, explanations and management representations received during the course of our audit, the Company has complied with other legal and regulatory requirements to the extent applicable to the Company.

UDIN: 24529619BKBOOZ9977

For **GSA & Associates LLP**

Chartered Accountants

Firm Registered No: **000257N/ N500339**

GSA & ASSOCIATES Delhi CHARTERED ACCOUNTANTS

(Tanuj Chugh)

Partner

M. No. 529619

Place: New Delhi, India

Date: 2nd April, 2024

7 Minimum Audit Examination and Reporting Requirements

As required by Section 266 of the Companies Act of Bhutan, 2016

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

General:

a) The Company has evaluated itself on corporate governance scorecard, as required by its Holding Company, and has estimated compliance percentage of 96.52%. In view of the said evaluation and based on explanations and written representation received from management during audit, we are of the opinion that the Company has adhered to the Corporate Governance Guidelines and Regulations as applicable to them.
b) The governing board/authority pursue a prudent and sound financial management practice in managing the affairs of the company.
c) The financial statements are prepared applying the Bhutanese Accounting Standards issued by the Accounting and Auditing Standards Board of Bhutan (AASBB).
d) The proper books of accounts have been maintained and financial statements are in agreement with the underlying accounting records.
e) The adequate records as specified under Section 228 of the Companies Act of Bhutan 2016 have been maintained.
f) Based on the information and explanation provided by the management, there is no mandatory obligations social or otherwise, entrusted on the Company to fulfil.
g) The amount of tax is computed correctly and reflected in the financial statements.

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

1.a) The Company has maintained Property, Plant & Equipment Register showing full particulars including quantitative details and situation of PPE.

b) The Company has a program of physical verification of Property, plant and equipment "PPE", so to cover at least PPE pertaining to one region in a year, which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. According to information explanation given to us, no material discrepancies were noticed on such verification.

2. The fixed assets of the Company have not been revalued during the year under audit.

3. As explained to us, physical verification of inventories has been conducted at reasonable intervals by the management for reconciling Inventories between the System and actual physical inventories.

4. In our opinion, the procedures followed for physical verification of inventories are considered reasonable and adequate in relation to the size of the Company and the nature of its business.

5. According to information given to us, the Company is conducting physical verification of Inventory in quarterly basis and there were no material discrepancies noticed during review of quarterly reports. Wherever variations are identified, the same have been properly dealt with in the books of accounts.

6. On the basis of our examination and information's given to us, the Company has maintained reasonable system of recording receipts, issues and consumption of materials and stores and

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allocating materials consumed to the respective jobs, commensurate with its size and nature of its business

7. In our opinion and basis of information given to us, the quantitative reconciliation is carried out at the end of accounting year in respect of all major items of inventories by the Company.
8. The Company has adequately created provision for obsolete, damaged, slow moving and surplus goods/inventories which is based on policy of the Company. The Company has unused provision balance of Nu**. 12.93** million as at December 31, 2023.
9. As explained to us, the unserviceable or damaged inventories were disposed off and proceeds from such disposals are accounted for appropriately.
10. According to information given to us, the approval of appropriate authority is obtained for writing off amounts due to material loss/discrepancies in physical/book balances of inventories including Tele equipments, stores and spares.
11. On the basis of our examination of stock records, we are satisfied that the valuation is fair and proper in accordance with the applicable Accounting Standards issued by the Accounting and Auditing Standard Board of Bhutan (AASBB). The basis of valuation of stock is same as that in the previous year. In addition, the Company has adequate provision for non-moving inventory lying for long time (refer to note 8 of this clause).
12. According to information given to us, the company has not availed any loan. Hence, this clause is not applicable to the company.
13. In our opinion and information given to us, the Company has refrained from granting loans to other parties which are *ultra-vires* to the Article of Incorporation and other relevant Acts and regulations.
14. The advances granted to officers/staffs are in keeping with the provision of service rules. No excessive/frequent advances are granted and accumulation of large advances against particular individual is avoided.
15. In our opinion and according to the information and explanations given to us, the Company has established system of internal control in place to ensure completeness, accuracy, and reliability of accounting records, for carrying out the business in an orderly and efficient manner, to safeguard the assets of the Company as well as to ensure adherence to the rules & regulations, systems and procedures.
16. According to the information and explanation given to us, the Company has reasonable system of authorization at proper levels, and adequate system of internal control commensurate with the size of the Company and nature of its business, on issue of stores and allocation of materials and labour to jobs.
17. In our opinion and according to information and explanations given to us, the Company has reasonable system of obtaining competitive bids/quotations from the vendors in respect of purchase of stores, plant & machinery, equipment and other assets commensurate with the size of the Company and nature of its business.
18. **(a)** As informed to us, there is no transaction for purchase and sale of goods and services made in pursuance of contracts or agreements entered into with the directors or any other parties related to directors or with the Company or firms in which the directors are directly or indirectly interested.

    (b) As informed to us, the company has not entered into the transactions wherein the directors are directly or indirectly interest. Hence this clause in not applicable to the company.

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19. According to the information and explanations given to us, the expenses charged to the Company accounts represent legitimate business expenses and no personal expenses have been debited to the Statement of Comprehensive Income, excepting those payable under contractual obligations.

20. According to the records, unserviceable or damaged inventories, Tele equipments or spares parts were determined during year 2023 and the same have been properly dealt in books of account.

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

22. Since Company is majorly into service sector, it is maintaining records related to service inventory as well as consumable inventory on proper basis. Proper controls have been put in place to ensure the safety of inventory of the Company.

23. The Company is maintaining reasonable records for sales and disposal of unusable and scrap items.

24. According to the records, the company is generally regular in depositing rates and taxes, duties, provident funds, and other statutory dues with the appropriate authorities during the year 2023 except sales tax pertaining to previous year and current year amounting to **Nu. 0.32 million.** Provision for Corporate Income Tax is adequate and necessary adjustments have been made to compute the amount of tax required to be paid under The Rules on the Income Tax Act of Bhutan, 2001, and has been appropriately disclosed in the financial statement.

25. According to the books records and the computation of tax, Company has payable of Corporate Income Tax (CIT) **Nu. 517.38 million** for year 2023 and no other undisputed amount payable in respect of rates and taxes, royalties, provident funds, and other statutory deductions at the year end.

26. The company is a service-oriented organization and not a manufacturing concern and there is no system of allocating man hours utilized to the respective jobs etc.

27. The said clause is not applicable in view of its nature of business.

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

29. The Company has engaged some agents in connection with BT products and services through appropriate screening. The agency commission structure is in keeping with the industry norms / market conditions. Generally, the Company has adequate system of evaluating performance of each agent on a periodic basis.

30. As explained to us, the Company has reasonable system of follow-up with debtors and other parties for recovery of outstanding amounts. The management have also done age-wise analysis of outstanding amount to realize the old debts and follow-up action.

31. According to records, the management of liquid resources particularly cash / bank and short-term deposits etc. is not adequate in respect of nature and size of the business and that excessive amount is lying idle in non-interest-bearing accounts. Based on the explanations provided by the management, this is due to the fact that the banks in Bhutan are not accepting funds for term deposits and inter corporate loans are for a minimum period of three months.

32. According to the information and explanations given to us and on the basis of examination of books and records on test check basis, the activities carried out by the Company are in our opinion lawful and intra-vires the Articles of Incorporation of the Company.

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33. According to the information and explanations given to us, the Company has a system of approval of the Board for all capital investment decision and investments in new projects are made only after ascertaining the technical and economic feasibility.

34. The Company has established an adequate and effective budgetary control system.

35. The company is service oriented company and therefore the system of input-output relationship, standard costing and variance analysis is not applicable to the company.

36. In our opinion and according to the information and explanations given to us, the details of remuneration to the Board of Directors including the Chief Executive Officer have been disclosed in the accounts.

37. In our opinion and on the basis of information and explanations given to us, the directives of the Board issued have been complied with.

38. According to the information and explanations, we are given to understand that the officials of the Company have not transmitted any price sensitive information, which is not made publicly available, unauthorized to their relatives/friends/associates, or close persons, which would directly or indirectly benefit themselves. We have however relied on the management assertion on the same and cannot independently verify the same.

39. According to our examination of books and records, the Company have maintained proper records for inter unit transaction/ services and arrangements for services made with other agencies. The periodic reconciliations also done between its units.

40. In our opinion, the Company has maintained reasonable records related to leases and other items. As of date there is no machinery/ equipment's are acquired on lease or leased out to others.

41. To the extent revealed by our examination, the Company maintains a reasonable system of costing to ascertain the cost of its services and enable it to make proper pricing decisions for its services.

Computerized Accounting Environment

1. The company has implemented smart ERP NEXT system since beginning of the year 2022. In our opinion the system development controls and other internal control system were adequate with respect to size and nature of computer installations.

2. In our opinion, the Company appears to have taken adequate measures and back up facilities commensurate with the size and nature. As explained, the Company has a main system at Phuntsholing and standby server installed at Thimphu and backup are taken daily at both the location.

3. The Company has a Disaster Recovery Plan (DRP) in place, the Company keeps a back-up data for the entire Company in a standby server installed at Phuentsholing and the same is being maintained at Thimphu.

4. The operational controls in the Company are adequate to ensure correctness and validity of input data and output information.

5. According to the information and explanations given to us, measures to prevent unauthorized access to the computer installation and files are adequate.

6. According to the information given to us, there is no data migration happened from old to new system during the year.

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GENERAL

1. **Going Concern Issues**

   On the basis of the attached Financial Statements as at 31st December, 2023 and according to the information and explanations given to us, the financial position of the company is healthy and we have no reason to believe that the Company is likely to become sick in the near future.

2. **Ratio Analysis**

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

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

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

4. **Adherence of Laws, Rules & Regulations:**

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

UDIN : 24529619BKBOOZ9977

For **GSA & Associate LLP**
Chartered Accountants
Firm Registered No: **000257N/ N500339**

GSA & ASSOCIATES LLP
Delhi
CHARTERED ACCOUNTANTS

(Tanuj Chugh)
Partner
M. No. 529619

Place: New Delhi, India
Date: 2nd April, 2024

8 Statement of Financial Position as at December 31, 2023

The amounts are in Nu.

Particulars	Note no.	As at 31st December,2023	As at 31st December,2022
I. ASSETS:			
Non-current assets			
Property, plant and equipment	2(a)	4,625,108,259	4,022,205,491
Intangible assets	2(b)	1,040,855,207	945,345,973
Capital work-in-progress	2(c)	16,255,215	6,897,449
Investments	3	1,000,000	4,000,000
Deferred tax assets (net)	4	511,978,915	432,571,754
Right of Use Lease	5	24,559,313	16,303,114
Total Non-current Assets		**6,219,756,909**	**5,427,323,781**
Current assets			
Investments	6	4,285,836	1,000,000
Inventories	7	48,025,398	142,762,067
Trade receivables	8	92,278,158	80,449,036
Cash and bank balances	9	968,323,032	1,813,654,319
Other receivable	10	2,126,416	44,611,042
Other current assets	11	10,225,168	60,916,901
		1,125,264,008	**2,143,393,365**
Asset classified as held for distribution to owners	12	5,964,125	5,964,125
Total Current Assets		**1,131,228,133**	**2,149,357,490**
Total Assets		**7,350,985,042**	**7,576,681,271**
II. EQUITY AND LIABILITIES:			
EQUITY			
Equity share capital	13	3,900,574,000	3,900,574,000
Retained Earnings	14	2,087,050,594	2,220,093,126
Total equity		**5,987,624,594**	**6,120,667,126**
Non-current Liabilities			
Deferred government grants	15	369,183,234	485,864,143
Employee benefit obligation	16	15,136,829	36,052,181
Lease Liability Non-Current	17	24,890,478	18,779,711
Total non-current liabilities		**409,210,541**	**540,696,035**
Current Liabilities			
Trade and other payables	18	102,768,117	99,148,982
Other payables	19	87,890,788	58,648,600
Short term provision	20	576,299,656	590,941,609
Other current liabilities	21	156,228,449	137,118,107
Employee benefit obligation	22	27,190,178	28,298,949
Lease Liability Current	23	3,772,719	1,161,863
Total Current Liabilities		**954,149,907**	**915,318,110**
Total Liabilities		**1,363,360,448**	**1,456,014,145**
Total Equity and Liabilities		**7,350,985,042**	**7,576,681,271**

Summary of significant accounting policies 1.
The above accompanying notes are integral parts of the financial statements
This is the statement if financial position referred to our report date.

GSA & ASSOCIATES LLP CHARTERED ACCOUNTANTS Delhi

For **GSA & Associate LLP**
Chartered Accountants
Firm Registered No: **000257N/ N500339**

GSA & ASSOCIATES LLP CHARTERED ACCOUNTANTS Delhi

(Tanuj Chugh)
Partner
M. No. 529619

Place: New Delhi, India
Date: 2nd April, 2024

For and on behalf of the Board of Directors

Chairman

Chief Executive Officer
Place: Thimphu, Bhutan
Date: 2nd April, 2024

9 Statement of Comprehensive Income for the year ended December 31, 2023

The amounts are in Nu.

Particulars	Note No.	31st December, 2023	31st December, 2022
Income:			
Income from operations	24	6,026,007,689	5,789,109,478
Other income	25	72,748,829	97,087,499
		6,098,756,518	**5,886,196,977**
Expenses:			
Network operating expenses	26	737,877,446	631,817,295
Cost of trading goods	27	181,000,868	198,182,711
Employee benefit expenses	28	394,142,967	399,109,097
Depreciation and amortization	29	1,038,170,450	955,376,166
Finance cost	30	7,102,639	12,632,273
Other expenses	31	318,761,084	365,769,179
		2,677,055,454	**2,562,886,721**
Profit Before Tax		**3,421,701,064**	**3,323,310,256**
Tax expenses:			
Prior Period Tax	32	-	-
Current tax		1,067,563,071	1,053,864,887
Deferred income tax		(77,430,855)	(39,807,744)
Total tax expense		**990,132,216**	**1,014,057,143**
Profit after tax for the year		**2,431,568,848**	**2,309,253,113**
Other comprehensive income	32A		
Re-measurement (gains)/losses on defined benefit plans		6,587,685	10,006,619
Income tax relating to component for other comprehensive income		(1,976,306)	(3,001,986)
Other comprehensive income, net of tax		4,611,380	7,004,633
Total comprehensive income for the year		**2,426,957,469**	**2,302,248,480**
Earnings Per Share (Basic and Diluted)	33	623.39	592.03

Summary of significant accounting policies 1
The above accompanying notes are integral part of the financial statements.

For **GSA & Associate LLP**
Chartered Accountants
Firm Registered No: **000257N/ N500339**

GSA & ASSOCIATES LLP Delhi CHARTERED ACCOUNTANTS

(Tanuj Chugh)
Partner
M. No. 529619

Place: New Delhi, India
Date: 2nd April, 2024

For and on behalf of the Board of Directors

Chairman

Chief Executive Officer
Place: Thimphu
Date: 2nd April 2024

10 Statement of Changes in Equity for the year ended December 31, 2023

The amounts are in Nu.

Particulars	Share capital	Retained earnings	Total Equity
Balance as at 31st December, 2021	**3,900,574,000**	**1,843,640,665**	**5,744,214,665**
Profit for the year 2022	-	2,309,253,111	2,309,253,111
Finance Lease opening adjustment to RE	-	(3,222,017)	(3,222,017)
Other comprehensive income	-	(7,004,633)	(7,004,633)
Dividend for the year	-	(2,022,000,000)	(2,022,000,000)
Land transferred to DHI	-	99,426,000	99,426,000
Balance at 31st December, 2022	**3,900,574,000**	**2,220,093,126**	**6,120,667,126**
Profit for the year	-	2,431,568,847	2,431,568,847
Other comprehensive income	-	(4,611,380)	(4,611,380)
Dividend for the year	-	(2,560,000,000)	(2,560,000,000)
Total comprehensive income for the year	-	**(133,042,532)**	**(133,042,532)**
Balance at 31st December, 2023	**3,900,574,000**	**2,087,050,594**	**5,987,624,594**

For **GSA & Associate LLP**
Chartered Accountants
Firm Registered No: **000257N/ N500339**

GSA & ASSOCIATES CHARTERED ACCOUNTANTS Delhi

(Tanuj Chugh)
Partner
M. No. 529619

Place: New Delhi, India
Date: 2nd April, 2024

For and on behalf of the Board of Directors

Chairman

Chief Executive Officer
Place: Thimphu
Date: 2nd April 2024

11 Cash Flow Statement for the year ended December 31, 2023

The amounts are in Nu.

Particulars	31st December, 2023	31st December, 2022
Cash flow from operating activities		
Net profit before tax	3,421,701,063	3,323,310,254
Add/Less: Gain on sale of property plant and equipment	(91,332)	(6,609,585)
Add/Less: Gain or loss on scrapping/retirement of assets	7,366,879	11,445,816
Add/Less: Provision for Old Inventories	10,283,097	
Add/Less: Inventory loss (gain) on physical verification	-	-
Add/Less: Provision for loss allowance	-	11,044,596
Add/Less: BAS adj on interest expense on License fee	-	8,150,967
Add/Less: Re-measurement gain/loss	(6,587,685)	10,006,619
Add/Less: Liabilities no longer required written back	(5,088,445)	(15,664,824)
Net profit before tax and after adjustment of provisions	**3,427,583,577**	**3,341,683,843**
Adjustment for:		
Depreciation during the year	1,038,170,450	955,376,166
Interest paid		-
Interest received	(8,569,920)	(9,796,507)
Net profit from operating activities before working capital changes	**4,457,184,107**	**4,287,263,502**
Adjustment for:		
Inventories	84,453,572	3,855,175
Non-current/current financial and other assets	73,091,039	(45,834,831)
Non-current/current financial and other liabilities/provisions	35,371,256	(147,552,566)
Cash generated from operating activities	**4,650,099,974**	**4,097,731,280**
Income tax paid	(1,073,461,750)	(971,161,610)
Net cash flow from operating activities	**3,576,638,224**	**3,126,569,670**
Cash flow from investing activities		
Payment for property plant and equipment	(1,440,768,795)	(1,690,541,997)
Payment for intangible assets	(419,303,759)	(561,717,286)
Payment for capital work in progress	(9,357,766)	876,112,646
Sale of property plant and equipment (actual cash received)	2,879,655	6,414,701
Interest earned on fixed deposits	8,569,920	9,796,507
Investment in fixed deposits	(285,836)	15,849,534
Net cash used in investing activities	**(1,858,266,581)**	**(1,344,085,895)**
Cash flow from financing activities		
Lease payment related to finance lease	(3,702,928)	(3,298,519)
Term loan (long term borrowings)	-	-
Payment of dividend	(2,560,000,000)	(2,022,000,000)
Interest paid on Loans	-	-
Net cash used in financing activities	**(2,563,702,928)**	**(2,025,298,519)**
Net Increase/(decrease) in cash and cash equivalents	**(845,331,287)**	**(242,814,744)**
Cash and cash equivalents at the beginning of the financial year	1,813,654,319	2,056,469,063
Effect of exchange rate changes on cash and cash equivalents		
Closing cash and cash equivalents	968,323,032	1,813,654,319
Increase/(decrease) in cash and cash equivalents	**(845,331,287)**	**(242,814,744)**

Note:

1) The above Cash Flow Statement has been prepared in accordance with the "Indirect method" as set out in the BAS - 7 on "Cash Flows Statements"

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2) The amendments to the BAS 7 cash flows statement requires the entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and noncash changes, suggesting inclusion of a reconciliation between the opening and closing balances in the balance sheet for liabilities arising from financing activities, to meet the disclosure requirement. The required disclosure is made below:

Particulars	As of 1st January, 2023	Cash Outflow	Non-Cash	As at 31st December, 2023
Lease Liabilities* including current lease liability	19,941,574	6,648,849	2,072,773	28,663,197

*Including current lease liability

For **GSA & Associate LLP**
Chartered Accountants
Firm Registered No: **000257N/ N500339**

GSA & ASSOCIATES LLP Delhi CHARTERED ACCOUNTANTS

(Tanuj Chugh)
Partner
M. No. 529619

Place: New Delhi, India
Date: 2nd April, 2024

For and on behalf of the Board of Directors

Chairman

Chief Executive Officer
Place: Thimphu
Date: 2nd April 2024

Notes to the Standalone Financial Statements as at December 31, 2023.

Note: 2(a)(b)(c) Property, Plant and Equipment

Particulars	Gross Block				Accumulated Depreciation				Net Block	
	01.01.2023	Addition	Adjustment	31.12.2023	01.01.2023	Addition	Adjustment	31.12.2023	31.12.2023	31.12.2022
Note A: Tangible Assets:										
Buildings#	1,066,647,664	45,074,835	1,227,971	1,110,494,529	332,323,181	47,188,079	612,388	378,898,872	731,595,657	734,310,245
Tele equipment#	8,409,964,334	973,285,737	20,599,734	9,362,650,338	6,286,793,662	530,698,492	18,864,561	6,798,627,592	2,564,022,746	2,124,804,765
Office equipment#	125,536,658	19,370,711	17,080,667	127,826,702	92,368,651	11,445,596	16,066,357	87,747,890	40,078,812	33,166,787
Power system and cables#	2,850,335,940	399,423,945	26,271,523	3,223,488,362	1,759,438,216	223,722,861	20,508,711	1,962,652,366	1,260,835,995	1,090,639,580
Furniture and fixtures#	25,448,596	807,493	441,673	25,814,416	18,333,899	1,552,798	302,642	19,584,054	6,230,362	7,113,938
Vehicles#	119,529,168	2,806,073	404,104	121,931,137	87,393,667	12,596,880	404,097	99,586,450	22,344,687	32,170,176
Total (A)	**12,597,462,360**	**1,440,768,795**	**66,025,672**	**13,972,205,484**	**8,576,651,276**	**827,204,705**	**56,758,757**	**9,347,097,224**	**4,625,108,259**	**4,022,205,491**

Particulars				Gross Block				Accumulated Depreciation		Net Block
	01.01.2023	Addition	Adjustment	31.12.2023	01.01.2023	Addition	Adjustment	31.12.2023	31.12.2023	31.12.2022
Note B: Intangible Assets:										
Software applications#	3,364,938,284	419,303,759	127,616,452	3,656,625,591	2,418,753,365	323,702,943	126,685,925	2,615,770,383	1,040,855,207	945,345,973
Total (B)	**3,364,938,284**	**419,303,759**	**127,616,452**	**3,656,625,591**	**2,418,753,365**	**323,702,943**	**126,685,925**	**2,615,770,383**	**1,040,855,207**	**945,345,973**
Note C: Capital work in progress:		-	-	-	-		-	-	16,255,215	6,897,449

Note: for the details related to government grant and its amortization, refer note 15.

For **GSA & Associate LLP**
Chartered Accountants
Firm Registered No: **000257N/ N500339**

GSA & ASSOCIATES LLP * CHARTERED ACCOUNTANTS * Delhi

(Tanuj Chugh)
Partner
M. No. 529619

Place: New Delhi, India
Date: 2nd April, 2024

For and on behalf of the Board of Directors

Chairman
Place: Thimphu, Bhutan
Date: 2nd April 2024

Chief Executive Officer
Place: Thimphu, Bhutan
Date: 2nd April 2024

Note 3: Investments: Non-Current

Particulars	31st December, 2023	31st December, 2022
Investment in fixed deposits	1,000,000	4,000,000
Total	**1,000,000**	**4,000,000**

Note 4: Deferred Tax Assets (Net)

Particulars	31st December, 2023	31st December, 2022
Deferred tax assets		
Property, plant, and equipment	471,292,574	389,481,734
Provision for leave encashment	3,075,163	6,858,362
Lease Liability	8,598,959	-
Provision for doubtful debt	9,466,305	10,155,127
Provision for bonus	17,674,990	18,930,000
Deferred rent	3,877,789	-
Provision for Salary Indexation	-	1,488,000
Provision for separation allowance	2,189,365	2,307,019
Provision for carriage allowance	982,198	1,044,492
Provision for travel allowance	2,189,365	2,307,019
Total Deferred tax Asset	**519,346,708**	**432,571,754**
Deferred tax liability		
Right of Use Assets	7,367,794	-
Total Deferred tax Liability	**7,367,794**	-
Total	**511,978,915**	**432,571,754**

Note 5: Right of use of Assets

i) Set out below are the **carrying amounts of right-of-use-assets** recognised and the movements during the year.

Particulars	31st December,2023	31st December,2022
Right of use of Asset	39,974,600	25,546,864
Opening accumulated depreciation	(15,415,288)	(9,243,750)
Depreciation expenses during the year	3,943,711	1,514,873
Total	**24,559,313**	**16,303,114**

For Company as a lesses:

The Company has lease contracts for land in its operations. Leases of land are ranging from lease terms of three years to thirty years. The companies' obligations under its leases are secured by the lessor's title to the leases assets. Generally, the Company is restricted from assigning and sub leasing the leased assets. The Company also has certain leases with low value item like optic fiber, ADSS and tower sharing. The company applies lease of low-value assets recognition exemptions for these leases.

ii) Following are the amounts recognized in Profit or Loss;

Particulars.		
Depreciation expenses of right of use of asset	3,943,711	1,514,873
Interest expenses on lease liabilities	3,702,928	10,351,055
Total Amount recognised in Profit & Loss	**7,646,639**	**11,865,928**

iii) Total Cash outflow of lease

The total cash out flow at the end of the year is Nu. 11,278,384 (PY Nu 14,593,392)
Addition to the right of use assets during the year is Nu. 8,758,849 (PY Nu. 1,505,158)

iv) Extension and termination option

Extension and termination options are included in some of the leases executed by the Company. These are used to maximise operational flexibility in the terms of managing the assets used in company's operations. Generally, these options are exercisable mutually by both the lessor and the lessee.

There are restrictions imposed by the lease agreements. There are no contingent rents. The operating lease agreements are renewable on a periodic basis. Some of these agreements have price escalation clause.

v) Incremental borrowing rate of 8.5% to 12.73% p.a has been applied for measuring the lease liability.

vi) The Company has not sub-leased any property.

Maturity analysis of lease liabilities

Particulars	31st December, 2023	31st December, 2022
Lease liabilities (Discounted cash flows)		
Current	3,772,719	1,161,863
Non-Current	24,890,478	18,779,711

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Total	28,663,197	19,941,574
Maturity analysis-Contractual Undiscounted Cash Flows		
Particulars	**31st December, 2023**	**31st December, 2022**
Within one year	7,619,493	4,174,706
Later than one year but less than five years	22,727,920	16,105,472
Later than five years	74,707,778	59,907,388
Total	**105,055,191**	**80,187,566**

Company as a Lessor

The company has given certain properties on short term basis.

The total lease rental recognised as income during the year is Nu. 6,183,738 (PY Nu. 5,901,956)

Note 6: Investments: current

Particulars	31st December, 2023	31st December, 2022
Investment in short term deposits with FIs	4,000,000	1,000,000
Accrued income on investments	285,836	
Total	**4,285,836**	**1,000,000**

Note 7: Inventories

Particulars	31st December, 2023	31st December,2022
Inventory-Consumables	28,912,100	20,413,477
Inventory - Traded Goods	32,710,448	130,334,838
Inventories	**61,622,548**	**150,748,315**
Provision for Inventories	(13,597,150)	(7,986,249)
Total Inventories	**48,025,398**	**142,762,067**

Note 8: Trade receivables - current

Particulars	31st December, 2023	31st December,2022
Unsecured, considered good	123,832,507	114,299,459
Less: - Expected credit loss	(31,554,350)	(33,850,423)
Total	**92,278,158**	**80,449,036**

Note 9: Cash and bank balances

Particulars	31st December, 2023	31st December. 2022
Cash and Bank balance with regions	1,297,876	11,912,452
Balances lying with bank and current account	967,025,155	1,801,741,867
Total	**968,323,032**	**1,813,654,319**

Note 10: Other receivables

Particulars	31st December, 2023	31st December,2022
Security deposit – others	2,126,416	581,042
Other receivables - current		44,030,000
Total	**2,126,416**	**44,611,042**

Note 11: Other current assets

Particulars	31st December,2023	31st December,2022
Advance to suppliers	992,589	47,193,773
Advance to others	797,245	801,264
Prepaid expense	8,435,334	12,921,865
Total	**10,225,168**	**60,916,901**

Note 12: Asset held for distribution to owners

Particulars	31st December, 2023	31st December, 2022
Asset classified as held for distribution to owners	5,964,125	5,964,125
Total	**5,964,125**	**5,964,125**

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.

Assets held for distribution has been accounted for at cost as the management believes that the fair value of the land cannot be ascertained due to the fact that asset is already following under the land pooling policy of municipality of Phuntsholing.

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Note 13: Equity share capital

Particulars	31st December, 2023	31st December, 2022
Authorized equity share capital		
5,000,000 equity shares of Nu. 1000 each	**5,000,000,000**	**5,000,000,000**
Issued, subscribed and fully paid-up equity share capital	3,900,574,000	3,900,574,000
3,900,574 equity Shares of Nu. 1000 each.		
	3,900,574,000	**3,900,574,000**

(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 is entitled to receive dividends as and when declared by the company.

(ii) Details of shareholding of the company

Particulars	31st December, 2023		31st December, 2022	
	No. of Shares	% of holding	No. of Shares	% of holding
Druk Holdings & Investment Ltd.	3,900,574	100	3,900,574	100
Total	**3,900,574**	**100**	**3,900,574**	**100**

(iii) Reconciliation of number of shares

Particulars	31st December, 2023		31st December, 2022	
	No. of Shares	Amount	No. of Shares	Amount
Equity shares				
At the beginning of the year	3,900,574	3,900,574,000	4,000,000	4,000,000,000
Less: Land transfer adjustment with share capital			99,426	99,426,000
Outstanding at the end of the year	**3,900,574**	**3,900,574,000**	**3,900,574**	**3,900,574,000**

Note 14: Other equity

Particulars	31st December,2023	31st December,2022
Retained Earnings	2,087,050,594	2,220,093,126
Particulars	**31st December,2023**	**31st December,2022**
Opening balance	2,220,093,126	1,843,640,665
Less: Finance Lease opening adj.	-	(3,222,017)
Add: Profit for the year	2,431,568,847	2,309,253,11
Less: Land transferred adj. with share capital		(93,321,053)
Add: Other compressive income for the year	(4,611,380)	(10,006,619)
Less: Dividend for the year	(2,560,000,000)	(2,022,000,000)
Closing balance	**2,087,050,594**	**2,220,093,126**

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

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Note 15: Deferred government grants

Particulars	31st December, 2023	31st December, 2022
Grant from RGoB*	145,626,666	179,272,326
Grant from JICA**	223,556,569	306,591,817
Deferred government grants#	**369,183,234**	**485,864,143**

* Monitory grant received against investment in property, plant and equipment in rural areas. The same is treated as deferred income and is recognised in the statement of comprehensive income on a systematic or rational basis over the useful life of the assets.

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

Amortization of grant during the year is Nu. 116,680,909 (Y 2022: Nu. 107,930,855)

Note 16: Employee benefit obligation

Particulars	31st December, 2023	31st December, 2022
Provision for leave encashment	-	20,620,416
Provision for separation allowance	6,234,563	6,334,810
Provision for carriage allowance	2,667,703	2,762,145
Provision for travel allowance	6,234,563	6,334,810
Total	**15,136,829**	**36,052,181**

Note 17: Lease Liability – non current

Particulars	31st December, 2023	31st December, 2022
Lease liability – for details, refer note 5	24,890,478	18,779,711
Total	**24,890,478**	**18,779,711**

Note 18: Trade and other payables - current

Particulars	31st December, 2023	31stDecember, 2022
Sundry creditors - domestic	84,243,776	48,639,430
Sundry Creditors - international	18,394,341	47,219,723
Other payables	130,000	3,289,829
Total	**102,768,117**	**99,148,982**

Note 19: Other payables - current

Particulars	31st December, 2023	31stDecember, 2022
license payable	73,507,972	38,850,000
Security deposits - customer	3,390,799	3,330,799
Security deposits - vendor	10,992,017	16,467,801
Total	**87,890,788**	**58,648,600**

Note 20: Short term provision

Particulars	31st December,2023	31st December,2022
Income tax payable (Net of advance tax paid as on 31 December 2023 Nu. 2,496,004	517,383,023	522,881,609
Provision for bonus	58,916,634	63,100,000
Provision for salary indexation		4,960,000
Total	**576,299,656**	**590,941,609**

Note 21: Other current liabilities

Particulars	31st December,2023	31st December,2022
Contract liability*		
Advances from customer	673,200	918,000
Advance from post-paid customer	3,646,751	2,125,105
Liability for unearned income	151,755,216	131,425,002
Other deductions	153,282	2,650,000
Total	**156,228,449**	**137,118,107**

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

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Note 22: Employee Benefit Obligation-Current

Particulars	31stDecember,2023	31st December,2022
Provision for carriage allowance	606,291	866,959
Provision for separation allowance	1,063,320	1,355,261
Provision for travel allowance	1,063,320	1,355,261
Provision for gratuity	14,206,705	22,480,677
Provision for leave encashment	10,250,543	2,240,790
Total	**27,190,178**	**28,298,949**

Note 23: Lease Liability Current

Particulars	31stDecember,2023	31st December,2022
Lease Liability current – For details, refer note 5	3,772,719	1,161,863
Total	**3,772,719**	**1,161,863**

Note 24: Income from operations

Particulars	31stDecember,2023	31st December,2022
Revenue from contracts with customers - service revenue		
- Landline	41,695,903	53,457,377
- Mobile	5,389,230,902	5,104,190,043
- Internet	340,179,492	357,675,356
- Others	57,151,753	43,799,279
Total	**5,828,258,050**	**5,559,122,055**
Sale of products		
-Telecom products	180,714,949	207,406,809
Income from depository works.	17,034,690	22,570,784
Total	**6,026,007,689**	**5,789,109,478**

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

Particulars	31stDecember,2023	31st December,2022
Contract price	6,177,762,905	5,920,534,480
Adjustments for:		
Contract liabilities - Liability for unearned income	151,755,216	131,425,002
Revenue from operations	**6,026,007,689**	**5,789,109,478**
Timing of revenue recognition		
Particulars	**31stDecember,2023**	**31st December,2022**
Products and services transferred at a point in time	197,749,639	229,987,423
Products and services transferred over time	5,828,258,050	5,559,122,055
Total	**6,026,007,689**	**5,789,109,478**

Note 25: Other income

Particulars	31stDecember,2023	31st December,2022
Income from Fine & Penalty	9,411,117	7,215,823
Interest income from investments*	8,569,920	9,796,507
Income from AMC Service	248,575	248,575.00
Miscellaneous income	54,519,218	79,826,594
Total	**72,748,829**	**97,087,499**

Note 26: Network operating expenses

Particulars	31stDecember,2023	31st December,2022
Internet band-with & leased line charges	377,076,258	277,819,287
Power and fuel	53,978,924	61,685,964
Repair and maintenance	287,917,411	273,297,767
Others	14,275,318	12,343,382
Rent	4,629,535	6,670,895
Total	**737,877,446**	**631,817,295**

Note 27: Cost of trading goods

Particulars	31stDecember,2023	31st December,2022
Cost of trading goods	181,000,868	198,182,711
Total	**181,000,868**	**198,182,711**

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Note 28: Employee benefit expenses

Particulars	31stDecember, 2023	31st December, 2022
Salaries and bonus	339,493,507	342,323,392
Provident Fund Contribution	27,771,025	29,671,282
Expense on Gratuity	10,958,488	13,313,962
Staff welfare expenses	4,870,160	7,411,967
Others	8,971,179	3,723,171
Expense on Separation Allowance	761,695	1,074,560
Expense on Carriage Allowance	524,986	516,205
Expenses for Travel Allowance	791,929	1,074,560
Total	**394,142,967**	**399,109,097**

Note 29: Depreciation and amortization

Particulars	31st December, 2023	31st December, 2022
Depreciation*	831,148,416	742,899,712
Amortization*	207,022,035	212,476,454
Total	**1,038,170,450**	**955,376,166**
* Depreciation and amortization expense has been netted off with amortisation of government grant. For details, refer note 15.		

Note 30: Finance cost

Particulars	31st December, 2023	31st December, 2022
Interest expenses others	3,702,928	10,351,055
Bank charges	3,399,711	2,281,219
Total	**7,102,639**	**12,632,273**

Note 31: Other expenses

Particulars	31st December, 2023	31st December, 2022
Fines and penalty	388,500	70,000
Rates and taxes	104,419	132,091
Provision for loss allowance	-	11,044,596
Deposit work expenses	13,853,914	18,801,705
Communication (fax, mail, post)	105,944	3,007,430
Telecommunication Expenses BTL	3,256,508	1,483,411
Business promotion	3,777,962	9,279,746
Advertisement	1,264,200	1,881,264
Admin-Advertisement - BTL	340,575	-
Commission	171,889,365	182,235,420
Brand and management fees	42,853,225	38,349,668
Carriage outward and inward	2,385,611	1,985,009
Vehicle running expense - POL	12,477,771	14,961,757
Audit Fees	130,000	150,000
Audit expenses	77,720	50,230
Printing and stationery	972,000	725,038
Insurance	289,233	430,839
Gain/Loss on sale or retirement of asset	7,275,547	4,836,232
Professional fees	1,280,810	1,574,897
Charity and donation	1,065,307	27,145,035
Travel - Local	10,741,623	12,454,986
R&M building - service	7,070,997	6,390,361
R&M Building (Residential) - BTL	209,383	-
Repair and maintenance others	16,115,748	13,485,226
Provision for old inventories	10,954,283	
Other expenses	9,880,442	15,294,237
Total	**318,761,084**	**365,769,179**

Note 32: Tax expenses

Particulars	31st December, 2023	31st December, 2022
Deferred tax income	(77,430,855)	(39,807,744)
Deferred tax expense		
Corporate income tax paid	1,067,563,071	1,053,864,887
Tax expense related to prior period		
Total	**990,132,215**	**1,014,057,143**

Refer Note 34 for tax expense reconciliation

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Note 32A: Other Comprehensive Income

Particulars	31st December, 2023	31st December, 2022
Items that will not be reclassified subsequently to statement of comprehensive income.	-	-
Remeasurement (gains)/losses on defined benefit plans	6,587,685	10,006,619
Income tax relating to component for other comprehensive income	(1,976,306)	(3,001,986)
Total	**4,611,380**	**7,004,633**

Note 33: Earnings per share

Particulars	31st December, 2023	31st December, 2022
(a) Profit for the year attributable to equity holders of the company	2,431,568,857	2,309,253,111
(b) Weighted average number of equities shares outstanding for calculating earnings per share.	3,900,574	3,900,574
(c) Nominal value of Equity Share (in Nu.)	1,000	1,000
(d) Basic and diluted Earnings per Share (Nu.)	623.39	592.03

Note 34: Income tax expense

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

Particulars	31st December, 2023	31st December, 2022
(a) Income tax expense		
Current tax		
Current tax on profits for the year Current income tax charge for the year	1,067,563,071	1,053,864,887
Adjustment for current tax of prior periods	-	-
Total current tax expenses	**1,067,563,071**	**1,053,864,887**
Deferred tax		
Decrease (increase) in deferred tax assets	(86,774,955)	(39,807,744)
(Decrease) increase in deferred tax liabilities	7,367,794	-
Income tax recognized in Other comprehensive Income	1,976,306	3,001,986
Total deferred tax expense/(benefit)	**(77,430,855)**	**(36,805,759)**
Total	**990,132,215**	**1,017,059,128**

Particulars	31stDecember,2023	31stDecember,2022
Current tax expense recognised in profit or loss		
Current tax on profits for the year	1,067,563,071	1,053,864,887
Adjustment for current tax of earlier years		-
Total current tax expense (A)	**1,067,563,071**	**1,053,864,887**

Deferred tax expense recognised in profit or loss	31st December,2023	31st December,2022
Deferred taxes.		
Total deferred tax expense recognised in profit or loss (B)	(86,774,955)	(39,807,744)
Total deferred tax expense recognised in Other comprehensive income (c)	1,976,306	3,001,986
Total deferred tax for the year (B+C)	(84,798,649)	(36,805,759)
Total income tax expense recognized in profit & loss (A+B)	**980,788,116**	**1,014,057,142**
Total income tax recognized in Other comprehensive (c)	1,976,306	3,001,986
Total income tax expense (A+B+C)	**982,764,421**	**1,017,059,127**

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

Particulars	31st December, 2023	31st December, 2022
Profit before tax	3,421,701,063	3,323,310,255
Tax at the rate of 30% (December 31, 2022– 30%)	1,026,510,319	996,993,077
Effect of non-deductible expenses, exempt income and others	(43,745,897)	20,066,051
Adjustment for current tax of earlier years	-	-
Income tax expense reported in the Statement of Profit and Loss	**982,764,421**	**1,017,059,127**

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Accounting Policies and Notes to Accounts

Bhutan Telecom Limited

Notes to the financial statements as at December 31, 2023

Note 1:

Significant Accounting Policies:

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

The financial statements were approved and authorized for issue in accordance with the resolution of the Company's Board of Directors on 16th February, 2024.

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

1. Basis of Preparation:

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

a). Compliance with BAS/BFRS:

The financial statements of the Company have been prepared to comply with the Bhutanese Accounting Standards (BAS) 2020 including the relevant provisions of Companies Act of Bhutan,2016 further company has decided to adopt all the applicable Standards of BAS 2020.

b). Historical cost convention:

The financial statements have been prepared on a historical cost basis, except for long term employee obligations, which are based on actuarial valuations.

2. Use of estimates:

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

The areas involving critical estimates or judgments are:

(a) Estimation of defined benefit obligation - Note No. 39 to 43

(b) Estimation of useful life of Property plant and equipment/Intangible Asset - Note"2 (a& b)

(c) Income Taxes: Significant judgments are involved in determining the provision for income taxes, including amount expected to be paid/recovered for uncertain tax positions. - Note No. 34

(d) Recognition of deferred tax asset - Note No.35

(e) Estimation of Impairment of Trade Receivable- Note No. 38

(f) Estimation of Right of Use of Assets and lease liability – Note No. 5

3. Current and non-current Classification:

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

An asset is treated as current when:

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

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

All other assets are classified as non-current.

An entity shall classify a liability as current when:

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

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

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

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

4. Revenue recognition:

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

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

a). **Service revenue:**

Service revenues mainly pertain to usage, subscription and customer 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 operators for voice, data, messaging and signalling services.

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

The Company recognizes revenue from these services as they are provided. Revenue is recognized based on actual units of telecommunication services provided during the reporting period as a proportion of the total units of telecommunication services to be provided. Subscription charges are recognized over the subscription pack validity period. Customer on boarding revenue and associated

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cost is recognized upon successful on boarding of customer i.e. upfront. Revenues in excess of invoicing are classified as contract assets while invoicing / collection in excess of revenue are classified as contract liabilities.

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

b). Sale of Trading goods:

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

c). Interest income:

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

d). Rental income:

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

d). Other Claims:

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

5. Property, Plant and Equipment

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

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

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

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

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b). Subsequent costs:

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

c). Depreciation:

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

ii. Estimated useful life of Assets applied is as follows:

Asset type	**Useful life**
1. Land	NA
2. Building	
a. Permanent structure	50 yrs
b. Semi-permanent structure	15 yrs
c. Temporary structure	5 yrs
3. Tele-equipment	
a. Tower	30 yrs
b. Rest	7 yrs
4. Power systems & cable	
a. Air conditioner	5 yrs
b. Rest	10 yrs
5. Furniture	10 yrs
6. Office equipment	5 yrs
7. Vehicle	5 yrs
8. Software application	5 yrs
9. Lease	As per lease tenure

6. Capital work in progress:

Expenditure on material, labour, contract expenses and directly attributable cost such as employee costs and overheads, project management expenses incurred during construction period for executing the particular project are included in CWIP till these are capitalized. Indirect expenditures and overheads incurred is expensed off and are not capitalized. Work, which is still in progress relating to civil construction, is accounted for under capital work-in-progress after settling the project system in ERP Next 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.

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Subsequent Expenditure:

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

b). Amortization:

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

8. Leases:

Company as a lessor:

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

Lease Income:

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

Accounting for leases where the Company as a Lessee:

Accounting policies applied from 1st January, 2022

Leases are broadly categorized into Finance & Operating lease, based on the substance of lease agreement, all Finance leases are recognised as right-of-use ('ROU') asset and a corresponding liability at the date on which the leased asset is available for use by the Company (i.e. the commencement date). Contracts may contain both lease and non-lease components. The Company allocate the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

a. ROU assets

ROU assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs.

ROU assets that are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated as per the tenure of lease agreement, on a straight-line basis.

b. Lease Liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- Fixed payments (including in-substance fixed payments), less any lease incentive receivable;

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- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Company under residual value guarantees;
- The exercise price of a purchase and extension options if the Company is reasonably certain to exercise that option; and Payments of penalties for terminating the lease, if the lease term reflects the Company and exercising that option.

Since interest implicit rate cannot be readily determined, Company has used incremental borrowing rates offered by financial institutions in the Country. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment, terms and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

c. Remeasurement of lease liabilities

In determining the lease term, the Company consider all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Company has re-assess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Company and affects whether the Company is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in the remeasurement of the lease liabilities.

9. Government grants:

Grants from Government and Government agencies including non-monetary grants are recognized when there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. Grants related to income are recognized in the Statement of comprehensive income on a systematic basis over the periods in which the entity recognizes expenses and the related costs for which the grants are intended. The unallocated portion of such grant is presented as part of deferred income in the Statement of Financial Position. Government grants related to depreciable assets is treated as deferred income and are recognised in comprehensive income statement on a systematic basis over the useful life of assets. Government Grants related to assets are presented in the statement of financial position by setting up the grant as deferred income. Amount of depreciation on property, plant and equipment acquired through grant has been transferred to statement of comprehensive income by reducing depreciation expense. A government grant received or that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs shall be recognized in Statement of comprehensive income in the year it is received or becomes receivable. A government grant may take form of a transfer of a non-monetary asset, such as land or other resources, for the use of company. In these circumstances, the fair value of the non-monetary asset is assessed, and both the grant and asset are accounted for at that fair value.

10. Employee benefits:

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

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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. Measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur and presented in other comprehensive income.

c). Short Term Benefits:

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

d). Earned Leave Encashment:

As per the Company’s policy, the employees can have the option of either availing leave or encashing the earned leave within the same financial year. Out of the 30 days of earned leave accrued during the year, if employee avails leave during the year and has balance earned leave, the balance shall be encashed on pro rata basis. Unused casual leave shall be merged to earned leave at the financial year end for the purpose of encashment, however, shall not exceed 30 days (1 month’s basic pay). Accordingly, leave encashment expense is accounted for as short term employees benefit.

e). Other Long-Term Benefits:

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

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11. 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)."

12. 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 either accounting nor taxable profit or loss.

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

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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.

13. Provisions:

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 pretax 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.

14. 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.

15. 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.

16. Inventories:

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

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

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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.

17. 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.

18. 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.

19. Investments & other financial assets:

BFRS-9 Financial Instruments replaces BAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1st January 2022, bringing together all the aspects of the accounting for financial instruments: classification and measurement; impairment.

No material effect to the financial statement recognition and presentation for all periods presented, due to the adoption of BFRS 9, except for following changes in accounting policies.
For trade receivables and contract assets, the Company applies a simplified approach in calculating expected credit loss “ECL”.

a) Initial measurement:

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

Financial assets are measured at amortized cost if both the following conditions are met:

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

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

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

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

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

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

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

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

c. Impairment of financial assets:

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

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

d. De-recognition of financial assets:

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

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

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

When the company has transferred an asset, it evaluates whether it has substantially transferred all risks and rewards of ownership of the financial asset. In such cases, the financial asset is derecognized. When the company has not transferred substantially all the risks and rewards of ownership of a financial asset, the financial asset is not derecognised. When the company has neither

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transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is derecognised if the entity has not retained control of the financial asset. When the entity retains control of the financial asset, the asset is continued to be recognized to the extent of continuing involvement in the asset.

Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.
Investments in fixed deposits, Treasury Bills and Bonds are considered as low risk of default.

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.

20. Financial liabilities:

a) Initial recognition and measurement:

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

b) Subsequent measurement:

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

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

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. Gains or losses on liabilities held for trading are recognised in the profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in BFRS 9 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk are recognized in OCI. These gains/ losses are not subsequently transferred to P&L. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the Statement of comprehensive income. The Company has not designated any financial liability as at fair value through profit and loss.

ii. Embedded derivatives:

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract - with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative cause some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the

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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.

iii. 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.

21. 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.

22. 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.

23. Trade & other receivables:

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

24. Trade & 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.

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25. Assets held for sale:

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

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

26. 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 35: Deferred Tax Assets / Liabilities

Particulars	Property, plant and equipment	Provision for Leave Encashmet	Provision for doubtful debt	Provision for bonus	Provision for old inventories	Provision for separation allowance	Provision for carriage charges	provision for travel allowance	Provision for Salary Indexation	Right of use	Lease Liability	Deferred liability on account of license fees	Total
At 1st January 2022	**352,942,378**	**7,191,165**	**10,501,089**	**13,486,462**		**2,493,032**	**1,124,758**	**2,493,032**	**1,800,000**			**-2,445,290**	**389,762,024**
Charged/(credited):													
- to profit or loss	36,539,356	(332,803)	(345,962)	5,443,538	-	(186,013)	(80,266.14)	(186,013)	(312,000)			2,445,290	42,985,128
- to other comprehensive income	-	-	-	-	-	-	-	-	-				-
At 31st December 2022	**389,481,734**	**6,858,362**	**10,155,127**	**18,930,000**	**-**	**2,307,019**	**1,044,492**	**2,307,019**	**1,488,000**				**432,571,754**
Charged/(credited):	-	-	-	-	-	-	-	-	-				-
- to profit or loss	81,810,839	(3,783,199)	(688,822)	(1,255,010)	3,877,789	(117,654)	(62,294.00)	(117,654)	(1,488,000)	(7,367,794)	8,598,959		79,407,161
- to other comprehensive income	-	-	-	-	-	-	-	-	-				-
At 31st December 2023	**471,292,574**	**3,075,163**	**9,466,305**	**17,674,990**	**3,877,789**	**2,189,365**	**982,198**	**2,189,365**	**-**	**(7,367,794)**	**8,598,959**		**511,978,915**

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Note 36: Fair value measurements

Financial instruments by category		
Particulars	**31 December, 2023**	**31 December,2022**
	Amortised cost	
Financial assets		
Investment in fixed deposits	5,000,000	5,000,000
Accrued income on investments	285,836	-
Trade receivables	92,278,158	80,449,036
Cash and cash equivalent	968,323,032	1,813,654,319
Security deposits	2,126,416	581,042
Other Receivables		44,030,000
Total financial assets	**1,068,013,441**	**1,943,714,393**
Financial liabilities		
Sundry creditors	102,638,117	95,859,153
Other payables	130,000	3,289,829
license fee payable	73,507,972	38,850,000
Security deposits	14,382,816	19,798,600
Provision for bonus	58,916,634	16,467,801
Lease Liabilities	28,663,197	19,941,574
Total financial liabilities	**278,238,736**	**194,206,957**

i) Fair value hierarchy

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

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

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

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

Note: a) There have been no transfers between Level 1 and Level 2 for the years ended 31 December 2023, and 31 December 2022.

(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.

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

Particulars	31st December, 2023		31st December, 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Investment in fixed deposits	5,285,836	5,285,836	5,000,000	5,000,000
Security deposit	14,382,816	14,382,816	19,798,600	19,798,600
Total financial assets	**19,668,652**	**19,668,652**	**24,798,600**	**24,798,600**
Financial liabilities				
Long term loan	-	-	-	-
Total financial liabilities	-	-	-	-

(a) Fair value of borrowings in table above is estimated by discounting expected future cash flows.

(b) The management assessed that the fair values of remaining financial assets and liabilities at amortised cost approximate to their carrying amounts largely due to the short-term maturities of these instruments.

(c) Management uses its best judgement in estimating the fair value of its financial instruments. However, there are inherent limitations in any estimation technique. Therefore, for substantially all financial instruments, the fair value estimates presented above are not necessarily indicative of the amounts that the Company could have realised or paid in sale transactions as of respective dates. As such, fair value of financial instruments subsequent to the reporting dates may be different from the amounts reported at each reporting date.

Note 37: 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 equity.

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.

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(b) Dividends Paid and Proposed

Particulars	2024	2023	2022
(i) Equity shares Final dividend for the year	2,427,000,000	2,560,000,000	2,022,000,000
(ii) Dividends not recognised at the end of the reporting period The Board has in their meeeting dated February 16, 2024, the board proposed dividend of Nu. 2,427 million which is subject to approval by the shareholders in the upcoming annual general meeting		2,427,000,000	

Note 38: Financial Risk Management

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

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

Risk	Exposure Arising	Measurement	Management
Credit risk	Cash and cash equivalents, trade receivables, financial assets measured at amortised cost.	Ageing 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	Recognised 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.

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(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 organisation to ensure proper attention and focus for realisation.

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

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

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

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

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

Particulars	Less than 180 days	More than 180 days	Total
Trade receivables as at 31.12.2023 (gross) Less: Loss allowance	87,003,880 (22,088,045)	36,828,627 (9,466,305)	123,832,507 (31,554,350)
Trade receivables as at 31 12. 2023 (gross)	**64,915,835**	**27,362,322**	**92,278,158**
Particulars	**Less than 180 days**	**More than 180 days**	**Total**
Trade receivables as at 31.12.2022 (gross). Less: Loss allowance	91,681,405 (5,763,437)	32,200,516 (28,427,402)	123,881,921 (34,190,839)
Trade receivables as at 31.12.2022 (gross)	**85,917,968**	**3,773,114**	**89,691,083**

The Company performs on-going credit evaluations of its customers' financial condition and monitors the credit-worthiness of its customers to which it grants credit in its ordinary course of business. The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there

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is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amount due. Where the financial asset has been written-off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit and loss.

Financial Instruments and Cash Deposits

Credit risk from balances with banks and financial institutions is managed by the Company's finance division in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Companies' Board of Directors on an annual basis. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty's potential failure to make payments. None of the company's cash equivalents with banks, deposits and other receivables were past due or impaired as at 31st December 2023.

(i) Credit Risk Management

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

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

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

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

(B) Liquidity Risk

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

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

(i) Maturities of financial liabilities

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

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

Contractual Maturities of Financial Liabilities:

Particulars	Less than 1 year	More than 1 year	Total
31 December,2023			
License fee payable	73,507,972	-	73,507,972
Sundry creditors	102,638,117	-	102,638,117
Other payables	130,000	-	130,000
Provision for Bonus	58,916,634	-	58,916,634
Security deposits	14,382,816	-	14,382,816
Lease liabilities	3,772,719	24,890,478	28,663,197
Total non-derivative liabilities	**253,348,258**	**24,890,478**	**278,238,736**
31 December,2022			
License fee payable	38,850,000	-	38,850,000
Sundry creditors	100,650,185	-	100,650,185
Other payables	2,650,000	-	2,650,000
Provision for Bonus	63,100,000	-	63,100,000
Security deposits	19,798,600	-	19,798,600
Lease Liabilities	1,161,863	18,779,711	19,941,574
Total Non-Derivative Liabilities	**226,210,648**	**18,779,711**	**244,990,359**

(C) Market Risk

(i) Foreign Currency Risk

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

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

Particulars	31st December, 2023	31st December, 2022
	USD	USD
Financial assets	237,014	110,309
Financial liabilities	58,909	171,507
Net exposure to foreign currency risk	178,105	(61,197)

Particulars	31st December, 2023	31st December, 2022
	Euro	Euro
Financial assets	537	637
Financial liabilities	-	
Net exposure to foreign currency risk	537	637

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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	
		31st December, 2023	31st December, 2022
USD sensitivity			
Appreciation in Nu. *	5%	8,905	(3,060)
Deprecation in Nu. *	-5%	(8,905)	3,060
EURO sensitivity			
Appreciation in Nu. *	5%	26.85	31.85
Deprecation in Nu. *	-5%	(26.85)	(31.85)

* Holding all other variables constant

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

(ii) Interest Rate Risk

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

(iii) Price Risk

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

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

Note 39: Disclosure as per BAS 19, 'Employees Benefit' as regards defined benefit scheme (Gratuity)

A	Change in Defined Benefit Obligation (DBO)	31-Dec-2023	31-Dec-2022
1	DBO at end of prior period	232,341,245	235,275,713
2	Current service cost	12,808,473	12,953,022
3	Interest cost on the DBO	17,450,739	17,327,008
4	Add: Past service cost	(2,749,212)	-
5	Actuarial (gain)/loss – experience	(2,341,350)	4,161,719
6	Benefits paid from plan assets	(28,414,022)	(37,376,218)
7	**DBO at end of current period**	**229,095,871**	**232,341,245**
B	**Statement of Profit & Loss**	**31-Dec-2023**	**31-Dec-2022**
1	Current service cost	12,808,473	12,953,022
2	Past service cost - plan amendments	(2,749,213)	-
3	Service cost	10,059,261	12,953,022
4	Net interest on net defined benefit liability / (asset)	17,450,739	17,327,008
5	Less: Expected interest on plan asset	(16,551,512)	(16,966,069)
6	**Cost recognized in P&L**	**10,958,488**	**13,313,962**

C	Defined Benefit Cost	31-Dec-2023	31-Dec-2022
1	Service cost	10,958,488	13,313,962
2	Actuarial (gains)/ losses recognized in OCI	3,248,217	9,166,715
3	**Defined Benefit Cost**	**14,206,705**	**22,480,677**

D	Development of Net Financial Position	31-Dec-2023	31-Dec-2022
1	Defined Benefit Obligation (DBO)**	229,095,871	232,341,245
2	Fair Value of Plan Assets (FVA)	214,889,167	209,860,569
3	Funded Status (Surplus/(Deficit))	(14,206,704)	(22,480,676)
4	**Net Defined Benefit Liability**	**(14,206,704)**	**(22,480,676)**

E	Reconciliation of Net Balance Sheet Position	31-Dec-2023	31-Dec-2022
1	Net defined benefit asset/ (liability) at end of prior period	232,341,245	235,275,713
2	Service cost	12,808,473	12,953,022
	Add: Past service cost	(2,749,213)	
3	Net interest on net defined benefit liability/ (asset)	17,450,739	17,327,008
4	Actuarial (gain) or losses due to experience adjustment	(2,341,350)	4,161,719
5	Benefit paid directly by the Company	(28,414,022)	(37,376,218)
6	**Net defined benefit liability at end of current period**	**229,095,870**	**232,341,244**

F	Other Comprehensive Income (OCI)	31-Dec-2023	31-Dec-2022
1	Actuarial (gain)/loss due to liability experience	(2,341,350)	4,161,719
2	Actuarial (gain)/loss arising during period	(2,341,350)	4,161,719
3	Return on plan assets (greater)/less than discount rate	5,589,568	5,004,996
4	Actuarial (gains)/ losses recognized in OCI	3,248,217	9,166,715
5	**Expense recognized as OCI**	**3,248,217**	**9,166,715**
	Actuarial (Gain) or Loss Recognized via OCI at Current Period End		

G	Reconciliation of changes in Fair Value of Plan Asset	31-Dec-2023	31-Dec-2022
1	Fair value at the beginning of the year	209,860,569	226,252,229
2	Contribution paid into the plan	22,480,677	9,023,485
3	Return on plan assets	16,551,512	16,966,069
4	Benefits paid from the plan	(28,414,022)	(37,376,218)
5	Return on plan assets greater or (less) than discount rate	(5,589,568)	(5,004,996)
6	**Fair value at the end of period**	**214,889,166**	**209,860,569**

H	Expected benefit payments for the year ending	31-Dec-2023	31-Dec-2022
1	Less than a year	36,193,411	-
2	Between 1 - 2 years	31,884,610	-
3	Between 2 - 5 years	97,724,310	-
4	Over 5 years	576,215,218	-

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I	Expected benefit payments for the year ending	31-Dec-2023
1	December 31,2024	36,193,411
2	December 31,2025	31,884,610
3	December 31,2026	35,480,389
4	December 31,2027	29,655,675
5	December 31,2028	32,588,246
6	December 31, 2029 to December 31, 2033	146,845,907
7	December 31, 2034 to December 31, 2043	429,369,312

(i)	**Expected employer contributions for the period ending 31st December, 2023**	**Not Applicable**
(ii)	**Weighted average duration of defined benefit obligation**	**12.55 years**
(iii)	**Significant estimates: actuarial assumptions and sensitivity**	

	Sensitivity Analysis	
a	**Discount Rate**	**31-Dec-2023**
	Discount Rate as at 31 December 2023	0.50%
D1	Effect on DBO due to 0.5% increase in Discount Rate	(7,461,473)
2	Effect on DBO due to 0.5% decrease in Discount Rate	7,948,974
b	**Salary Escalation rate**	**31-Dec-2023**
	Salary Escalation rate as at 31 December 2023	0.50%
1	Effect on DBO due to 0.5% increase in Salary escalation rate	8,530,265
2	Effect on DBO due to 0.5% decrease in Salary escalation rate	(8,079,590)
C	**Employer turnover rate**	**31-Dec-2023**
	Employee turnover rate as at 31 December 2023	0.50%
1	Effect on DBO due to 0.5% increase in Salary escalation rate	(2,204,461.03)
2	Effect on DBO due to 0.5% decrease in Salary escalation rate	2,334,390.26

(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.

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2. Salary growth risk

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

3. Employee turnover risk

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

4. Demographic risk

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

5. Regulatory risk

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

6. Liquidity risk

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

7. Investment risk

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

8. Asset-liability mismatch risk

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

Note 40: Disclosure as per BAS 19, 'Employees Benefit' as regards defined benefit scheme (Leave Encashment)

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

A	**Change in Defined Benefit Obligation (DBO)**	**31-Dec-2023**	**31-Dec-2022**
1	DBO at end of prior period	-	23,970,549
2	Current service cost	-	(1,109,343)
3	Interest cost on the DBO	-	1,176,962
8	Actuarial (gain)/loss – experience	-	17,340,079
9	Actuarial (gain)/loss - demographic assumptions	-	
10	Actuarial (gain)/loss - financial assumptions	-	-
11	Benefits paid directly by the Company	-	(18,517,042)
13	**DBO at end of current period**	**-**	**22,861,206**
B	**Statement of Profit & Loss**	**31-Dec-2023**	**31-Dec-2022**

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1	Current service cost	-	(1,109,343)
2	Past service cost	-	
3	Loss or (Gain) on settlement		
4	Interest on DBO	-	1,176,962
6	Net interest on net defined benefit liability / (asset)		
7	Immediate recognition of (gains)/losses – other long term employee benefit plans	-	17,340,079
8	**Cost recognized in P&L**	**-**	**17,407,699**
C	**Other Comprehensive Income (OCI)**	**31-Dec-2023**	**31-Dec-2022**
1	Actuarial (gain)/loss due to experience adjustments	-	17,340,079
2	Immediate recognition of (gains)/losses – other long term employee benefit.	-	17,340,079
	Actuarial (Gain) or Loss Recognized via OCI at Current Period End		
D	**Development of Net Financial Position**	**31-Dec-2023**	**31-Dec-2022**
	Defined Benefit Obligation (DBO)**	-	22,861,206
	Fair Value of Plan Assets (FVA)	-	-
	Funded Status (Surplus/(Deficit))	-	(22,861,206)
	Net Defined Benefit Liability	**-**	**(22,861,206)**

E	**Reconciliation of Net Balance Sheet Position**	**31-Dec-2023**	**31-Dec-2022**
1	Net defined benefit asset/ (liability) at end of prior period	-	23,970,549
2	Service cost	-	(1,109,343)
	Add: Past service cost	-	
3	Net interest on net defined benefit liability/ (asset)	-	1,176,962
4	Actuarial gain/loss due to experience	-	17,340,079
5	Amount recognized in Profit & Loss		
6	Employer contributions		
7	Benefit paid directly by the Company	-	(18,517,042)
8	Acquisitions credit/ (cost)		
10	**Net defined benefit liability at end of current period**	**-**	**22,861,206**

Particulars	**31-Dec-2023**	**31-Dec-2022**
Present value obligation at the end of the year towards compensated absences** **Excluding earned leave on contract labour	-	22,861,206

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

A	Change in Defined Benefit Obligation (DBO)	31-Dec-2023	31-Dec-2022
1	DBO at end of prior period	3,629,104	3,896,658
2	Current service cost	238,915	246,192
3	Interest cost on the DBO	232,872	270,012
4	Actuarial (gain)/loss – experience	(157,096)	-
5	Actuarial (gain)/loss - financial assumptions	766,617	259,247
6	Benefits paid directly by the Company	(1,436,418)	(1,043,006)
	DBO at end of current period	**3,273,994**	**3,629,104**
B	**Statement of Profit & Loss**	**31-Dec-2023**	**31-Dec-2022**
1	Current service cost	238,915	246,192
	Past Service Cost	(157,096)	
2	Service cost	81,819	246,192
3	Net interest on net defined benefit liability / (asset)	232,872	270,012
	Cost recognized in P&L	**314,691**	**516,205**
C	**Defined Benefit Cost**	**31-Dec-2023**	**31-Dec-2022**
1	Expenses recognise in profit or loss	314,691	516,205
2	Expenses recognise in other comprehensive income	766,617	259,247
	Defined Benefit Cost	**1,081,307**	**775,452**
D	**Development of Net Financial Position**	**31-Dec-2023**	**31-Dec-2022**
1	Defined Benefit Obligation (DBO)**	(3,273,994)	(3,629,104)
2	Fair Value of Plan Assets (FVA)	-	-
3	Funded Status (Surplus/(Deficit))	(3,273,994)	(3,629,104)
	Net Defined Benefit Liability	**(3,273,994)**	**(3,629,104)**
E	**Reconciliation of Net Balance Sheet Position**	**31-Dec-2023**	**31-Dec-2022**
1	Net defined benefit asset/ (liability) at end of prior period	3,629,104.21	3,896,658
2	Service cost	238,915	246,192
3	Past Service Cost	(157,096)	
4	Net interest on net defined benefit liability/ (asset)	232,872	270,012
5	Amount recognized in OCI	766,617	259,247
6	Benefit paid directly by the Company	(1,436,418)	(1,043,006)
	Net defined benefit liability at end of current period	**3,273,994**	**3,629,104**
F	**Other Comprehensive Income (OCI)**	**31-Dec-2023**	**31-Dec-2022**
1	Actuarial (gain)/loss due to liability experience	766,617	259,247
2	Actuarial (gain)/loss due to liability assumption changes	-	-
3	Actuarial (gain)/loss arising during period	766,617	259,247
4	Return on plan assets (greater)/less than discount rate	-	-
5	Actuarial (gains)/ losses recognized in OCI	766,617	259,247
6	Adjustment for limit on net asset	-	-
	Actuarial (Gain) or Loss Recognized via OCI at Current Period End	**766,617**	**259,247**

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G	Expected benefit payments for the year ending	31-Dec-2023
1	December 31,2024	654,794
2	December 31,2025	705,145
3	December 31,2026	799,089
4	December 31,2027	648,656
5	December 31,2028	668,645
6	December 31, 2029 to December 31, 2033	3,087,726
7	December 31, 2034 to December 31, 2043	6,101,311

i. Expected employer contributions for the period ending 31 December 2023

ii. Weighted average duration of defined benefit obligation 9.09 years

iii. Significant estimates: actuarial assumptions and sensitivity

a	Discount Rate		31-Dec-2023
	Discount Rate	0.5% Base Rate (0.5%)	(96,701) Base Rate 102,594
	Salary Growth Rate	0.5% Base Rate (0.5%)	114,165 Base Rate (108,435)
	Employee Turnover rate	0.5% Base Rate (0.5%)	17,413 Base Rate (18,025)

iv. Risk Exposures

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

1. Discount Rate Risk

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

2. Increase in Cost of Transportation Risk

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

3. Employee Turnover Risk

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

4. Demographic Risk

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

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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 honor the Carriage Allowance payments in the short-run due to liquidity constraints.

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

A	Change in Defined Benefit Obligation (DBO)	31-Dec-2023	31-Dec-2022
1	DBO at end of prior period	7,690,071	8,310,113
2	Current service cost	475,804	489,148
3	Interest cost on the DBO	517,593)	585,412
4	Past service cost	(231,703)	
5	Actuarial (gain)/loss - experience	1,286,426	290,328
6	Benefits paid directly by the Company	(2,440,308)	(1,984,930)
	DBO at end of current period	**7,297,883**	**7,690,071**
B	**Statement of Profit & Loss**	**31-Dec-2023**	**31-Dec-2022**
1	Current service cost	475,804	489,147
2	Past service cost-plan amendments	(231,702)	489,148
3	Service Cost	244,101	
4	Net interest on net defined benefit liability / (asset)	517,593	585,412
	Cost recognized in P&L	**761,695**	**1,074,560**
C	**Defined Benefit Cost**	**31-Dec-2023**	**31-Dec-2022**
1	Service cost	761,695	489,148
2	Net interest on net defined benefit liability / (asset)		585,412
3	Actuarial (gains)/ losses recognized in OCI	1,286,426	290,328
4	Immediate recognition of (gains)/losses – other long term employee benefit plans	-	-
	Defined Benefit Cost	**2,048,120**	**1,364,888**

D	Development of Net Financial Position	31-Dec-2023	31-Dec-2022
1	Defined Benefit Obligation (DBO)**	7,297,883	(7,690,071)
2	Fair Value of Plan Assets (FVA)	-	-
3	Funded Status (Surplus/(Deficit))	(7,297,883)	(7,690,071)
4	**Net Defined Benefit Liability**	**(7,297,883)**	**(7,690,071)**
E	**Reconciliation of Net Balance Sheet Position**	**31-Dec-2023**	**31-Dec-2022**
1	Net defined benefit asset/ (liability) at end of prior period	7,297,883	8,310,113
2	Service cost	475,804	489,148

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	Pass Service Cost	(231,703)	
3	Net interest on net defined benefit liability/ (asset)	517,593	585,412
4	Amount recognized in OCI	1,286,426	290,328
5	Benefit paid directly by the Company	(2,440,308)	(1,984,930)
6	Actuarial (gain) or losses due to change in financial assumptions	-	-
10	**Net defined benefit liability at end of current period**	**6,905,695**	**7,690,071**
F	**Other Comprehensive Income (OCI)**	**31-Dec-2023**	**31-Dec-2022**
1	Actuarial (gain)/loss due to liability experience	1,286,426	290,328
2	Actuarial (gain)/loss due to liability assumption changes	-	-
3	Actuarial (gain)/loss arising during period	1,286,426	290,328
4	Return on plan assets (greater)/less than discount rate	-	-
5	Actuarial (gains)/ losses recognized in OCI	1,286,426	290,328
6	Adjustment for limit on net asset	-	-
	Actuarial (Gain) or Loss Recognized via OCI at Current Period End	**1,286,426**	**290,328**

G	**Expected benefit payments for the year ending**	**31-Dec-2023**
	December 31,2024	1,148,385
	December 31,2025	1,247,560
	December 31,2026	1,432,281
	December 31,2027	1,243,792
	December 31,2028	1,340,431
	December 31, 2029 to December 31, 2033	5,960,249
	December 31, 2034 to December 31, 2043	14,628,897

i. Expected employer contributions for the period ending 31 December 2023

ii. Weighted average duration of defined benefit obligation 10.34 years

iii. Significant estimates: actuarial assumptions and sensitivity

a	**Discount Rate**	**31-Dec-2023**
	Discount Rate as at 31 December 2023	**0.50%**
	Effect on DBO due to 0.5% increase in Discount Rate	(238,875)
	Effect on DBO due to 0.5% decrease in Discount Rate	254,149
b	**Salary Escalation rate**	**31-Dec-2023**
	Salary Escalation rate as at 31 December 2023	**0.05%**
	Effect on DBO due to 0.5% increase in Salary escalation rate	272,264
	Effect on DBO due to 0.5% decrease in Salary escalation rate	(258,169)
d	**Salary Escalation rate**	**31-Dec-2023**
	Salary Escalation rate as at 31 December 2023	**0.05%**
	Effect on DBO due to 0.5% increase in Salary escalation rate	(10,308)
	Effect on DBO due to 0.5% decrease in Salary escalation rate	11,473

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iv. Risk Exposures

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

1. Discount Rate Risk

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

2. Salary Growth Risk

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

3. Employee Turnover Risk

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

4. Demographic Risk

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

5. Regulatory Risk

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

6. Liquidity Risk

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

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

A	Change in Defined Benefit Obligation (DBO)	31-Dec-2023	31-Dec-2022
1	DBO at end of prior period	7,690,071	8,310,113
2	Current service cost	475,804	489,148
3	Interest cost on the DBO	517,593)	585,412
4	Past service cost	(231,703)	
5	Actuarial (gain)/loss - experience	1,286,426	290,328
6	Benefits paid directly by the Company	(2,440,308)	(1,984,930)
	DBO at end of current period	**7,297,883**	**7,690,071**
B	**Statement of Profit & Loss**	**31-Dec-2023**	**31-Dec-2022**
1	Current service cost	475,804.11	489,148
2	Past service cost - plan amendments	(231,702)	

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3	Service Cost	244,101	489,148
4	Net interest on net defined benefit liability / (asset)	517,593	585,412
	Cost recognized in P&L	**761,695**	**1,074,560**
C	**Defined Benefit Cost**	**31-Dec-2023**	**31-Dec-2022**
1	Service cost	761,695	489,148
2	Net interest on net defined benefit liability / (asset)		585,412
3	Actuarial (gains)/ losses recognized in OCI	1,286,426	290,328
4	Immediate recognition of (gains)/losses – other long term employee benefit plans	-	-
	Defined Benefit Cost	**2,048,120**	**1,364,888**
D	**Development of Net Financial Position**	**31-Dec-2023**	**31-Dec-2022**
1	Defined Benefit Obligation (DBO)**	7,297,883	(7,690,071)
2	Fair Value of Plan Assets (FVA)	-	-
3	Funded Status (Surplus/(Deficit))	(7,297,883)	(7,690,071)
4	**Net Defined Benefit Liability**	**(7,297,883)**	**(7,690,071)**
E	**Reconciliation of Net Balance Sheet Position**	**31-Dec-2023**	**31-Dec-2022**
1	Net defined benefit asset/ (liability) at end of prior period	7,297,883	8,310,113
2	Service cost	475,804	489,148
	Pass Service Cost	(231,703)	
3	Net interest on net defined benefit liability/ (asset)	517,593	585,412
4	Amount recognized in OCI	1,286,426	290,328
5	Benefit paid directly by the Company	(2,440,308)	(1,984,930)
6	Actuarial (gain) or losses due to change in financial assumptions	-	-
10	**Net defined benefit liability at end of current period**	**6,905,695**	**7,690,071**
F	**Other Comprehensive Income (OCI)**	**31-Dec-2023**	**31-Dec-2022**
1	Actuarial (gain)/loss due to liability experience	1,286,426	290,328
2	Actuarial (gain)/loss due to liability assumption changes	-	-
3	Actuarial (gain)/loss arising during period	1,286,426	290,328
4	Return on plan assets (greater)/less than discount rate	-	-
5	Actuarial (gains)/ losses recognized in OCI	1,286,426	290,328
6	Adjustment for limit on net asset	-	-
	Actuarial (Gain) or Loss Recognized via OCI at Current Period End	**1,286,426**	**290,328**

G	**Expected benefit payments for the year ending**	**31-Dec-2023**
	December 31,2024	1,148,385
	December 31,2025	1,247,560
	December 31,2026	1,432,281
	December 31,2027	1,243,792
	December 31,2028	1,340,431
	December 31, 2029 to December 31, 2033	5,960,249
	December 31, 2034 to December 31, 2043	14,628,897

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i. Expected employer contributions for the period ending 31 December 2023

ii. Weighted average duration of defined benefit obligation 10.34 years

iii. Significant estimates: actuarial assumptions and sensitivity

a	Discount Rate	31-Dec-2023
	Discount Rate as at 31 December 2023	**0.50%**
	Effect on DBO due to 0.5% increase in Discount Rate	(238,875)
	Effect on DBO due to 0.5% decrease in Discount Rate	254,149
b	**Salary Escalation rate**	**31-Dec-2023**
	Salary Escalation rate as at 31 December 2023	**0.05%**
	Effect on DBO due to 0.5% increase in Salary escalation rate	272,264
	Effect on DBO due to 0.5% decrease in Salary escalation rate	(258,169)
d	**Salary Escalation rate**	**31-Dec-2023**
	Salary Escalation rate as at 31 December 2023	**0.05%**
	Effect on DBO due to 0.5% increase in Salary escalation rate	(10,308)
	Effect on DBO due to 0.5% decrease in Salary escalation rate	11,473

(iv) Risk Exposures

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

1. Discount Rate Risk

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

2. Salary Growth Risk

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

3. Employee Turnover Risk

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

4. Demographic Risk

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

5. Regulatory Risk

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

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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: 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	Dasho Nim Dorji	Present
Director	Dasho Tashi Wangmo	Present
Director	Mr. Chencho T. Namgay	Present
Director	Dr. Lam Dorji	Present
Director	Mr. Tshewang C. Dorji	Present
Director	Mr. Kado Zangpo	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 Ltd	BPC
Subsidiary of Holding Company	Drukair Corporation Ltd	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	State Mining Corporation Ltd	SMCL
Subsidiary of Holding Company	Koufuku International Private Ltd	KIPL
Subsidiary of Holding Company	MenjongSorig, Pharmaceuticals Corporation Ltd	MSPCL
Controlled Company of Holding Company	Bank of Bhutan Ltd	BOBL
Controlled Company of Holding Company	Dungsam Polymers Ltd	DPL
Controlled Company of Holding Company	State Trading Corporation of Bhutan Ltd	STCBL
Linked Company of Holding Company	Bhutan Board Product Ltd	BBPL
Linked Company of Holding Company	Penden Cement Authority Ltd	PCAL

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a) Transactions with related parties during the year: Government Agencies		
Nature of relationship	**Name of entity**	**Acronym used**
Government Agencies	Ministry of Education & Skills Development	MoESD
Government Agencies	Ministry of Agriculture & Live Stock	MoAL
Government Agencies	Ministry of Energy & Natural Resources	MoENR
Government Agencies	Ministry of Foreign Affairs & External Trade	MoFAET
Government Agencies	Ministry of Finance	MoF
Government Agencies	Ministry of Home Affairs	MoHA
Government Agencies	Ministry of Health	MoH
Government Agencies	Ministry of Industry, Commerce & Employment	MoICE
Government Agencies	Ministry of Infrastructure & Transport	MoIT

i. Board sitting fee paid to Board Directors

		Sitting Fee	
Name of Board of Directors	**Particulars**	**2023**	**2022**
Dasho Nim Dorji	Chairperson	68,000	80,000
Dasho Tashi Wangmo	Director	72,000	76,000
Mr. Chencho T. Namgay	Director	100,000	160,000
Dr. Lam Dorji	Director	76,000	84,000
Mr. Tshewang C. Dorji	Director	76,000	76,000
Mr. Kado Zangpo	Director	64,000	68,000
		456,000	**632,000**

ii. Chief Executive Officer's remuneration:

Name	Particulars	2023	2022
Mr. Karma Jurme (Present)	Salary	3,046,916	2,842,800
	Leave travel concession	15,000	15,000
	Leave Encashment	285,613	118,450
	Salary Arrears	66,060	-
	Bonus and PBVA	578,178	346,350
	Contribution to superannuation fund	219,708	213,216
	Sitting fee	108,000	160,000
	Total	**4,319,475**	**3,581,516**

iii. Intergroup transaction with the DOC companies:					
GROUP GL CODE	**GCOA Ledger**	**Entity**	**Inter CO ID**	**2023.DEC**	**Amount**
3109010627	Electricity Charges - paid to DHI Group companies	BTL	I_BPC	2023.DEC	48,049,750.00
3109010616	Rental Expenses paid to DHI Group Companies	BTL	I_BPC	2023.DEC	4,678,083.93
1213040001	Cables and Power System	BTL	I_BPC	2023.DEC	17,034,690.12
2103060302	Intragroup deposits received	BTL	I_BPC	2023.DEC	(1,616,254.76)
4107010524	Inter Group Miscellanous Income	BTL	I_BPC	2023.DEC	(102,000.00)

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4107010524	Inter Group Miscellanous Income	BTL	I_BPC	2023.DEC	(16,162,547.50)
3107010012	Running & Maintenance of Vehicle-Intergroup	BTL	I_STCBL	2023.DEC	1,099,741.89
4107010504	Interest income from loans to DHI Group companies	BTL	I_STCBL	2023.DEC	(709,589.04)
3109010614	Flight tickets and other services purchased from DACL	BTL	I_DACL	2023.DEC	1,339,889.60
3109010043	Intra Group Miscellanous Expenses	BTL	I_DACL	2023.DEC	1,267,635.40
4107010522	Intra Group Commission and Brokage Income	BTL	I_DACL	2023.DEC	(36,530.29)
3109010616	Rental Expenses paid to DHI Group Companies	BTL	I_DACL	2023.DEC	13,365.00
4107010504	Interest income from loans to DHI Group companies	BTL	I_DH01	2023.DEC	(4,674,657.53)
1101020103	Balances with BOBL	BTL	I_BOBL	2023.DEC	707,923,676.99
1109020104	Intragroup deposits	BTL	I_BOBL	2023.DEC	5,000,000.00
4110020503	Interest income on deposits with BoBL	BTL	I_BOBL	2023.DEC	285,836.00
1109010102	Intragroup trade receivables	BTL	I_BOBL	2023.DEC	(4,000.00)
4107010514	Communication, internet and telephone charges paid to BTL	BTL	I_BOBL	2023.DEC	(13,015,916.81)
4108010017	Other Miscellaneous Income	BTL	I_BOBL	2023.DEC	(108,575.00)
3109010035	Miscellaneous Expenses	BTL	I_BOBL	2023.DEC	185,669.34
3110010604	Bank Charges and fees for other financial services paid to BoBL	BTL	I_BOBL	2023.DEC	5,360.00
1213030001	Furniture, fixtures, computers and office equipment	BTL	I_NRDCL	2023.DEC	43,004.50
4107010504	Interest income from loans to DHI Group companies	BTL	I_NRDCL	2023.DEC	(719,178.08)
3109010616	Rental Expenses paid to DHI Group Companies	BTL	I_TTPL	2023.DEC	71,280.00
3107010013	Running & Maintenance of Others-Intergroup	BTL	I_TTPL	2023.DEC	2,197,238.00
3109010035	Miscellaneous Expenses	BTL	I_TTPL	2023.DEC	200,000.00
4107010504	Interest income from loans to DHI Group companies	BTL	I_DC01	2023.DEC	(99,726.03)
2503010008	Intragroup Dividends relating to current year	BTL	I_DI01	2023.DEC	2,560,000,000.00
3109010617	Inter group Brand management Fees	BTL	I_DI01	2023.DEC	42,853,225.13
2501010001	Equity Shares held by DHI	BTL	I_DI01	2023.DEC	(3,900,574,000.00)
4107010524	Inter Group Miscellanous Income	BTL	I_DI01	2023.DEC	(1,895,198.06)
3109010035	Miscellaneous Expenses	BTL	I_DI01	2023.DEC	1,649,747.38
1213030001	Furniture, fixtures, computers and office equipment	BTL	I_BBPL	2023.DEC	54,162.65

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iv. Outstanding Balances with Holding Company		
Particulars		**Amount**
Paid-up share capital		3,900,574,000
Intergroup trade receivable		
v. Outstanding balances with Entities under Common Control		
Particulars		**Amount**
Trade Receivables		4,000
Trade Payable		
Note: 46 Provisions and Contingent Liabilities		
a) Capital Commitments		
Particulars	**2023**	**2022**
5G project	-	4,228,334
Contact Center Redundancy & Enhancement	-	601,000
Construction of Equipment building at Jakar	-	2,078,472

Ratio Analysis

Ratio Analysis for the year ended 31st December 2023		
Particulars	**2023**	**2022**
1. LIQUIDITY		
A. Current Ratio	1.18:1	2.34:1
B. Quick Ratio:	1.13:1	2.19:1
Quick Assets/Quick Liabilities		
C. Accounts Receivable Period	71.10 Days	68.79 Days
365/Accounts receivable turnover		
D. Working Capital to Sales	11.91%	21.84%
Average Current Assets-Average Current Liabilities/Net sales		
2. SOLVENCY:		
A. Term Debt to Total Fixed Assets	0.00%	0.00%
Long term Debt/Total Fixed Asset-Net		
B. Debt Equity Ratio:	0.00%	0.00%
Debt/(Capital Fund+Reserve& Surplus)		
3. PROFITABILITY:		
A. Return on Capital Employed:		
a) PBT/Capital Employed	57.15%	54.30%
b) PAT/Capital Employed	40.61%	37.78%
Capital Employed=Equity Capital + Loan Fund		
B. Return on Equity:	40.61%	37.78%
Profit After Tax/Total Equity		
Total Equity= Capital + Reserve & Surplus		
C. Return on Sales	56.78%	57.4%
PBT/Operating Income		
D. Employee Cost to Gross Income	6.54%	6.894%
Total Employee Expenses/Operating Income		
E. Profit per Employee:	4.06 million	3.68 million
PAT/Total no. of Employees		

For **GSA & Associate LLP**
Chartered Accountants
Firm Registered No: **000257N/ N500339**

GSA & ASSOCIATES LLP Delhi CHARTERED ACCOUNTANTS

(Tanuj Chugh)
Partner
M. No. 529619

Place: New Delhi, India
Date: 2nd April, 2024

For and on behalf of the Board of Directors

Chairman

Chief Executive Officer
Place: Thimphu, Bhutan
Date: 2nd April 2024