Drukair Corporation Ltd.

Drukair
Royal Bhutan Airlines
A dhi company

ANNUAL REPORT 2020

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Royal Bhutan Airlines
A dhi company

CONTENTS


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THE YEAR IN REVIEW

The Year 2020 was to be a watershed year for tourism and aviation industry in Bhutan as The Lonely Planet had declared Bhutan the top global tourist destination for the year. Drukair had accordingly planned capacity expansion by adding one new Airbus A320 Neo to its fleet in March 2020 as well as expansion of its routes.

However the world was jolted by advent of COVID 19 right in the beginning of the year, which besides affecting every industry perhaps hit the travel and hospitality industry the most. In 2020, the world observed an overall reduction in air travel capacity by more than 50% and number of passengers by about 60% in comparison to 2019, according to ICAO Report January 2021.

The various travel restrictions imposed due to this pandemic has had severe effects on Drukair.

In 2020 Drukair could only operate 1,487 flights, a decrease of 71% from 5,188 flights operated in 2019. Similarly, the number of passengers carried reduced from 285,911 in 2019 to 67,482 in 2020 (decreased by 76.40%), with a corresponding decrease in operating revenue from Nu.4.16 billion in 2019 to Nu. 0.96 billion in 2020 (decreased by 76.80%).

Drukair ferried 308 Metric Tons (MT) of cargo, 94 MT of mail and 110 MT of unaccompanied cargo in 2020.

Drukair had to develop new SOP (Standard Operating Procedures) to function in the pandemic environment and to be compliant to ever evolving requirements of different countries we operate in. As the national flag carrier we shouldered our responsibility of maintaining connectivity despite tremendous challenges. We operated numerous relief, repatriation, charter and cargo flights which ensured our citizens could return home safely and also ensured that we transported PPE, medicines, medical equipment and essential goods on time.

On the Financial performance, the overall income for the year, decreased by 66.94 % (to Nu. 1,439.10 million from Nu. 4,353.09 million in FY2019). This is mainly due to the decreased number of flights operated during the year. The net worth of the company has decreased by 22% which was due to transfer of loss for the year. The non-current liabilities have increased by 91%, (to Nu. 5,254.30 million in FY2020 from Nu. 2,755.81 million in FY2019) mainly due to the loan taken from NPPF for purchase of A320 NEO, Overdraft Loan from BOB and Covid-19 Measure Loan from BOB.

Drukair achieved 78% market share on the four competitive routes of Bangkok, Delhi, Kathmandu and Kolkata with an increase of 11% compared to FY2019 and maintained on time performance of 100% compared with 99.6% of FY 2019.

The audited accounts for 2020 had no qualifications and fulfilled all statutory requirements. The Company has complied to all the minimum audit requirements mentioned in the Companies Act 2016.

Through the role Drukair played for repatriation of our citizens, transporting PPE, medical equipment, medicines and other essential goods, we have strengthened our corporate social responsibility activities.

2021 brings in its own challenges with COVID 19 entering second year after wiping out years of progress, the future of airline industry still appears bleak. Day to day operations of airlines still remain unpredictable with no sign of improvement in travel restriction and economic growth as the change in the behavior of passengers following COVID-19 pandemic, travel restrictions, and the subsequent economic downturn have resulted in a drastic drop in demand for airline services.

Therefore, I count on each employee to deliver more efficiently and we shall put in our best efforts to overcome the challenges ahead. I would also like to thank the employees for the pay cuts and austerity measures adopted voluntarily for the year.

On behalf of the management of Drukair, I would like to express our sincere gratitude to His Majesty and the government for the relief measures granted in these trying times as well as for the Leadership which has kept all of us safe from the pandemic. Also, I would like to thank the Board and DHI for their unconditional support at all times. We would like to put on record the management's appreciation to the customers for their loyalty and support to the Drukair.

I would also like to thank all the employees for the excellent safety record. I hope each of you will carry on with the same vigilance and dedication to provide uncompromising safety, standard and services to all our valued customers. May I also remind you of His Majesty's command to Drukair to always remember the three Ss: Safety, Standard and Service. To us "Safety & Standard" should always remain the top most priority.

Tashi Delek

Tandi Wangchuk
Chief Executive Officer

COMPANY PROFILE

Drukair is a Royal Government of Bhutan Owned Airline under its Investment Wing, Druk Holding & Investments Ltd. The national Airline of the Kingdom of Bhutan operates a scheduled network within the South Asian region from its Head Quarter at Paro, a picturesque valley in Western Bhutan.

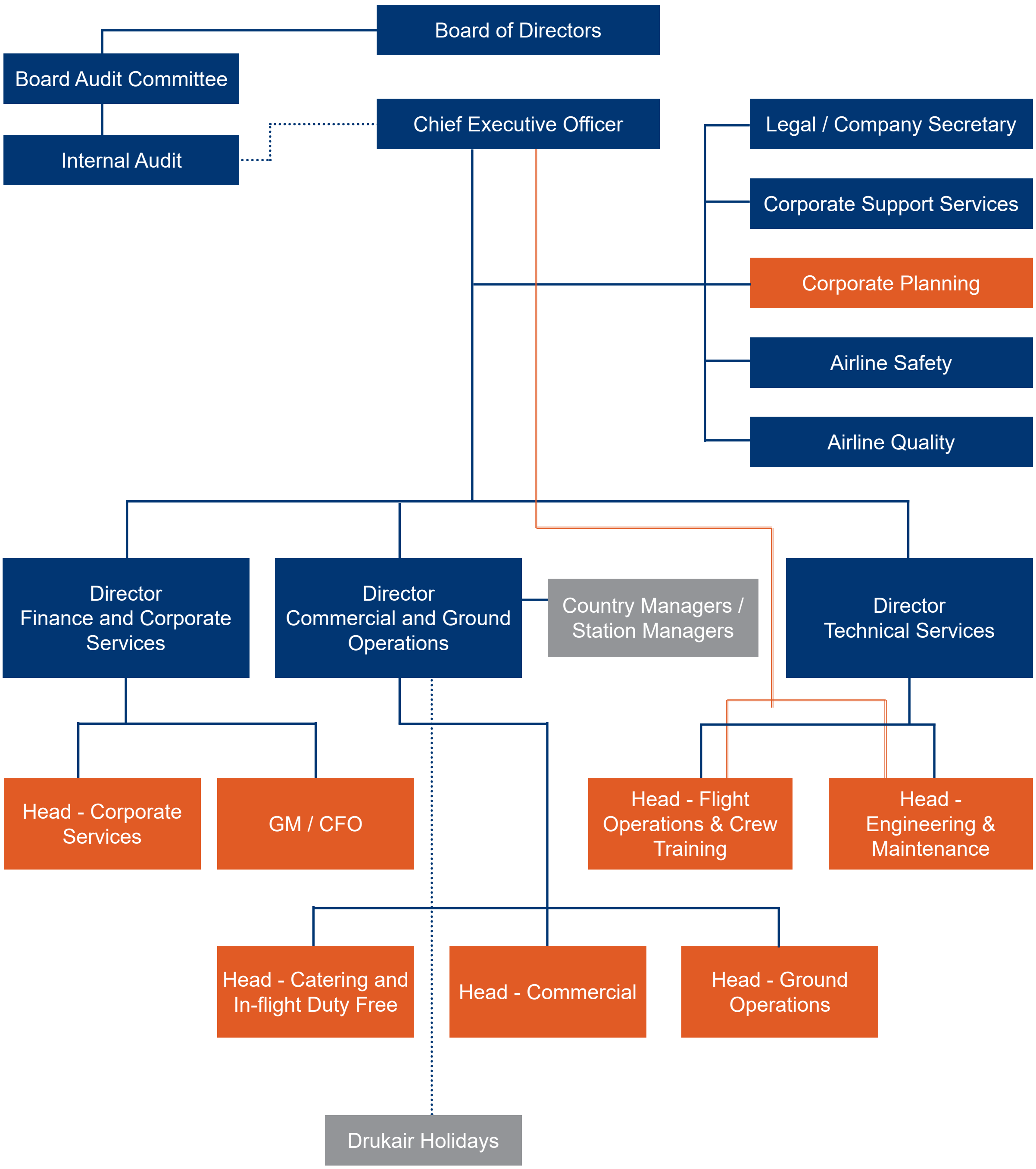
The national airline was conceived through a Royal Proclamation on April 5, 1981. Drukair began commercial operations on February 11, 1983, from Paro, a 65 km drive away from the capital, Thimphu. At the time, Paro had a little airstrip servicing helicopter operations. Drukair began humbly with an 18-seat Dornier 228-200 that made its historic touch down at Paro airport on January 14, 1983, to the chant of inauguration prayers, cymbals, conches and the like, with maroon-clad monks blessing the occasion and the plane. The first link was Kolkata, followed by eight destinations in South Asia. As more and more people took to the skies, not just to connect but also to enjoy perhaps the most breath-taking view of the Himalayan range, including Mt. Everest, Mt. Kanchenjunga and the highest unclimbed mountains in Bhutan itself. Another Dornier was added to meet the increasing demand.

Drukair upgraded its fleet to BAe 146 on November, 1988, when the first jet plane touched down at Paro with the same traditional fanfare and weeks later the second BAe 146 joined. Drukair now operates with Airbus A319 for it's international destinations and an ATR for it's domestic and regional destinations. The ATR 42-600 has joined the existing fleet on 26th October 2019 and the A320 NEO has joined on 19th March 2020. All the pilots, maintenance crew and engineers are trained at the best institutes abroad.

At the end of 2020, Drukair has a fleet of five aircrafts consisting of three Airbus A319s, one A320 and one ATR-42-600 operating in 10 international airports in six countries (Bhutan, Bangladesh, India, Nepal, Thailand and Singapore) and four domestic airports with a total staff strength of 495 employees.

Vision:	To be the leading airline connecting Bhutan and the world
Mission:	Drukair, as a National Airline shall provide safe and reliable air transport services, be competitive and meet the growing demands, and consistently meet customer expectation with excellence in service
Core Values:	Safety, Standard, Service Excellence, Integrity, Team Work and Open Door Culture
Slogan:	On the wings of the dragon

ORGANIZATION CHART



BOARD OF DIRECTORS

CHAIRMAN

Dasho Pema Chewang
Secretary
National Land Commission

Dasho Pema Chewang is the Secretary of National Land Commission.

He has 29 years of work experience. He received his Bachelor of Arts Degree from Sherubtse College, Kanglung, Bhutan and Master in Development Economics from Australian National University, Canberra, Australia.

Mr. Passang Dorji
Chief Executive Officer
Dawa Hospitality Pvt. Ltd

Mr. Passang Dorji is the Chief Executive Officer of Dawa Hospitality Pvt. Ltd. He also serves as the Honorary Consul of Finland to Bhutan.

He has over 18 years of work experience. He has a Bachelor's degree in Civil engineering from Thammasat University, Thailand and Master in Business Administration (MBA) from Asian Institute of Management, Philippines.

Mr. Dorji Nima
Director
Druk Holding and Investments (DHI)

Mr. Dorji Nima is the Director at Druk Holding and Investments (DHI). He has over 17 years of professional work experience.

He received his Bachelor of Business Administration degree from Madras University, India and Masters degree in Business Administration (MBA) from Australian Graduate School of Entrepreneurship, Melbourne, Australia.

Mr. Tandi Wangchuk
Chief Executive Officer
Drukair Corporation Limited

Mr. Tandi Wangchuk is the Chief Executive Officer of Drukair Corporation Limited.

He has more than 31 years of work experience. He received his B.Sc. in EEE from Bangladesh University of Engineering and Technology (BUET), Dhaka, Bangladesh and M.Sc. in Operational Telecommunication from Coventry University, Midlands, England, UK.

Mr. Dorji Dhradhul
Director-General
Tourism Council of Bhutan

Mr. Dorji Dhradhul is the Director-General of the Tourism Council of Bhutan since January 2019.

He has 29 years of work experience. He has a bachelor's degree in Agricultural Science from Tribhuvan University, Nepal and a Master's degree in Agricultural Extension from the University of Reading, UK.

Mr. Karma Wangchuk
Director General
Department of Air Transport (DoAT)

Mr. Karma Wangchuk is the Director General of Department of Air Transport (DoAT) under Ministry of Information and Communications.

He has 31 years of work experience. He received his Bachelor of Commerce from Sherubtse College, Kanglung, Bhutan, Post Graduate Diploma in Aviation Management from NUS Singapore and Masters in Development Administration from Australian National University, Canberra, Australia.

Mr. Ugyen Sonam
Dzongdag
Mongar Dzongkhag

Mr. Ugyen Sonam is the Dzongdag of Mongar Dzongkhag.

He has 30 years of work experience. He received his Bachelor of Arts from Sherubtse College, Kanglung, Bhutan and Master in Environmental Management and Development from Australian National University, Canberra, Australia.

MANAGEMENT TEAM

Left to right: Namgay Wangchuk, Tandi Wangchuk, Karma P. Wangdi and Rinzin Dorji

Mr. Rinzin Dorji,
Director
Department of Finance and Corporate Services

Mr. Rinzin Dorji is the Director of Finance and Corporate Services Department. He received his Bachelor of Commerce from Meerut University, India. He served Drukair for over 28 years.

Mr. Namgay Wangchuk
Director,
Department of Commercial and Ground Operations

Mr. Namgay Wangchuk is the Director of Commercial and Ground Operations Department. He received his Bachelor of Arts from Sherubtse College, Bhutan. He served Drukair for 32 years.

Mr. Karma Phuntsho Wangdi,
Director
Department of Technical Services

Mr. Karma Phuntsho Wangdi is the Director of Technical Services Department. He received his Bachelor of Arts from Sherubtse College, Bhutan. He served Drukair for over 27 years.


EXIT
Drukair

DIRECTORS' REPORT

Introduction

On behalf of the Drukair Board and the Management, I extend a warm welcome to all participants to the 30th **Annual General Meeting (AGM)** of Drukair Corporation Limited.

Dear Shareholder,

The Board is pleased to report the company's performance for the period January 1, 2020 to December 31, 2020.

1. Operational highlights

With the onset of the COVID-19 pandemic, the tourism industry in Bhutan has been adversely affected, with thousands ending up losing their livelihoods and revenues severely diminished. Drukair has also felt the severe impact of this pandemic, with flight operations being affected since March 2020.The various travel restrictions imposed due to the pandemic has had severe effects on Drukair's performance for the FY2020.

In 2020, Drukair operated a total of 1,487 flights, a decrease of about 71% from 5,188 flights operated in FY2019. The total number of passengers carried has decreased by 76% to 67,482 from 2,85,911 passengers carried in FY2019, consequently, achieving a load factor of 61.3% for FY2020. Drukair ferried 308 Metric Tons (MT) of cargo, 94 MT of mail and 110 MT of unaccompanied cargo in 2020. Bulk of our operations were relief, repatriation, charter and cargo flights.

Drukair had to develop COVID-19 SOP for all its operations and to minimize the risk of complete shutdown of operations, we had to establish new working concepts like restrictive positioning, home quarantine, bubble work environment, work from home, etc. besides meeting other national requirements to counter the spread of pandemic.

In FY 2020, Drukair achieved 78% market share on the four competitive routes of Bangkok, Delhi, Kathmandu and Kolkata with an increase of 11% compared to FY2019 and maintained on time performance of 100% compared with 99.6% of FY 2019.

2. Financial highlights

2.1. Total asset and liability

The total non-current asset of the company increased by 56 %, to Nu. **8,578.57** million in 2020, from Nu. 5,508.29 million in FY2019. It was mainly on account of the purchase of A320 NEO under the **'property, plant and equipment'** which was delivered to Drukair on 19th March 2020, for the purchase of this aircraft, the company has taken additional loan from NPPF in 2020.

The 'cash and cash equivalents' has reduced to Nu. 68.17 million from Nu. 696 million in FY2019.

Consequently, the company's total asset increased by 13%, to Nu. 9,629.99 million from Nu. 8,551.91 million in FY2019.

The net worth of the company has decreased by 22% which was due to transfer of loss for the year. The non-current liabilities have increased by 91%, (to Nu. 5,254.30 million in FY2020 from Nu. 2,755.81 million in FY2019) mainly due to the loan taken from NPPF for purchase of A320 NEO, Overdraft Loan from BOB and Covid-19 Measure Loan from BOB.

2.2. Income

Like any other airline globally, the company also got heavily impacted by the pandemic (Covid-19) resulting in huge reduction in income during the year.

The overall income for the year, decreased by 66.94 % (to Nu. 1,439.10 million from Nu. 4,353.09 million in FY2019). This is mainly due to the decreased number of flights operated during the year.

2.3. Expenditure

As a result of decrease in number of flights, the expenditure also got reduced by 32.64 %, to Nu. 2,589.99 million from Nu. 3,845.04 million in FY2019. The decrease is mainly due to the decrease in Marketing and Sales promotion cost (decreased by 85.40 %), Other operation Costs (decreased by 74.48 %), Aircraft Maintenance Costs (decreased by 69.82 %) and flight operation costs (decreased by 67.68 %).

2.4. Profitability of the company

Considering the decrease in income and the relatively lesser decrease in cost, the company is reporting a loss of Nu. 814.49 Million. The decrease in Profit After Tax (PAT) comes to 337.43 % (to a loss of Nu. 814.49 million from a profit of Nu. 343.04 million).

2.5. Dividend

As the company is declaring loss, there is no proposal for dividend declaration.

3. Customer Care

In view of the pandemic there was not much development we could initiate for the year 2020 in absolute terms. However, our team worked tirelessly in facilitating passengers on the relief flights. Arranging a flight to a destination we have never operated before itself is a challenge and more so, the operation we initiated during the pandemic times were on special ground and therefore required special approvals. The process in initiating these special flights therefore required special coordination processes with several authorities and embassies not only within Bhutan but more with the outside world, and that too beyond the normal regulation norms. But our team managed to execute all operations successfully and we managed to operate 104 flights carrying 5596 passengers despite all odds.

Besides, it was even a bigger challenge facilitating travel during the lock down in Bhutan especially for the bubble flights to India where movement was restricted. The travel process required several formalities to be completed, such as the COVID negative certificate, health declarations etc. this required aggressive coordination with the health and the airport authorities. We had deployed a special team who worked full time during the entire lock down period to facilitate these categories of passengers. Ticketing process was a challenge so we initiated all ticketing to be done through the WhatsApp application. We had a process in place where passengers could make bookings through the WhatsApp application. Considering the nature of travel during pandemic, the internet based communication enabled an easier and a smooth mode of communication for all our passengers not only within Bhutan but globally. We even facilitated airport transport for these passengers on all our flights for the entire lock down period.

Effective 1st July 2020, Drukair call center had started issuing air tickets by accepting payment through MBoB app. for all the categories except for Ticketing agent/Tour Operator tickets, Group Inclusive Tour (GIT) tickets, promotional tickets and ID tickets.

4. Fleet Management

On 19th March 2020 Airbus A320 was added to the existing fleet of 3 A319s and 1 ATR. Drukair managed 1.6 hours of daily Airbus utilization and 1.17 hours of daily ATR utilization. The on time performance for the year is 100%.

5. HR and other systems

Drukair's employee strength as at 31 December 2020 stood at 495, which included 410 regular, 83 contract and 2 daily wage staff.

Drukair recruited 8 employees in FY2020 before the nation was hit by the pandemic which included replacement and additional staff.

Total of 15 staff separated from the company in FY2020 and only 3 staff were replaced based on the need of the company.

6. Corporate Governance

The Company complied with the CG Code issued by DHI. The Company's Board had five Board meetings, four Audit Committee meetings and two Human Resource Committee meetings.

The quorum at each of these meetings were duly met. Further, the gap between two meetings did not exceed three months in accordance with the Companies Act of Bhutan, 2016 except for one Board meeting where it has been more than three months because of Pandemic and Lockdown in the country.

At the end of 2020, the Drukair Board consisted of seven Directors including the Chairman and the CEO. Dasho Pema Chewang, Secretary National Land Commission was appointed as the Chairman. Mr. Ugyen Sonam, Mongar Dzongdag, Mr.Karma Wangchuk, Director General, DoAT, Mr. Dorji Dhradhul, Director General, TCB, Mr. Dorji Nima, Associate Director, CPD, DHI and Mr. Passang Dorji, CEO Dawa Hospitality Pvt. Ltd (he also serves as the Honorary Consul of Finland to Bhutan) were newly appointed, reappointed and continued their directorship.

The first quarter risk management meeting was held on 24th March 2020 to identify and update the risk register and the final risk management meeting was held on 27th October 2020 for final review of compliance to mitigation measures.

7. Corporate Social Responsibility

As a socially responsible company, Drukair attaches high priority in transparency, providing right & timely information and to social wellbeing. The Corporate Social Responsibility (CSR) of the Company is guided by the Company Guidelines on Corporate Social Responsibility 2013 issued by DHI. The company ensures to implement meaningful and sustainable CSR activities, including financial contributions and support towards the benefits of communities.

The Company has contributed its share for CSR activities as agreed and decided by DHI for the year 2020. The Company as usual carried out *rimdos/Soekha/Rewsangchoe* at all four domestic airports for the benefit and safety of all the employees and passengers.

Because of Pandemic, Drukair could not carry out our flagship CSR program, the Trongsa Penlop Inspire Program in FY2020.

Through the role Drukair played for repatriation of our citizens, transporting PPE, medical equipment, medicines and other essential goods, we have strengthened our corporate social responsibility activities.

8. Statutory Audit Report

M/s. Ray & Ray who was appointed by Royal Audit Authority, as the Statutory Auditor for Drukair in 2018 continued for 2020 and the auditors have issued unqualified audit report for FY2020. The auditors have also reported that Drukair has complied with all the requirements of the Companies Act of Bhutan, 2016.

9. Acknowledgments

I, as the Chairman, would like to express gratitude for the continued support and guidance from the DHI, Ministry of Finance, Ministry of Economic Affairs, Ministry of Information and Communications, Bhutan Civil Aviation Authority, Department of Air Transport, Royal Audit Authority and other government agencies.

The Board would like to thank Drukair management and employees for their dedicated hard work in ensuring that Drukair meet the national aspirations despite the pandemic. Finally, the company would like to thank all the customers for their loyalty and support to Drukair.

Thank you,
For and on behalf of the Board,

[Dasho Pema Chewang]
CHAIRMAN


EXIT
Drukair

CORPORATE GOVERNANCE REPORT

The Company complied with the Companies Act of Bhutan 2016 and the DHI CG code. Five Board Meetings were held in 2020.

Board Committees

Four Board Audit Committee meetings and two Board HR Committee meetings were also convened in 2020 to deliberate issues confronting the company.

CEO and Board Remuneration

As in the previous year, the Board Directors received a fixed amount of money as sitting fee. As such, the remuneration is not based on commission or a percentage of profits or turnover.

Each Director is paid a sitting fee of Nu. 8,000(eight thousand) and Nu. 4,000 (four thousand) per sitting for every board meeting and board committee meeting respectively.

The remuneration and benefits paid to the Chief Executive Officer (CEO) in FY 2020 was Nu. 3,139,119.00 and ID ticket as per contract and the remuneration and other benefits paid to the Directors in FY 2020 was Nu. 416,000.00 and ID tickets as per rule.

Annual General Meeting

The 29th Drukair Annual General Meeting(AGM) was held on 10th March 2020 at DHI Board Room, Thimphu. A dividend of Nu. 3 million was declared by the Company for the financial year 2019.

The AGM decided as followings:

1. THAT the Director's report and Audited Accounts for the financial year 2019 and the Auditor's report for the same period were received and adopted as presented by the Board of Directors.

2. THAT a dividend of Nu. 3 million for FY2019 is declared.

3. THAT the reappointment of Ray & Ray as Statutory Auditors for the FY2019 as recommended by the RAA and the fees and out-of-pocket expenses paid to them is endorsed.

4. THAT the re-appointment of Mr. Pema Chewang, Secretary-NLC as Chair of the BOD, Mr. Dorji Nima, Associate Director-DHI as Nominee Board Director and Mr. Passang Dorji, as Board Director and the new appointment of Mr. Karma Wangchuk, Director, DoAT, replacing Mr. Sonam P. Wangdi, Secretary-NEC, Mr. Ugen Sonam, Mongar Dzongda, replacing Mr. Kuenga Namgay

CEO-STCBL and Mr. Dorji Dhradhul, Director-TCB, replacing Mrs. Kunzang Lhamu, Director-NCWC is endorsed.

5. THAT the payment of the remuneration of the Chief Executive Officer and Directors is approved and endorsed.

6. THAT the annual compact rating assessment was done and the final score of 93.02 % was awarded which results in the PBVA of 13.52% for the employees and 21.65% for the CEO.

7. THAT the AGM endorsed the 3,331,408 numbers of share issued to DHI against the equity contribution amount of Nu. 333,140,800 and also the issue of 501,732 equity share to DHI upon receiving the balance amount of Nu. 50,173,200 for A320 Neo. In addition to the above, the shareholder also directed to transfer the retained earnings of Nu. 1,000,000,000 to paid up share capital against DHI which translates to 10,000,000 number of shares.

Risk Management Systems

The Board also takes responsibility to identify, isolate and manage significant risks within the Company's business environment.

A Risk Management Framework based on the Enterprise Risk Management principles has been issued by DHI to ensure that Risks related to the activities undertaken by the portfolio companies are managed deliberately and effectively through a properly established process of assessment, resource allocation, review and reporting.

Report of compliance of mitigation measures and Updated Risk Register to the board and DHI is being done half yearly or as per the DHI DCL Compact/TAS document, whichever comes earlier. However, if a risk has an extreme financial or reputation impact it should be raised immediately at the board level for further action.

In 2020, with no cure for the virus and inadequate medical capacity to contain the COVID-19 Pandemic, all 30 risks populated in the DCL Risk Register are still being directly affected except for regulatory risks as reported in March. While most risks have decreased its risk rating due to decrease in 'likelihood' owing to minimal flight operations, some risks have become irrelevant. Therefore, the risks already populated in the risk register had not been updated assuming all these directly impacted risks will return to its normal risk parameters after the containment of the virus.

This report consisted of two high risks that developed as a result of the pandemic; HR risk and Financial Risk. Both the risks required immediate attention and are being addressed at the Management and Board level. Drukair has also drafted a way-forward policy for long term planning taking into account that the travel industry would not revive immediately.

Corporate Social Responsibility

In line with the DHI Corporate Social Responsibility (CSR) Guideline-2013, the company ensures to implement meaningful and sustainable CSR activities, including financial contributions and management actions towards the benefits of communities.

The Company carried out Rimdo/Soekha/Rewsangcho at all four domestic airports for the benefit and safety of all the employees and passengers.

Through the role Drukair played to repertoire of our citizens, transporting PPE, medical equipment, medicines and other essential goods, we have strengthened our corporate social responsibility activities.

Policies and Practices of CEO and Board Evaluation

The evaluation of Board Directors and CEO have been carried out for the financial year 2020 as per the existing policies and practices of DHI and DHI owned companies.

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Drukair Corporation Limited

Opinion

We have audited the accompanying financial statements of Drukair Corporation Limited (the Company), which comprise the Statement of Financial Position as at 31 December 2020, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended and Notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Drukair Corporation Limited as at 31 December 2020 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 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 paragraph of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in Bhutan and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that in our professional judgement, were of most significance in our audit of the Financial Statements of the Company for the current year. These matters were addressed in the context of our audit of the Financial Statements of the Company as a whole in forming our opinion thereon. In our opinion, there are no such matters to report.

Emphasis of Matters

i. We draw attention to Note No 39 of the financial statements regarding the impact of the COVID-19 pandemic. The situation continues to be uncertain and the Company's management is evaluating the situation on an ongoing basis with respect to challenges faced.

   Our opinion is not modified in respect of this matter.

RAY & RAY
Webel Bhawan
Kolkata-91
CHARTERED ACCOUNTANTS

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain responsible assurance about whether 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 the International Standards on Auditing (ISA) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Further, we exercised professional judgement and maintained professional skepticism through the audit and described our responsibilities in Appendix-I attached to this report as per the requirements of Paragraph 40(b) of the ISA 700.

Other Matter Paragraph

Due to the outbreak of COVID-19 pandemic that caused nationwide lockdown and other travel restrictions imposed by the Governments during the period of our audit, we could not travel to branches and Head office and carry out the audit processes physically at the respective offices.

Since physical access was not possible, necessary records/reports/documents/certificates were made available to us by the Company through digital medium, emails. To this extent, the audit process was carried out on the basis of such documents, reports and records made available to us which were relied upon as audit evidence for conducting the audit and reporting for the current year.

Report on Other Legal and Regulatory Requirements

As required under Section 266 of the Companies Act of Bhutan, 2016, we enclose in the **Appendix-II**, a statement on Minimum Audit Examination and Reporting Requirements matters specified therein to the extent applicable to the Company.

As required by section 265 of the Act, 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 purpose of our audit;

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

c) The Statement of Financial Position, Statement of Comprehensive Income, Statement of Change in Equity and the Statement of Cash flow dealt with by this report have been prepared in accordance with the accounting principles generally accepted and are in agreement with the books of account.

d) On the basis of checking of records and information and explanations given to us, we are of the opinion that the Company has complied with other legal and regulatory requirements.

For Ray & Ray
Chartered Accountants
(Firm Registration No 301072)

Amitava Chowdhury

Amitava Chowdhury
Partner
Membership No.: 056060
UDIN- 21056060AAAABD2760
Kolkata
Date: 10/5/2021

RAY & RAY
Webel Bhawan
Kolkata-91
CHARTERED ACCOUNTANTS

Appendix –I

ADDITIONAL AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

RAY & RAY
CHARTERED ACCOUNTANTS

Appendix- II

Minimum Audit Examination and Reporting Requirement

APPENDIX REFERRED TO IN OUR AUDIT REPORT OF EVEN DATE ON MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENTS

As requirement by section 266 of the Companies Act of Bhutan, 2016 and its enabling provisions relating to Clause II of Schedule XIV of the erstwhile Companies Act of Kingdom of Bhutan, 2000 thereto (the Minimum Audit Examination and Reporting Requirements)and as required by the Royal Audit Authority of Bhutan vide its Letter No. RAA (SA-10)/COAD/2020/2167 dated 03 December, 2020and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we report as follows:

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets for Head Quarter and all the stations. Physical verification of Fixed Assets could not be conducted during the year by the management due to COVID-19 pandemic situation. As a result difference between book stock and physical stock if any, could not be detected.

   We have been informed that the fixed assets of the Company have not been revalued during the year.

2. In view of the outbreak of the COVID – 19 pandemic and the subsequent lockdown as imposed by the Government of Bhutan, it was not possible for the Management to conduct physical verification of Inventories as at the end of the financial year and the same has been certified by the Management. The Management has subsequently conducted physical verification of Inventories of flight catering & duty free stocks, stock of tickets, gift stocks, aircraft maintenance consumables and uniform Stocks on 29 January, 2021 and arrived at book stock as on 31 December, 2020 by applying roll back procedures.

3. In our opinion and according to the information and explanations given to us, the procedure of physical verification of inventories followed by the management is reasonable and adequate in relation to the size of the Company and the nature of its business.

4. In our opinion and according to the information and explanations given to us, no discrepancy was noticed on physical verification of inventory as compared to the book records.

5. On the basis of examination of valuation of stocks and the information and explanations given to us and in our opinion, the valuation is fair and proper in accordance with the normally accepted accounting principles. The basis of valuation of inventory is the same as in the preceding year.

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Webel Bhawan
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6. The Company has taken unsecured interest free loan of Nu 507,160,012 from Royal Government of Bhutan in earlier years. The outstanding balance of such loan as on 31 December, 2020 is Nu 109,884,669. The Company had also issued Drukair bonds amounting to Nu 2,163,433,529 to National Pension and Provident Fund (NPPF) in earlier years. Yearend balance of such bonds including interest accrued is Nu 1,096,901,561. Additionally, the Company has also taken unsecured loans of Nu 2,107,073,155 from NPPF in current year and Nu 942,500,000 from SAARC Development Fund (SDF) in the earlier year. The yearend balance of such loans including interest accrued is Nu 2,732,041,152 and Nu 974,804,686 respectively. Further, the Company has taken loan for Covid Relief Measure amounting to Nu 234,916,689 and overdraft loan of NU. 700,000,000 from Bank of Bhutan during the current year. The yearend outstanding balance of such loans (including interest accrued) is Nu 234,916,689 and Nu 710,754,401 respectively. In our opinion and on the basis of information and explanations given to us, the rate of interest and the other terms and conditions of above loans are not prejudicial to the interest of the Company.

7. In our opinion and according to the information and explanations given to us, the Company has not granted any loan secured or unsecured to other companies, firms or other parties and/ or to the companies under the same management. Hence this sub-clause is not applicable.

8. In our opinion and according to the information and explanations given to us, Company has not given any loan or advances to any party. Hence the sub-clause 8 is not applicable to the Company.

9. In view of the above clause (8) mentioned above, the requirement of clause (9) 8 is not applicable to the Company.

10. In our opinion and according to the information and explanations given to us, the loans/ advances granted to officers/staff are in keeping with the provisions of service rules and no excessive / frequent advances are granted and accumulation of large advances against particular individual is avoided.

11. In our opinion and according to the information and explanations given to us, the Company has established adequate system of internal controls to ensure completeness, accuracy and reliability of accounting records, carrying out the business in an orderly and efficient manner, to safeguard the assets of the Company as well as to ensure adherence to the rules, regulations, system and procedures.

12. In our opinion and according to the information and explanations given to us, having regard to certain exceptions that some of item purchased are of special nature where suitable alternative sources of supply does not exist for obtaining comparable quotations thereof, there is an adequate system of competitive biddings, commensurate with the size of the Company and the nature of its business, for the purchase of goods and services including stores, plant and machinery, equipment and other assets. As the Company is engaged in providing services, it has no requirement of raw materials.

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13. (a) On the basis of checking of books of account and relevant records of the Company and according to the information and explanations given to us, we are of the opinion that the Company has not entered into any transaction for purchases and sale of goods and service made in pursuance of contracts or arrangements entered into with the director(s) or any other party(ies) related to the director(s) or with the Company or firms in which the director(s) are directly or indirectly interested except DHI & its subsidiaries, the details of which is duly disclosed in the Related party transactions in notes to accounts to the financial statements.(refer Note No. 35)

(b) The examination of records does not reveal any transaction entered into by the Company which is prejudicial to the interest of the Company wherein directors are directly or indirectly interested.

14. In our opinion and according to the information and explanations given to us, there are no unserviceable or damaged stores, which have not been provided for in the books of account. The Company being a service sector company, does not have any raw materials or finished goods.

15. In our opinion and according to the information and explanations given to us, the Company being a service sector company, maintenance of record as required under sub-clause 15 is not applicable.

16. In our opinion and according to the information and explanations given to us, the Company being a service sector company, maintenance of records as required under sub-clause16 is not applicable. However, the Company also runs a catering unit, where records have been maintained in respect of production.

17. In our opinion and according to the information and explanations given to us, the Company being a service sector company, maintenance of records as required under sub-clause17 is not applicable.

18. In our opinion and according to the information and explanations given to us, the Company is regular in depositing rates and taxes, duties, royalties, provident funds, and other statutory dues with the appropriate authorities except in the following cases where delay in deposit of statutory dues were observed:

Name of Station / Division	Nature of Due	Amount	Month of deduction	Due date of payment	Actual date of payment	Delay in No of days
Drukair Holidays	TDS on Rent	Nu.745.00	December,2019	10.01.2020	10.02.2020	30
		Nu.2,125.00	December, 2019	10.01.2020	10.02.2020	30

In view of loss incurred by the Company during the year, no provision for corporate tax is re-

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quired to be made in the accounts for the current year.

19. On the basis of checking of books of account of the Company, details of undisputed amounts payable in respect of rates, taxes, duties, royalties, provident funds and other statutory dues as per the last day of the financial year concerned are as under.

Nature of dues	Outstanding amount as on 31 December 2020 (Nu)	Amount paid subsequently (Nu)	Amount not yet paid (Nu)
TDS Payable	819,162.33	819,162.33	Nil
TDS payable on Contractor	20,386.00	20,386	Nil
TDS payable on Professional	89,152.40	89,152.40	Nil
TDS payable on rent	26,933.00	26,933	Nil
Withholding Tax payable	66,667.05	66,666.05	Nil
Corporate Income Tax Payable	103,403,031.64	Nil	103,403,031.64
Corporate Income Tax Payable (Bangkok)	7,904,241.65	Nil	7,904,241.65
Corporate Income Tax Payable (Singapore)	566,534.59	Nil	566,534.59
Corporate Income Tax Payable (Dhaka)	64,233.51	Nil	64,233.51

20. According to the information and explanations given to us and on the basis of our test checking of the accounts and other books and records, to the best of our knowledge, we are of the opinion that no personal expenses has been charged to the Company accounts other than those payable under contractual obligations/service rule and/or in accordance with generally accepted business practice.

21. The Company is a service sector company and therefore, requirement of maintenance of reasonable system of recording receipts, issues and consumption of materials and stores and allocating materials consumed to the respective jobs does not arise.

22. In our opinion and according to the information and explanations given to us, the Company prepares quantitative reconciliation at the end of accounting year in respect of all major items of inventories i.e. Inflight Catering & duty free stocks, stock of tickets, Gift stocks, aircraft maintenance supplies and Uniform stores. The Company does not have any finished products and therefore, quantitative reconciliation is not required to be carried out in respect of finished products.

23. In our opinion and according to the information and explanations given to us, the Company has a system of obtaining approval of Board/appropriate authority for writing off amounts due to material loss/discrepancies in physical/ book balances of inventories including stores and spares.

24. The Company being a service sector company and therefore, maintenance of record as required under sub-clause 24 is not applicable for the Company

25. In our opinion and according to the information and explanations given to us, there is a reasonable system of authorization at proper levels, and an adequate system of internal con[illegible]te

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with the size of Company and the nature of its business on issue of stores.

26. In our opinion and according to the information and explanations given to us, the Company has a reasonable system of periodical review of tariffs and based on such review and considering the market and economic conditions, the tariff rates are determined and approved by the Commercial committee constituted by the management. Also, the Company has proper costing system for the purpose of fixation of tariff rates.

27. In our opinion and according to the information and explanations given to us, the credit sales policy of the Company is reasonable and no credit rating of customers is carried out as the same is not applicable for the Company.

28. In our opinion and according to the information and explanations given to us, the agency commission structure is in accordance with the industry norms/ market conditions. Additionally, according to the information and explanations given to us, the Company has a proper system of evaluating performance of each agent on a periodic basis.

29. In our opinion and according to the information and explanations given to us, the Company has reasonable system of continuous follow-up with debtors and other parties for recovery of outstanding amounts. Also age wise analysis is carried out for management information and follow up action.

30. In our opinion and according to the information and explanations given to us, the management of liquid resources particularly cash/bank and short term deposits etc. are adequate and that excessive amount are not lying idle in non-interest bearing accounts and withdrawals of loan amounts are made after assessing the requirement of fund from time to time and no excess amounts is withdrawn leading to avoidable interest burden on the Company.

31. In our opinion and according to the information and explanations given to us, the activities carried out by the Company are lawful and intra-vires the Articles of the Company.

32. In our opinion and according to the information and explanations given to us, the activities /investment decisions are made subject to prior approval of the Board and investments in new projects i.e. acquisition of aircrafts are made only after ascertaining the technical and economic feasibility of such new ventures.

33. In our opinion and according to the information and explanations given to us, the Company has established effective budgetary control system.

34. The Company being a service sector company and therefore the system of input-output relationship, Standard Costing and variance analysis is not applicable to the Company.

35. In our opinion and according to the information and explanations given to us, the details of remuneration, commission and other payments made in cash or in kind to the Board of Directors including the Chief Executive Officer or any of their relatives (including spouse(s) and child/children) if

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any, by the Company directly or indirectly are disclosed in Note No. 35 in the Notes to Accounts.

36. In our opinion and according to the information and explanations given to us, the management of the Company complies with the directives of the Board of Directors as we have not come across any such incidence where it is not complied.

37. In our opinion and according to the information and explanations given to us, the officials of the Company have not transmitted any price sensitive information which are not made publicly available, unauthorized to their relatives / friends/ associates or close persons which would directly or indirectly benefit themselves. We have however relied on the management assertion on the same and cannot independently verify the same.

38. In our opinion and according to the information and explanations given to us, 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.

39. In our opinion and according to the information and explanations given to us, proper records are kept for inter unit transactions/services and arrangements for services made with other agencies engaged in similar activities.

40. In our opinion and according to the information and explanations given to us, the Company has executed agreements properly and the terms and conditions of leases are reasonable and the same are applied for machinery/ equipment acquired on lease or leased out to others.

41. Computerized Accounting Environment:

    1. In our opinion and according to the information and explanations given to us, the size and nature of I.T. (Computer) system and installations are adequate for organizational and system development and other relevant internal control.

    2. In our opinion and according to the information and explanations given to us, the Company has adequate safeguard measures and back up facilities. Additional offsite backup system has been implemented in Thimphu.

    3. In our opinion and according to the information and explanations given to us, there are backup facilities of keeping files at different and remote locations.

    4. In our opinion and according to the information and explanations given to us, the operational controls are adequate to ensure correctness and validity of input data and out-put information.

    5. In our opinion and according to the information and explanations given to us, the measures to prevent unauthorized access over the computer installation and files are in existence and adequate.

RAY & RAY CHARTERED ACCOUNTANTS Webel Bhawan Kolkata-91

42. General

1. Going Concern Problems
On the basis of the attached Financial Statement for the year ended 31December 2020, audited by us, the Company has incurred loss during the current year due to Covid-19 pandemic. However, Net Worth of the Company is positive and the financial position of the Company is healthy. We have no reason to believe that the Company is not a going concern. Accordingly, the financial statements have been prepared under the going concern basis.

2. Ratio Analysis (attached separately)
The significant ratios indicating the financial health and performance of the Company are given in attachment of this report as per **Annexure-I**.

3. Compliance with the Companies Act of the Kingdom of Bhutan:
According to the information and explanations given to us by the management and based on a Compliance Checklist duly audited by us, the Company has complied with the applicable provisions of the Companies Act of Bhutan, 2016. Details of Compliance calendar and Compliance checklist are given in **EXHIBIT-A & EXHIBIT-B** respectively.

4. Adherence to Laws, Rules and Regulations:
Audit of the Company is governed by the Companies Act of Bhutan, 2016 and the scope of audit is limited to examination and reviews of the financial statements as produced to us by the Management. In the course of audit, we have considered the compliance of provisions of the said Companies Act and its Articles of Incorporation relevant to the financial statements and we are unable to state whether the Company has been complying with all applicable laws (other than the Companies Act), rules and regulation, systems, procedures and practices.

For Ray & Ray
Chartered Accountants
(Firm Registration No 301072E)

Amitava Chowdhury

Amitava Chowdhury
Partner
Membership No.: 056060
UDIN- 21056060AAAABD2760
Kolkata
Date : 10/5/2021

RAY & RAY
Webel Bhawan
Kolkata-91
CHARTERED ACCOUNTANTS

Drukair
Royal Bhutan Airlines
A dhi company

འབྲུག་མཁའ་འགྲུལ་ལས་འཛིན་ཚད།
(Drukair Corporation Limited)

Drukair Corporation Limited

Financial Statements

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Statement of Financial Position

Particulars	Related Note	As on 31 December 2020	As on 31 December 2019
Non-current assets			
Property, plant and equipment	5	8,517,584,033	5,465,452,573
Intangible assets	6	9,380,422	10,899,466
Trade and other receivables	8	4,632,092	10,101,448
Deposit for gratuity	9	46,974,554	21,841,116
Total		**8,578,571,101**	**5,508,294,603**
Current assets			
Asset held for sale	7	-	233,613,413
Inventories	12	157,851,826	120,753,707
Trade and other receivables	8	110,810,275	164,158,620
Deposit for gratuity	9	78,641,308	97,343,435
Deferred tax asset	10	343,719,365	-
Capital Advances	11	196,571,086	1,520,971,327
Cash and cash equivalents	13	68,167,555	696,388,005
Other current assets	14	95,654,338	210,388,347
Total		**1,051,415,753**	**3,043,616,854**
Total assets		**9,629,986,854**	**8,551,911,459**
Equity attributable to owners of the parent			
Share capital	15	3,608,525,100	2,558,351,900
Reserves	15	(770,554,316)	1,067,462,901
Total		**2,837,970,784**	**3,625,814,801**
Non-current liabilities			
Borrowing	16	5,147,302,447	2,640,968,015
Provisions	17	107,001,000	114,840,346
Total		**5,254,303,447**	**2,755,808,361**

Statement of Financial Position Contd.,

Particulars	Related Note	As on 31 December 2020	As on 31 December 2019
Current liabilities			
Borrowing	16	712,000,710	380,699,082
Trade and other payables	18	454,303,151	912,179,355
Other liabilities	19	237,916,351	700,426,386
Provisions	17	133,492,411	176,983,473
Total		**1,537,712,623**	**2,170,288,296**
Total equity and liabilities		**9,629,986,854**	**8,551,911,459**

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

For Ray & Ray
Chartered Accountants
Firm Regn. No. 301072E

Amitava Chowdhury

Aimtava Chowdhury
Partner
Membership No. 056060
UDIN- 21056060AAAABD2760

Place: Kolkatta
Dated: 10/5/2021

For Drukair Corporation Limited

Dasho Pema Chewang
Chairman

Tandi Wangchuk
Chief Executive Officer

Rinzin Dorji
Director FCSD

Place:Thimphu
Dated: 15.03.2021

Statement of Comprehensive Income

Particulars	Note no.	For the year ended 31 December 2020	For the year ended 31 December 2019
Operating revenue			
Traffic revenue	20	951,857,731	4,088,036,046
Other operating revenue	21	13,814,981	73,843,401
Total Operating Revenue		**965,672,712**	**4,161,879,447**
Operating Expenditure			
Flight operation costs	22	495,430,497	1,532,712,248
Other operation costs	23	51,075,955	200,126,380
Aircraft maintenance costs	24	148,508,056	492,105,013
Other maintenance costs	25	7,357,586	10,148,459
Employee costs	26	564,269,134	553,447,339
Marketing and sales promotion costs	27	34,920,494	239,229,438
Other costs	28	172,749,999	215,614,690
Depreciation and amortisation expenses	5	775,717,178	416,514,738
Total operating expenditure		**2,250,028,899**	**3,659,898,305**
Operating profit/(loss)		**(1,284,356,187)**	**501,981,142**
Non-operating items			
Non-operating revenue	29	473,424,958	191,211,802
Finance Cost	30	(339,963,797)	(185,141,283)
Profit/(loss) before tax		**(1,150,895,027)**	**508,051,661**
Tax Expenses			
Current Year		-	(152,510,156)
Earlier Years			431,531
CIT paid outside Bhutan		(7,316,320)	(12,911,160)
Deferred Tax Income/(Expense)		343,719,365	(19,912)
Profit/(loss) after tax for the period		**(814,491,982)**	**343,041,964**
Attributable to the owners of the parent		**(814,491,982)**	**343,041,964**
Earnings per share			
Basic		(24.33)	13.85
Diluted		(24.33)	13.85

RAY & RAY CHARTERED ACCOUNTANTS Webel Bhawan Kolkata-91

Statement of Comprehensive Income Contd.,

Particulars	Note no.	For the year ended 31 December 2020	For the year ended 31 December 201
Other Comprehensive Income			
Currency translation difference		(27,935,329)	33,491,939
Actuarial Gains/(Losses)		7,452,807	(40,366,327)
Total Comprehensive income for the year		**(834,974,504)**	**336,167,576**

The above statement of Comprehensive income should be read in conjunction with the accompanying notes.

For Ray & Ray
Chartered Accountants
Firm Regn. No. 301072E

Amitava Chowdhury

Aimtava Chowdhury
Partner
Membership No. 056060
UDIN- 21056060AAAABD2760

Place: Kolkatta
Dated: 10/5/2021

For Drukair Corporation Limited

Dasho Pema Chewang
Chairman

Tandi Wangchuk
Chief Executive Officer

Rinzin Dorji
Director FCSD

Place:Thimphu
Dated: 15.03.2021

Statement of Change in Equity

Particulars	Issued capital	Translation reserve	Actuarial reserve	Retained Earnings	Total
Balance as at 1 January 2020	**2,558,351,900**	**52,035,878**	**(48,825,107)**	**1,064,252,131**	**3,625,814,802**
Equity Share issues during the year 2020	1,050,173,200			(1,000,000,000)	50,173,200
Profit/(Loss) for the year 2020				(814,491,982)	(814,491,982)
Other Comprehensive Income/loss for the year 2020					
Translation Loss		(27,935,329)			(29,935,329)
Actuarial gains			7,452,807		7,452,807
Prior period adjustment				**(42,714)**	**(42,714)**
Transaction with the owners				**(3,000,000)**	**(3,000,000)**
Balance at 31 December 2020	**3,608,525,100**	**24,100,549**	**(41,372,300)**	**(753,282,565)**	**2,837,970,784**

The above statement of change in equity should be read in conjunction with the accompanying notes.

For Ray & Ray
Chartered Accountants
Firm Regn. No. 301072E

For Drukair Corporation Limited

Amitava Chowdhury

Aimtava Chowdhury
Partner
Membership No. 056060
UDIN- 21056060AAAABD2760

Place: Kolkatta
Dated: 10/5/2021

Dasho Pema Chewang
Chairman

Tandi Wangchuk
Chief Executive Officer

Rinzin Dorji
Director FCSD

Place:Thimphu
Dated: 15.03.2021

Statement of Cash Flow

Particulars	Amount in Nu.	
	2020	2019
Cash flow from operating activities (A)		
Profit Before Income Tax	(1,150,895,027)	508,051,661
Depreciation, amortization and impairment	775,717,178	416,514,738
Gain/Loss on sale of PPE	(173,445,174)	3,739,393
Interest Income	(141,387,390)	(130,651,501)
Interest Expense	330,025,237	163,483,209
Gain/Loss on forex rates	(1,362,625)	(20,080,900)
Stores and Spares written off	1,716,506	5,238,814
Operating profit before working capital changes	**(359,631,295)**	**946,295,414**
Current asset and liability changes		
Movement in Trade and other Liabilities	(920,386,240)	407,549,757
Movement in Provisions	(19,155,412)	52,198,989
Movement in Inventory	(38,814,624)	(18,869,968)
Movement in Trade and other receivables	58,817,701	11,407,457
Movement in other current asset	114,734,009	77,289,297
Movement in deposits receivable	(6,542,257)	42,988,263
	(811,346,823)	**572,563,795**
Taxes paid	(60,016,552)	(98,405,359)
	(871,363,376)	474,158,436
Total cash flow from operating activities	**(1,230,994,670)**	**1,420,453,850**
Cash flow from investing activities (B)		
Non-current asset and liability changes		
Purchase of PPE and intangible assets	(2,508,773,742)	(348,712,430)
Sale Proceeds from PPE	413,902,977	(2,319,950,076)
Interest income	7,391,718	132,360,425
Total cash flow from investing activities	**(2,087,479,047)**	**(2,536,302,081)**
Cash flow from financing activities (C)		
Repayment of Bond	(216,343,353)	(216,343,353)
Repayment of interest free Loan	(8,452,667)	(33,810,667)
Loan from NPPF	2,107,073,156	585,517,135
Loan from SDF	-	942,500,000
COVID 19 relief loan from BOB	234,916,689	-
OD loan from BOB	700,000,000	-

RAY & RAY CHARTERED ACCOUNTANTS Webel Bhawan Kolkata-91

Statement of Cash Flow Contd.,

Particulars	Amount in Nu.	
	2020	**2019**
Dividend payout	(3,000,000)	-
Interest expense paid	(201,476,384)	(125,793,205)
Issue of shares	50,173,200	
Total cash flow from financing activities	**2,662,890,641**	**1,152,069,910**
Changes in Cash and cash equivalents (A)+(B)+ (C)	(655,583,077)	**36,221,679**
Cash and cash equivalents at beginning of year	696,388,005	**640,085,426**
	40,804,928	**676,307,105**
Effects of change in foreign exchange rate on cash and cash equivalents increase/(decrease)	27,362,627	20,080,900
Cash and cash equivalents at the end of year	**68,167,555**	**696,388,005**

The above statement of cash flow should be read in conjunction with the accompanying notes.

For Ray & Ray
Chartered Accountants
Firm Regn. No. 301072E

Amitava Chowdhury

Aimtava Chowdhury
Partner
Membership No. 056060
UDIN- 21056060AAAABD2760

Place: Kolkatta
Dated: 10/5/2021

For Drukair Corporation Limited

Dasho Pema Chewang
Chairman

Tandi Wangchuk
Chief Executive Officer

Rinzin Dorji
Director FCSD

Place:Thimphu
Dated: 15.03.2021

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1. General information

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

The Company is a limited liability company incorporated and domiciled in Bhutan. The address of its registered office is PO Box 1219, Nemeyzampa, and Paro. These financial statements relate to the year ended 31 December 2020.

The financial statements of the Company for the year ended 31 December 2020 were authorized for issue in accordance with the resolution of the Board of directors dated 15th March, 2021.

2. Transition to Bhutan Accounting Standards (BAS)

The Ministry of Finance embarked on the process of developing Accounting Standards to promote high quality financial reporting which are consistent with international practices. Pursuant to this development, the Ministry of Economic Affairs of Royal Government of Bhutan has issued the Accounting Standard Rules for Companies in Bhutan, 2012, notifying the Bhutan Accounting Standards ('BAS') to be implemented by the Companies in Bhutan in three phases (I, II and III) with effect from 1 January 2013. Consequently, the Company has followed the BAS notified for implementation with effect from 1 January 2013 in preparing the financial statements from the year 2013 onwards to the extent as applicable to the Company as under.

SL No.	BAS	Standard Name	Effective Date
	Phase-1		
1	BAS 1	Presentation of Financial Statements	1.1.2015
2	BAS 2	Inventories	1.1.2015
3	BAS 7	Statement of Cash Flows	1.1.2015
4	BAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	1.1.2015
5	BAS 10	Events after the Reporting Period	1.1.2015
6	BAS 12	Income Taxes	1.1.2015
7	BAS 16	Property, Plant & Equipment	1.1.2015
8	BAS 18	Revenue	1.1.2015

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9	BAS 20	Accounting for Government Grants and Disclosure of Government Assistance	1.1.2015
10	BAS 21	The Effects of Changes in Foreign Exchange Rates	1.1.2015
11	BAS 23	Borrowing Costs	1.1.2015
12	BAS24	Related Party disclosures	1.1.2015
13	BAS 33	Earnings Per Share	1.1.2015
14	BAS 37	Provisions, Contingent Liabilities and Contingent Assets	1.1.2015
	Phase-II		
15	BAS 17	Leases	1.1.2016
16	BAS 19	Employee Benefits	1.1.2016
17	BAS 26	Accounting and reporting by retirement benefit plans	1.1.2016
18	BAS 36	Impairment of Assets	1.1.2016
19	BAS 38	Intangible Assets	1.1.2016
	Phase-III		
20	BAS 32	Financial Instrument: Presentation	1.1.2017
21	BFRS 1	First- time adoption of BFRS	1.1.2017
22	BFRS5	Non-Current Assets Held for Sale and discontinued Operations	1.1.2017
23	BFRS 7	Financial Instruments: disclosure	1.1.2017
24	BFRS 9	Financial Instrument	1.1.2017
25	BFRS 13	Fair Value Measurement	1.1.2017
26	BFRS 15	Revenue for Contracts with Customers	1.1.2017

2.1 The company has adopted BAS phase – I from the year 2015 and Phase II in 2016 and the changes in accounting policies consequent on adoption of above BAS had been accounted for in accordance with the transition provisions of the respective BAS and has been accounted for retrospectively by restating the comparatives from the previous GAAP to BAS with effect from 1 January 2013.

2.2 The BAS Phase- III standards applicable to the company were early adopted in 2017 and the changes in accounting policies consequent on adoption of above BAS had been accounted for in accordance with the transition provisions of the respective BAS and has been accounted for retrospectively by restating the comparatives from the previous GAAP to BAS with effect from 1 January 2016.

2.3 As detailed above, the financial statements of the Company for the year ended 31 December 2020 have been prepared in accordance with and are fully compliant with the Bhutanese Accounting Standards (BAS), except as stated otherwise in the financial statements.

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3. Summary of Significant Accounting Policies

3.1 Basis of preparation

These financial statements are general purpose financial statements that have been prepared in accordance and to comply with the BAS and the relevant provisions of The Companies Act of Bhutan, 2016 including the Accounting Standard Rules for Companies in Bhutan, 2012.

The said financial statements have been prepared on the accrual basis of accounting with the historical cost convention and going concern basis except as stated otherwise in the Financial Statements. The preparation of the Financial Statements requires the use of certain critical accounting estimates and judgments. It also requires management to exercise judgment in the process of applying the Company's accounting policies and the reported amounts of revenue, expenses, assets and liabilities may differ from the estimates. In areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

3.2 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Statement of Comprehensive Income.

3.3 Property, plant and equipment

The cost of an item of property, plant and equipment is recognized as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably.

Property, plant and equipment are initially recognized at historical cost. The historical cost of property, plant and equipment is determined as the fair value of the asset at the date of acquisition and comprises its net purchase price after deducting for any trade discount and rebates, including import duties and non-refundable purchase taxes, any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent to initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Subsequent expenditures relating to property, plant and equipment is capitalized only when it is probable that future economic benefits associated with these will flow to the Company and the cost of the item can be measured reliably.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

Spare parts and servicing equipment are normally treated as inventory and expensed as consumed. However, major spare parts and stand-by equipment are treated as property, plant and equipment when they are expected to be used during more than one year. Also, where the spares parts or servicing equipment can only be used in connection with an item of property, plant and equipment they are accounted for as property, plant and equipment.

Depreciation on property, plant and equipment is computed using the straight line method over the estimated useful lives. Freehold land is not depreciated as it has an unlimited useful life whereas leasehold land is depreciated on a straight line method over the primary term of the lease.

The Company has based on evaluation performed by the technical Department, established the estimated range of useful lives of assets for depreciating its property, plant and equipment as follows:

Buildings and civil structures	33.33 years
Aircraft fleet – non renewable:	
(a) Aircraft frame	16 years
Aircraft fleet – renewable:	
(a) Engine	12 years
(b) APU	5 years
(c) APU LLP	6 years
(d) Landing gear	10 years
(e) 6 year check	6 years
(f) 12 year check	12 years
Capital tools and rotable spare parts	3- 15 years
Furniture & Fixtures	10 years
Vehicles	6.67 years
Other Equipment	10 years

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Significant parts of property, plant and equipment which are required to be replaced at intervals and have specific useful lives are recognized and depreciated separately.

The useful life, residual value and depreciation method are reviewed, and adjusted appropriately, at least at each Statement of Financial Position date to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits. Change in the estimated useful life, residual value and / or depreciation method, if any, is depreciated prospectively over the asset's remaining revised useful life.

The cost and the accumulated depreciation for property, plant and equipment sold, scrapped, retired or otherwise disposed off are eliminated from the financial statements and the resulting gains and losses are included in the Statement of Comprehensive Income.

3.4 Intangible assets

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

3.5 Impairment of assets

The Company assesses at each balance sheet date whether there is any indication that property, plant and equipment may be impaired based on internal or external factors. If any such indication exists, the Company estimates the recoverable amount of the assets. If the carrying amount ofasset/cash generating unit exceeds the recoverable amount on the reporting date, the carrying amount is reduced to the recoverable amount. The recoverable amount is measured as the higher of the net selling price and the value in use determined by the present value of estimated future cash flows.

3.6 Income tax

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

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

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

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

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

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

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

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

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

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

3.7 Investments and other financial assets

(i) Initial measurement

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

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(ii) Classification and subsequent measurement

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

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

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.

Financial assets measured at amortized cost:

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

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

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

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

Financial instruments measured at fair value through other comprehensive income

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.

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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.

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.

(iii) Impairment of financial assets

The Company assesses on a forward looking basis the expected credit losses associated with its assets carried at amortized cost and FVOCI debt instruments. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 35 details how the Company determines whether there has been a significant increase in credit risk.

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

(iv) Derecognition of financial assets

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

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

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

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

(v) Income recognition

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

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

3.8 Financial Liabilities

(i) Initial recognition and measurement

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

(ii) Subsequent measurement

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

Financial Liabilities at fair value through profit or loss

Financial liabilities at fair value recognized through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.
Gains or losses on liabilities held for trading are recognized in the profit or loss.

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

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

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

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 recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

(iii) Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or 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 derecognition 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 profit or loss as other gains/(losses).

Financial guarantee contracts

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

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

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

(iv) Offsetting financial instruments

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

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

3.9 Advances

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

3.10 Cash and cash equivalents

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

3.11 Inventories

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

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

3.12 Reserves

The nature and purpose of these reserves are as follows:

i) General Reserve:

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

ii) Translation Reserve:

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

iii) Actuarial Reserve

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

3.13 Borrowings

Borrowings are stated at principal outstanding and interest accrued and due on such borrowings based on the applicable interest rate. Borrowings are classified as current liabilities unless the Companyhas an unconditional right to defer settlement of the liability for at least 12 months after the Statement of Financial Position date.

3.14 Grants

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

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

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

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

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

3.15 Borrowing Costs

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

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

All other borrowing costs are charged as expense to Statement of Comprehensive Income in the period they occur.

3.16 Trade and other payables

Trade and other payables are obligations incurred by the Company towards purchase of goods and availing the services that have been acquired or availed in the ordinary course of business. Trade and other payables are classified under current liabilities, if payment is due within 12 months as at Statement of Financial Position date, if not, they are classified under non-current liabilities.

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3.17 Provisions

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

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

3.18 Employee benefit liabilities

Contribution to Provident Fund administered by National Pension and Provident Fund is charged to Statement of Comprehensive Income as and when they fall due.

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

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

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

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

3.19 Revenue Recognition

Revenue is recognized to the extent that it is probable that the associated economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable.

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

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(a) Operating Revenue:

All revenues generated through operation of air transport service activities such as airfare, administration charges, and commission earned and excess baggage charges, cargo sales are categorized under operating revenues. Such revenues are recognized when the services are rendered. The un-flown passenger tickets are recognized as "Passenger Sales Liability"

(b) Non Operating Revenue:

Non-operating revenues are those income, which are earned from non-operational activities such as interest subsidy, interest income earned from deposits and other miscellaneous incomes.

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable.

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

3.20 Earnings per share ('EPS')

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

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

4. Critical accounting estimates and assumptions

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

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

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

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

a) Depreciation of Property, Plant and Equipment

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

b) Retirement benefit obligations

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

c) Provision for doubtful debts

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

d) Frequent Flyer Program

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

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e) Impairment of aircraft and related equipment

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

f) Fair Value for Financial Instruments

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

5. Property, plant and equipment

Particulars	Air Craft Fleet-Non Renewable	Furniture & Fixture	Office equipment	Electrical Fitting & Equipment	Ramp Equipment	Engineering Equipment
Balance as on 31 December 2019						
Cost	8,681,814,079	19,430,525	63,376,826	16,151,883	76,910,827	26,916,509
Accumulated Depreciation	(3,433,833,300)	(9,529,771)	(36,372,978)	(5,581,307)	(58,244,566)	(24,117,284)
Book Value	**5,247,980,779**	**9,900,754**	**27,003,848**	**10,570,576**	**18,666,261**	**2,799,225**
Changes in Book Value during the year 2020						
Additions	3,780,267,536	2,171,498	692,564	102,563		
Disposals & Sales/ Adjustments	-	(3,989,342)	(13,130,066)	(1,241,974)	(9,700,749)	(342,657)
Depreciation on Disposals/Adjustments		3,385,526	11,792,859	1,122,402	8,051,535	342,694
Depreciation	(740,741,729)	(1,497,055)	(3,489,374)	(1,398,622)	(2,548,581)	(403,627)
Total Changes in Book Value	**3,039,525,806**	**70,627**	**(4,134,017)**	**(1,415,630)**	**(4,197,795)**	**(403,590)**
Balance as on 31 December 2020						
Cost	12,462,081,615	17,612,681	50,939,323	15,012,473	67,210,078	26,573,851
Accumulated Depreciation	(4,174,575,030)	(7,641,300)	(28,069,493)	(5,857,527)	(52,741,612)	(24,178,216)
Book Value as on 31 December 2020	**8,287,506,585**	**9,971,381**	**22,869,830**	**9,154,946**	**14,468,466**	**2,395,635**

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Particulars	Building	Motor Vehicle	Miscellaneous Asset	Catering Equipment	Tools & Spares	Work in Progress	Total
Balance as on 31 December 2019							
Cost	50,437,093	75,138,063	21,642,079	15,533,757	146,355,507	155,345	9,193,862,493
Accumulated Depreciation	(8,327,127)	(38,513,579)	(6,675,467)	(10,577,812)	(96,636,726)	-	(3,728,409,917)
Book Value	**42,109,966**	**36,624,485**	**14,966,612**	**4,955,946**	**49,718,781**	**155,345**	**5,465,452,577**
Changes in Book Value during the year 2020							**-**
Additions			1,347,170		45,246,640	3,346,013	3,833,174,160
Disposals & Sales/ Adjustments	-	(6,564,067)	(2,833,000)	(7,172,120)	(2,471,246)	-	(47,445,395)
Depreciation on Disposals/Adjustments	-	6,286,577	2,351,798	6,438,656	828,774	-	40,600,821
Depreciation	(1,512,798)	(8,307,940)	(1,772,431)	(594,645)	(11,931,327)	-	(774,198,129)
Total Changes in Book Value	**(1,512,798)**	**(8,585,430)**	**(906,463)**	**(1,328,110)**	**31,672,841**	**3,346,013**	**3,052,131,456**
Balance as on 31 December 2020							-
Cost	50,437,093	68,573,997	20,156,249	8,361,637	189,130,901	3,501,358	12,979,591,258
Accumulated Depreciation	(9,839,925)	(40,534,942)	(6,096,100)	(4,733,801)	(107,739,279)	-	(4,462,007,225)
Book Value as on 31 December 2020	**40,597,168**	**28,039,055**	**14,060,149**	**3,627,836**	**81,391,622**	**3,501,358**	**8,517,584,033**

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6. Intangible assets

Computer Software	As at 31 Decemeber 2020	As at 31 December 2019
Opening gross carrying value (i)	**16,750,670**	**16,750,670**
Additions		
Disposals	(109,995)	-
Closing gross carrying value(ii)	**16,640,675**	**16,750,670**
Opening accumulated amortization (iii)	(5,851,204)	(4,326,934)
Addition	(1,519,049)	(1,524,270)
Depreciation on Disposals/Adjustments	110,000	-
Closing accumulated amortization (iv)	**(7,260,253)**	**(5,851,204)**
Net carrying value (ii-iv)	**9,380,422**	**10,899,466**

7. Asset held for sale

	As at 31 December 2020	As at 31 December 2019
ATR 42-500		233,613,413
Total	**-**	**233,613,413**

8. Trade & other receivables

	As at 31 December 2020	As at 31 December 2019
Non-Current		
Trade debtors	13,347,793	13,078,459
Less: Provision for Doubtful debts	(8,715,701)	(2,977,012)
Total	**4,632,092**	**10,101,448**

Current		
Trade debtors	43,982,028	100,709,333
Security deposit paid	65,946,076	56,286,196
Accrued income	882,170	7,163,092
Total	**110,810,275**	**164,158,620**

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9. Deposits for gratuity

	As at 31 December 2020	As at 31 December 2019
Non-Current		
Deposit with banks for gratuity	38,826,676	17,916,251
Accrued interest	8,147,878	3,924,865
Total	**46,974,554**	**21,841,116**

Current		
Deposits with bank - gratuity	**71,785,530**	**86,153,698**
Accrued interest	6,855,778	11,189,737
Total	**78,641,308**	**97,343,435**

10. Deferred tax asset

	As at 31 December 2020	As at 31 December 2019
Deferred Tax Asset	343,719,365	-
Total	**343,719,365**	**-**

11. Capital advances

	As at 31 December 2020	As at 31 December 2019
Capital Advances	196,571,086	1,520,971,327
Total	**196,571,086**	**1,520,971,327**

12. Inventories

	As at 31 December 2020	As at 31 December 2019
In-flight catering & duty free stocks	102,002,734	69,793,467
Stock of tickets	1,347,172	1,279,562
Gift stocks	803,464	709,441
Aircraft maintenance consumables	50,972,681	45,236,829
Uniforms	2,725,775	3,734,409
Total	**157,851,826**	**120,753,707**

13. Cash and cash equivalents

	As at 31 December 2020	As at 31 December 2019
Cash and cheques in hand	409,225	7,619,411
In current account with banks	67,758,329	688,768,595
Total	**68,167,555**	**696,388,005**

14. Other current assets

	As at 31 December 2020	As at 31 December 2019
Advance to parties	14,101,942	32,726,447
Advance to employee	1,627,528	1,388,050
Prepaid expenses	5,059,635	32,567,213
RGOB subsidy receivable	74,782,035	96,388,231
Advance tax paid	83,199	47,318,406
Total	**95,654,338**	**210,388,347**

Advance tax paid in 2019 amounting to Nu. 46,452,889.80 was adjusted against corporate income tax lability during the year.

15. Share Capital

	As at 31 December 2020	As at 31 December 2019
Authorized for 50,000,000 equity shares of Nu 100 each	5,000,000,000	5,000,000,000
Total	**5,000,000,000**	**5,000,000,000**

Issued, Subscribed, and fully paid up	As at 31 December 2020	As at 31 December 2019
36,085,251(PY 25,583,519) Equity shares of Nu 100 each, fully paid in cash	3,608,525,100	2,558,351,900
Total	**3,608,525,100**	**2,558,351,900**
Reserves (As per SOCE)	**(770,554,316)**	**1,067,462,901**

15.1 All ordinary shares are ranked equally. Fully paid shares carry one vote per share and the right to dividends. There are no restrictions on the transfer of shares in the Company or on voting rights between holders of shares. Entire share capital is held by the Holding Company Druk Holding & Investments (A Royal Government of Bhutan Undertaking).

15.2 Reconciliation of Share Capital :

	As at 31 December 2020	As at 31 December 2019
At the beginning of the year		
- Number of shares	25,583,519	22,252,111
- Amount (in Nu.)	2,558,351,900	2,225,211,100
Add: issued during the year	-	-
- Number of shares	10,501,732	3,331,408
- Amount (in. Nu)	1,050,173,200	333,140,800
Less: Redeemed during the year	-	-
- Number of shares	-	-
- Amount (in Nu)	-	-
At the end of the year	**-**	**-**
- Number of shares	36,085,251	25,583,519
- Amount (in. Nu)	3,608,525,100	2,558,351,900

16. Borrowings

	As at 31 December 2020	As at 31 December 2019
Non-Current		
Drukair Bonds from National Pension and Provident Fund (Refer Note. 16.1)	812,080,858.82	1,028,424,212
Interest free loan from RGOB (Refer Note. 16.2)	76,074,002	84,526,669
Loan from National Pension and Provident Fund Refer Note. 16.3)	2,492,706,594.70	585,517,135
Loan from SDF (Refer Note. 16.4)	860,888,889	942,500,000
COVID relief measure loan from BOB (Refer Note. 16.5)	205,552,103	-
Overdraft loan from BOB (Refer Note 16.6)	700,000,000	-
Total	**5,147,302,447**	**2,640,968,015**

Current		
Drukair Bonds from National Pension and Provident Fund (Refer Note. 16.1)	216,343,353	216,343,353
Interest free loan from RGOB (Refer Note. 16.2)	33,810,667	33,810,667
Loan from National Pension and Provident Fund Refer Note. 16.3)	199,883,695	-
Loan from SDF (Refer Note. 16.4)	107,611,111	-
COVID relief measure loan from BOB (Refer Note. 16.5)	29,364,586	-
Accrued interest but not due on Bonds	68,477,349	82,924,477
Accrued interest but not due on NPPF loan	39,450,862	36,795,779
Accrued interest but not due for SDF Loan	6,304,686.17	10,824,806
Accrued interest but not due OD Loan	10,754,401	-
Total	**712,000,710**	**380,699,082**

16.1 Bonds:

Following series of Bonds were issued to National Pension & Provident Fund for the purchase of aircraft –JSW

- Drukair Bond series I of Nu. 246,886,529 at coupon rate of 9% p.a. repayable within 10 years in 10 annual installments with last installment due on 2/24/2024
- Drukair Bond series I of Nu. 286,039,000 at coupon rate of 9% p.a. repayable within 10 years in 10 annual installments with last installment due on 8/25/2024.
- Drukair Bond series I of Nu. 1,630,508,000 at coupon rate of 8.5% p.a. repayable within 10 years in 10 annual installments with last installment due on 3/3/2025

16.2 Interest free loan

Interest free loan of Nu. 507,160,012.12 was obtained from Royal Government of Bhutan (RGOB) for the purchase of aircraft BAE-146 and is repayable within 15 years in 60 quarterly equal installments. However, to ease the financial burden of the company due to COVID 19 pandemic, the RGOB approved the deferment of installment payable during the year amounting to Nu. 25,358,000.61 to 2021 vide letter No.F.MoF/ICGD-DMEA/Drukair/2020/1031 dated 20th April 2020.

16.3 NPPF loan

Loan amount in Ngultrum equivalent to USD 37,375,922(Nu.2,709,754,345)at interest rate of 7.15% p.a. repayable within 10 years in 40 quarterly equal installments was signed between Drukair and NPPF for the purchase of A320 Neo. During the year interest expenses of Nu.120,456,631.44 was waived off and installment of Nu. 79,706,114.62 was deferred to 2021 by NPPF in line with monetary measures issued by the Royal Monetary Authority of Bhutan in response to the pandemic.

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16.4 SDF loan

Loan of USD 13,000,000 (Nu. 942,500,000) was taken from SAARC Development Fund at the interest rate of USD 6 months LIBOR rate + 2% p.a. repayable within 10 years semiannually for the purchase of ATR 42-600 aircraft. The repayment of this loan starts in 2021.

16.5 COVID relief measure loan

COVID relief measure loan was availed from Bank of Bhutan at interest rate of 5% p.a. repayable within 4 years in48 monthly installments during the year.

16.6 Overdraft loan

In addition to the COVID relief measure loan, overdraft loan was also availed from Bank of Bhutan at interest rate of 7.02% during the year.

17. Provision

	As at 31 December 2020	As at 31 December 2019
Non-Current		
Provisions for gratuity	87,095,636	89,252,909
Provisions for leave encashment	15,263,318	13,553,830
Liability for frequent flyer program	4,642,046	12,033,607
Total	**107,001,000**	**114,840,346**

Current		
Corporate income tax liability	111,938,041	164,638,273
Provisions for gratuity	11,003,855	6,005,243
Provisions for leave encashment	1,266,422	323,154
Liability for frequent flyer program	9,284,093	6,016,803
Total	**133,492,411**	**176,983,473**

18. Trade and other payables

	As at 31 December 2020	As at 31 December 2019
Current		
Trade creditors	14,054,008	141,370,586
Accrued expenses	116,831,034	204,704,536
Deposits received	317,274,872	521,499,446
Employees payables	6,143,237	44,604,787
Total	**454,303,151**	**912,179,355**

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19. Other liabilities

	As at 31 December 2020	As at 31 December 2019
Current		
Passenger advance sales	63,977,590	510,016,562
Deferred liability for credit memo	111,450,360	88,776,730
Liability for stale cheque	3,202,379	4,148,917
Taxes and duties	53,244,018	90,686,922
Deferred Government Grant for Domestic Operations	6,042,004	6,797,254
Total	**237,916,351**	**700,426,386**

20. Traffic revenue

	For the year ended	
	31 December 2020	31 December 2019
Passenger revenue	534,684,922	3,453,070,832
Insurance & Fuel Surcharge	28,315,777	376,465,406
Excess baggage	5,849,760	16,577,964
Cargo Revenue	91,452,489	64,794,173
Chartered sales	279,379,416	117,348,727
Administrative fee	1,275,513	6,199,292
No show charges	2,189,881	13,097,270
Cancellation charges	8,709,973	34,282,382
RGOB grant for domestic subsidy	-	6,200,000
Total	**951,857,731**	**4,088,036,046**

21. Other operating revenue

	For the year ended	
	31 December 2020	31 December 2019
Duty free sales	7,470,351	27,219,915
Commission earned	207,998	1,722,165
B3 Catering sales	3,455,428	28,642,876
Drukair Holiday Inbound sales	2,351,675	15,690,332
Cargo Transshipment and handling charges	329,528	568,113
Total	**13,814,981**	**73,843,401**

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22. Flight Operation Cost

	For the year ended	
	31 December 2020	**31 December 2019**
Aircraft fuel and oil	215,899,493	880,708,083
Aircraft navigation charges	58,702,766	144,051,635
Aircraft landing and parking fees	20,696,368	88,890,661
Aircraft ground handling and security charges	79,563,726	288,596,736
Simulator expenses	6,256,190	18,970,564
Chartered Expenses	92,454,857	51,328,166
Crew meal and outstation expenses	13,158,525	60,166,403
Quarantine Expenses	8,698,573	-
Total	**495,430,497**	**1,532,712,248**

23. Other operation cost

	For the year ended	
	31 December 2020	**31 December 2019**
In-flight catering expenses	39,017,974	148,975,357
Drukair holiday expenses	1,918,964	11,815,564
Disrupted flight expenses	1,916,228	9,624,089
Loss baggage claim	22,393	191,059
Purchase of duty free items	4,446,910	16,472,063
Service charges	3,233,933	11,493,058
Cargo transport & handling charges	519,553	1,555,191
Total	**51,075,955**	**200,126,380**

24. Aircraft maintenance cost

	For the year ended	
	31 December 2020	**31 December 2019**
Consumption stores and spares	10,916,218	28,099,346
Aircraft maintenance	158,647,199	452,424,682
Less: Credit Memorandum Utilized	(28,596,501)	(2,025,714)
Freight charges	5,824,634	8,367,884
Stores & scrap written off	1,716,506	5,238,814
Total	**148,508,056**	**492,105,013**

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24.1 CFMI has provided a Credit Memorandum of USD 1,869,611(Nu.139,286,019.50)against the purchase of new aircraft that has been inducted in March 2015 and balance as on 31 December, 2019 was USD 89,073 (Nu.6,635,938.50). Additional credits of USD 551,655 (Nu.41,098,297.50)was received from CFM with the purchase of A320 Neo. During the year Credit Memorandum amounting to USD 376,666.50 (Nu. 28,061,654.25) was utilized. The balance amount of unutilised Credit Memorandum at the end of 2020 is USD 264,061.50 (Nu.19,672,581.75)which can be utilised against the future repairs/purchase of the engines and the same will be adjusted against the cost of repair/purchase on utilisation.

24.2 B/E Aerospace has provided Credit Memorandum of USD 16,535 (Nu. 1,231,857.50) against purchase of equipment for airbus A319 (JSW).Additional credits of USD 12,299.02 (Nu. 916,276.99) was received during the year with the purchase of A320 Neo. Therefore, the closing balance for the of unutilised Credit Memorandum as of 31st December 2020 is USD 28,834.02 (Nu. 2,148,134.49) which can be utilised against the future repairs of the engines and the same will be adjusted against the cost of repair on utilisation.

24.3 During the purchase of ATR MSN 1412 in 2019, ATR provided Credit Memorandum of USD 150,000 (Nu. 10,875,000)as per credit note number 90607847 against good & services and USD 4,000 (Nu. 290,000) as per credit note number 90607849 against letter of agreement No.6 for the purchase of ATR MSN 1412. The balance credit memorandum from ATR as on 1 January 2020was USD 154,000 (Nu. 11,473,000). During the year additional credit of USD 1,454.06 (Nu.108,327,47) was received and USD 7,179.15 (Nu. 534,846.68) was utilized for repair of aircraft. The credit balance as of 31 December 2020 is USD 148,274.91 (Nu.11,046,480.80).

25. Other maintenance cost

	For the year ended	
	31 December 2020	**31 December 2019**
Ground transport maintenance	315,136	656,484
Maintenance of ground transport equipment	2,156,178	4,783,227
Maintenance of hanger and workshop	63,458	113,225
Other maintenance	4,822,814	4,595,523
Total	**7,357,586**	**10,148,459**

26. Employee cost

	For the year ended	
	31 December 2020	31 December 2019
Pay and allowances	497,080,337	416,820,646
Leave travel allowance	7,035,613	6,452,496
Productivity Allowance	2,611,958	14,526,017
Bonus and variable pay	-	42,292,935
Overtime	347,295	779,871
Uniform/make up expenses	2,364,761	14,814,232
Medical expenses	1,268,682	1,478,712
Staff welfare	1,262,187	2,110,807
Staff training and development	5,792,702	30,094,047
Leave encashment	12,635,715	5,639,903
Provident fund contribution	18,613,297	11,311,311
Retirement benefits	15,256,586	7,126,364
Total	**564,269,134**	**553,447,339**

27. Marketing and sales promotion

	For the year ended	
	31 December 2020	31 December 2019
Marketing and sales promotion	1,299,091	7,416,058
Agent Commission	33,547,434	231,375,964
Advertisement & souvenir	73,968	437,415
Total	**34,920,494**	**239,229,438**

28. Other cost

	For the year ended	
	31 December 2020	31 December 2019
Board meeting expenses	608,306	922,964
Fee & subscriptions	18,479,037	16,411,600
Printing and stationery	3,850,120	7,746,947
Office Tea expenses	964,124	1,095,517
Lease rent (non aircraft)	17,376,507	15,725,479
Travelling expenses	3,466,883	26,307,116
Transportation expenses	1,600,562	4,181,098
Rates and taxes	745,181	4,192,327

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	For the year ended	
	31 December 2020	31 December 2019
Insurance	49,504,783	46,432,991
In-flight magazine	664,833	1,652,108
Communication expenses	49,593,175	66,411,215
Security Services	1,118,840	1,631,590
Electricity charges	1,273,220	6,744,134
Brand Management Fee	-	1,729,087
Entertainment expenses	560,506	288,446
Books & periodicals	296,389	4,561,069
Corporate Social Responsibility	-	294,576
Donation & grants	183,922	217,017
Employee Engagement & religious expenses	86,503	3,739,393
Consulting fees	1,640,134	3,043,379
Audit fees	615,132	1,426,931
Forex loss	8,847,976	-
Hospitality and supplies and expenses	3,295,178	859,708
RGOB grant for domestic subsidy	2,240,000	-
Doubtful debts	5,738,690	-
Total	**172,749,999**	**215,614,691**

29. Non operating revenue

	For the year ended	
	31 December 2020	31 December 2019
Liability Written back	6,233,313	42,102,456
Subsidy on Interest Expense	134,106,618	122,733,091
Interest income	7,280,772	7,918,411
Gain on sale of property, plant and equipment	173,445,174	-
Forex gain	-	13,267,295
Rent Recovery	4,843,342	586,602
VAT refund receipt		4,603,947
RGOB subsidy for COVID 19	139,239,306	
Provision for Bonus and PBVA write back	1,764,073	-
Amortization of credit memorandum	5,757,109	-
Amortization of deferred government grant	755,250	-
Total	**473,424,958**	**191,211,802**

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30. Finance cost

	For the year ended	
	31 December 2020	**31 December 2019**
Bank charges	9,938,560	21,658,074
Interest on borrowing & others	330,025,237	163,483,209
Total	**339,963,797**	**185,141,283**

31. Earning Per Share (EPS)

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

	For the year ended	
Basic EPS attributable ordinary shares	**31 December 2020**	**31 December 2019**
Net profit attributable to the owners of the company	**(814,491,982)**	**343,041,964**
Issued and outstanding ordinary shares at the beginning of the year	25,583,519	22,252,111
Share allotted to DHI during the year	10,501,732	3,331,408
Outstanding ordinary shares at the end of the year	36,085,251	25,583,519
Weighted average number of ordinary shares	33,474,165	24,762,076
Basic and Diluted EPS attributable to ordinary shares	**(24.33)**	**13.85**

32. Fair Value measurements

	31 December 2020			31 December 2019		
Particulars	**FVPL**	**FVOCI**	**Amortized Cost**	**FVPL**	**FVOCI**	**Amortized Cost**
Financial assets						
Security deposit paid			65,946,076			56,286,196
Cash and cash equivalents			68,167,555			696,388,005
Trade receivables			48,614,120			110,810,780
Other receivables			882,170			7,163,092
Total financial assets	-	-	**183,609,922**	-	-	**870,648,074**

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Financial liabilities						
Borrowing			5,859,303,158			3,021,667,098
Trade payables			14,054,008			141,370,586
Security deposit received			317,274,872			521,499,446
Other payables			126,176,648			253,458,241
Total financial liabilities	**-**	**-**	**6,316,808,686**	**-**	**-**	**3,937,995,370**

(i) Fair value hierarchy

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

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

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

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

(ii) Valuation technique used to determine fair value

Specific valuation techniques used to value financial instruments include:

- the fair value of the financial instruments is determined using discounted cash flow analysis.

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Particulars	31 December 2020		31 December 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Trade receivables	48,614,120	48,614,120	110,810,780	110,810,780
Total	**48,614,120**	**48,614,120**	**110,810,780**	**110,810,780**

Financial liabilities				
Borrowing	5,859,303,158	5,850,776,375	3,021,667,098	3,001,893,983
Total	**5,859,303,158**	**5,850,776,375**	**3,021,667,098**	**3,001,893,983**

The carrying amount for noncurrent investments and trade receivables are considered to be the same as the fair values.

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

The fair values for financial instruments were calculated based on cash flows discounted using current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs including counterparty credit risk.

Significant estimates

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Company uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. For details of the key assumptions used and the impact of changes to these assumptions see (ii) above.

33. Capital management

(a) Risk management

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

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

34. Financial Risk Management

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

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

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

(a) Market risk

(i) Foreign currency risk

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

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

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Foreign currency risk exposure

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

Particulars	31 December 2020		31 December 2019	
	USD	SGD	USD	SGD
Financial assets	**-**	**-**	**-**	**-**
Financial liabilities	486,847	2,455,107	115,494,401	8,107,557
Net exposure to foreign currency risk	**(486,847)**	**(2,455,107)**	**(115,494,401)**	**(8,107,557)**

Particulars	31 December 2020		31 December 2019	
	Thai Baht	NPR	Thai Baht	NPR
Financial assets	**-**	**-**	**207,463**	**6,780,978**
Financial liabilities	2,343,435	-	13,788,846	-
Net exposure to foreign currency risk	**(2,343,435)**	**-**	**(13,581,383)**	**6,780,978**

Particulars	31 December 2020		31 December 2019	
	Taka	INR	Taka	INR
Financial assets	**-**	**1,214,416**	**2,021,668**	**12,888,555**
Financial liabilities	13,804	327,535	-	6,053,708
Net exposure to foreign currency risk	**(13,804)**	**886,881**	**2,021,668**	**6,834,847**

Sensitivity

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

Particulars	Impact on profit before tax *	
	31 December 2020	31 December 2019
SGD sensitivity		
Nu. depreciate by 5%	(122,755)	(405,378)
Nu. appreciate by 5%	122,755	405,378
USD sensitivity		
Nu. depreciate by 5%	(24,342)	(5,774,720)
Nu. appreciate by 5%	24,342	5,774,720
NPR sensitivity		
Nu. depreciate by 5%	-	339,049
Nu. appreciate by 5%	-	(339,049)

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Particulars	Impact on profit before tax *	
	31 December 2020	31 December 2019
Thai Baht sensitivity		
Nu. depreciate by 5%	(117,172)	(679,069)
Nu. appreciate by 5%	117,172	679,069
Taka sensitivity		
Nu. depreciate by 5%	(690)	101,083
Nu. appreciate by 5%	690	(101,083)

*Holding all other variables constant

As the value of INR is equivalent to BTN historically, the Company is not exposed to foreign exchange risk arising from foreign currency transactions 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.

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

(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. As the Company does not have any investment in listed securities which are exposed to price risk, company is not exposed to significant price risk.

(b) Liquidity risk

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

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

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i) Maturities of financial liabilities

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

Contractual maturities of financial liabilities December 31, 2020	Less than 1 year	More than 1 years	Total
Trade and Other Payables	454,303,150	-	454,303,150
Borrowings	712,000,710	5,147,302,447	5,859,303,158
Interest	324,602,754.81	1,146,207,048	1,470,809,803
Total financial liabilities	**1,490,906,615**	**6,293,509,495**	**7,784,416,110**

(C) Credit risk

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

i) Trade receivables

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

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

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

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

Particulars	Less than six months	More than six months less than 3 years	More than 3 years	Total
Trade receivable as on 31 December 2020 (Gross)	42,445,583	1,536,445	13,347,793	57,329,822
Less: Provision for impairment loss	-	-	(8,715,701)	(8,715,701)
Trade receivable as on 31 December 2020 (Net)	**42,445,583**	**1,536,445**	**4,632,092**	**48,614,120**

The requirement for impairment is analyzed at each reporting date. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 34.

ii) Financial instruments and cash deposits

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

35. Related party transactions

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

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

Name of related party	Relationship	Nature of transaction with related party	Transaction amount in Nu.	Receivable/ (Payable) amount in Nu.
Druk Holding & Investment	Holding company	a) Consideration for issue of equity shares	3,608,525,100.00	----
		b) Sale of air tickets	248,719.00	----
		c) Dividend paid	3,000,000.00	----
		d) Commission	9,899.90	(76,298.19)
		e) Interest on Bor-rowings	341,530.05	----
		f) Others	----	15,104.00
		g) Corporate Guar-antee fees	55,532.47	
Bank of Bhutan Limited	Fellow Subsidiary	a) Sale of air tickets	376,030.00	----
		b) Bank Charges	2,242,871.73	----
		c) Loans	934,916,689.18	----
		d) Commission	15,030.55	(463,874.30)
		e) Interest on bor-rowing	15,871,089.95	(10,754,400.77)
		f) Current account	35,929,707.75	----
Bhutan Power Corporation Limited	Fellow Subsidiary	a) Sale of air tickets	641,603.00	28,024.00
		b)Electricity Charges	1,067,641.16	(133,700.00)
Bhutan Telecom Limited	Fellow Subsidiary	a) Sale of air tickets	127,052.00	(50,974.00)
		b) Telephone and Internet Charges	3,458,122.75	(711,977.35)
		c) Rental Charges	73,702.20	----
Construction Development Corporation Limited	Fellow Subsidiary	a) Sale of air tickets	102,436.00	8,545.60
		b) Commission	3,593.25	(3,593.25)
Dagachhu Hydro Power Corporation Limited	Fellow Subsidiary	sale of air tickets	170,274.00	----
Dungsum Cement Corporation Limited	Fellow Subsidiary	sale of air tickets	----	(23,802.00)

Name of related party	Relationship	Nature of transaction with related party	Transaction amount in Nu.	Receivable/ (Payable) amount in Nu.
Druk Green Power Corporation Limited	Fellow Subsidiary	a) Sale of air tickets	557,835.00	174,831.00
		b) commission	20,215.40	(233,579.60)
Natural resources Development Corporation Limited	Fellow Subsidiary	a) Sale of air tickets	106,542.00	----
		b) Commission	4,675.00	(4,675.00)
State Trading Corporation Limited	Fellow Subsidiary	a) Sale of air tickets	185,188.00	----
		b) Commission	8,228.40	(8,228.40)
Thimphu Tech Park Limited	Fellow Subsidiary	a) Capital Work in Progress	3,298,961.06	(3,298,961.06)
		b) Advance Paid	2,500,000.00	----
Wood Craft Centre Limited	Fellow Subsidiary	-	-	-
Koufuku International Limited	Fellow Subsidiary	-	-	-
Bhutan Broad Product Limited	Fellow Subsidiary	-	-	-
Dungsam Polymers Limited	Fellow Subsidiary	-	-	-
Bhutan Board Export Limited	Fellow Subsidiary	-	-	-
Tangsibji Hydro Energy Limited	Fellow Subsidiary	-	-	-
State Mining Corporation Limited	Fellow Subsidiary	-	-	-
Penden Cement Authority Limited	Fellow Subsidiary	-	-	-

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Key management personnel ('KMP')

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

Summary of compensation paid to the KMP:

	For the year ended December 31,	
	2020	**2019**
Basic Salary, Allowance, PF and leave encashment	3,124,119.00	2,783,136.00
Sitting Fees	64,000.00	92,000.00
Leave Travel Concession	15,000.00	3,534.00
Total	**3,203,119.00**	**2,878,670.00**

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

Reimbursement of expenses incurred by related parties for and behalf of the Company and vice-versa, and the related outstanding amounts have not been included in the above disclosures.

The disclosures given above have been recon the basis of information available with the Company and relied upon by the Auditors.

36. Capital commitments

The Company has contractual commitment of Nu. 12.5 million for implementation of SAP system with Thimphu Tech Park . Out of Nu.12.5 million the Company paid Nu. 2.5 million in 2020. The balance amount is payable as per the contract agreement.

37. Contingent liabilities

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

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ii) As per Notice of Demand raised by the Revenue Department Nepal in respect of the year 2014-15 total assessed amended tax is NPR 34,897,711.00 against which NPR 5,600,136.00 was already paid by way of advance submitted tax leaving a balance due of NPR 29,297,575.00. In 2018, the Station has deposited NPR 9,800,000.00 (33% of NPR 29,297,575.00) to appeal the case to Inland Revenue Department, Nepal for administrative review and waiver. However, the Inland Revenue Department has passed the resolution against Drukair's favour. During the year the Company has further deposited NPR 4,980,588 as security deposit to Inland Revenue Office to appeal the case in the Revenue Tribunal court. The case is still pending with Revenue Tribunal court.

iii) The tax assessment of the Company was carried out till 2017. There is a tax demand of 5,457,834.18 pertaining to 3% TDS for commission for foreign agents. To this, the Company has submitted an appeal to Department of Revenue and Customs and the case is still pending as on 31 December 2020.

iv) A show cause cum demand notice dated 31.12.2020 for Rs 11,738,403.00 on account of short payment of Indian Service Tax (including cess) for the period 2014-15 to 2017-18 has been raised by Additional Commissioner, CGST & CX, Kolkata, Audit-I Commissionerate. The Company has contested the same and at present the case is lying with office of the Commissioner of CGST & CX.

38. Other Notes to Accounts

i) Gratuity:

Defined Benefit Plans

Valuation in respect of Gratuity has been carried out by independent actuary, Royal Insurance Corporation of Bhutan Ltd., Bhutan. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

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

1: Changes in Present Value of Obligations:

Period	Year 2020
Present value of the obligation at the beginning of the period	95,258,152
Interest cost	6,981,028
Past service cost	-
Current service cost	7,668,683
Benefits paid (if any)	(4,355,565)
Actuarial gain/(loss)	(7,452,807)
Present value of the obligation at the end of the period	**98,099,491**

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2: The amount to be recognized in the Balance Sheet:

Period	Year 2020
Present value of the obligation at the end of the period	98,099,491
Fair value of plan assets at end of period	110,612,206
Net liability/(asset) recognized in Balance Sheet and related analysis	12,512,715
Funded Status	**12,512,715**

3 (a): Expense recognized in the statement of Profit and Loss:

Period	Year 2020
Interest cost	6,981,028
Past service cost	-
Current service cost	7,668,683
Expected return on plan asset	(7,805,246)
Expenses to be recognized in P&L	**6,844,465**

3 (b): Other comprehensive (income) / expenses (Remeasurement)

Period	Year 2020
Actuarial (gain)/loss - obligation	(7,452,807)
Actuarial (gain)/loss - plan assets	1,262,988
Total Actuarial (gain)/loss	**(6,189,819)**

4: Table showing changes in the Fair Value of Planned Assets:

Period	Year 2020
Fair value of plan assets at the beginning of the period	104,069,948
Expected return on plan assets	7,805,246
Contributions	-
Benefits paid	-
Actuarial gain/(loss) on plan assets	(1,262,988)
Fair Value of Plan Asset at the end of the Period	**110,612,206**

5: The assumptions employed for the calculations are tabulated:

Discount rate	7.50 % per annum
Salary Growth Rate	7.00 % per annum
Mortality	100% of IALM (2006-08)
Withdrawal rate (Per Annum)	5.00% p.a.

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6: Bifurcation of net Liability

Period	Year 2020
Current Liability (Short Term)*	11,003,855
Non Current Liability (Long Term)	(23,516,570)
Total Liability	**(12,512,715)**

ii) Leave Encashment Liability

This has been determined by actuarial method at Nu 16,517,620 the following is the summary of leave encashment as per the actuary valuation report:

The table below shows a summary of the key results for the year ending 31 December 2020:

1: Present Value of Obligations:

Period	Year 2020
Present value of the obligation at the beginning of the period	13,876,984
Interest cost	293,463
Past service cost	-
Current service cost	2,640,636
Benefits paid (if any)	(9,964,137)
Actuarial (gain)/loss	9,670,674
Present value of the obligation at the end of the period	16,517,620

2: The amount to be recognized in the Balance Sheet:

Period	Year 2020
Present value of the obligation at the end of the period	16,517,620
Fair value of plan assets at end of period	-
Net liability/(asset) recognized in Balance Sheet and related analysis	16,517,620
Funded Status	16,517,620

3 (a): Expense recognized in the statement of Profit and Loss:

Period	Year 2020
Interest cost	293,463
Past service cost	-
Current service cost	2,640,636
Expected return on plan asset	-
Expenses to be recognized in P&L	2,934,099

3 (b): Other comprehensive (income) / expenses (Remeasurement)

Period	Year 2020
Actuarial (gain)/loss - obligation	9,670,674
Actuarial (gain)/loss - plan assets	-
Total Actuarial (gain)/loss	9,670,674

4: The assumptions employed for the calculations are tabulated:

Discount rate	7.50 % per annum
Salary Growth Rate	7.00 % per annum
Mortality	100%of IALM (2006-08)
Withdrawal rate (Per Annum)	5.00% p.a.

5: Bifurcation of net Liability

Period	Year 2020
Current Liability (Short Term)*	1,266,422
Non Current Liability (Long Term)	15,251,198
Total Liability	**16,517,620**

iii) Liability for Frequent Flyer Programme

This has been determined by actuarial method at 13.92 million (PY Nu 18.05 million). The Following Actuarial estimates were used to determine the Actuarial Liability in 2020:

(a) Redemption Rate- 60%
(b) Loyalty Points accrued- 12,299,285
(c) Cost Per Point- 2.03

iv) Segment Information

For management purposes, the company has only one operating segment viz. transport of people and cargo by air, mainly from Bhutan to neighbouring countries. The company also transports people and cargo from India to third countries and also domestically within Bhutan, but these activities are part of the main activity. Therefore, the company's profit and loss account and balance sheet represent the results of this sole segment. During the year 2020, the company carried 67,482 no. of revenue passengers and 197,234 kg of cargo (PY: 281,663 no. revenue passengers and 376,491.36 kg of cargo).

v) Government grants

Grants from RGOB and other organisations relating to costs are recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

vi) Benefit of Interest Free Loan

There is an interest free loan outstanding and due to the RGOB to the extent of Nu 110 million (PY Nu. 118 million) as on 31 December 2020. The estimated interest expenses of this loan has not been accounted for in the books of the Company. If the interest is considered at 9% p.a., the expenses on account of this interest for the year 2020 would be Nu 9.88 million (PY Nu 11.79 million).

39. Impact of COVID 19

The outbreak of Corona virus Disease 2019 (COVID – 19) which has been declared as a pandemic by World Health Organization led to travel restrictions and shutdown of many international airports which has caused significant disruptions of operation in airline industry. The travel restriction and mandatory requirement of quarantine reduced the flight operation of the Company. With the uplift of airport shutdowns, the resumption of activities is happening slowly and in a limited manner. The Company is closely monitoring the impact and believes that there has been significant adverse impact on its financial position for the year ended 31st December, 2020. The eventual outcome of the global pandemic remains uncertain and may be different from that as estimated as on the date of approval of these results.

40. Events after the reporting period

There are no events after the reporting period to be reported as these financial statements do not reflect any dividend payable to the shareholder as dividend pay-out is subject to approval by the Members in the General Meeting to be held to adopt the financial statement for the year ended December 31, 2020. At the reporting date no proposal for dividend declaration was received from shareholders.

Signatures to Notes "1 to 40" of the financial statements for and on behalf of the Board of Directors.

For Ray & Ray
Chartered Accountants
Firm Regn. No. 301072E

Amitava Chowdhury

Aimtava Chowdhury
Partner
Membership No. 056060
UDIN- 21056060AAAABD2760

Place: Kolkatta
Dated: 10/5/2021

For Drukair Corporation Limited

Dasho Pema Chewang
Chairman

Tandi Wangchuk
Chief Executive Officer

Rinzin Dorji
Director FCSD

Place:Thimphu
Dated: 15.03.2021