BHUTAN TELECOM LTD

Always there for you

A dhi Company

Annual Report | 2021

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The year in review

The Covid-19 pandemic continued to impact everyone in 2021, claiming millions of lives and posing unprecedented challenges to everyone around the world. Telecommunications service providers continued to provide a lifeline for people from different walks of life by helping individuals, communities and economies pursue social and economic activities amid trying times. As the world recovers from the brunt of the pandemic, telecommunications service providers will have to shoulder greater responsibilities to help economies recover and build resiliency to face similar threats in the future. As per GSMA, the pandemic has not impacted the 5G rollout momentum, and now 5G is available in every region of the world. As per the trend, 5G will constitute over a fifth of total mobile connections by 2025, but 4G will continue to grow and serve the growing demand for data in developing economies as opportunities are still there to optimize the 4G infrastructures.

In keeping with the core values and social mandates, the company continued to enhance its mobile connectivity to far-flung villages and along the national highways with no dark spots of more than one kilometer. Likewise, the company continued to scale up its network infrastructure in core towns, and implemented 5G in core areas of Thimphu, Paro, and Phuentsholing to meet the increasing demand and facilitate many critical digital services. Echoing the challenges faced by the customers and as part of the company's initiatives to drive digitalization, mobile internet was made affordable with the reduction of tariff by more than 12% and launch of new data plans in the range of 2.7 GB to 220 GB. The company continued to facilitate work from home and online learning initiatives of the government by providing 50 percent additional data quota for fixed broadband internet services and enhancing the data quota for student data plans by 100%.

Despite the challenges faced in 2021, the company performed well and achieved all the financial targets fixed by the shareholder and the Board. The company recorded a revenue of Nu. 5,382.82 Million and a profit after tax of Nu. 1,998.28 Million, marking a revenue growth of 12.47% and a growth in profit after tax of 29.91%, as compared to 2020. In keeping with the positive financial returns, the company contributed Nu. 944.54 Million as the Corporate Income Tax, marking an increase of 28.77% compared to 2020. Likewise, the company paid a dividend of Nu. 2,022 Million to DHI, marking an increase of 30.45% compared to 2020, thus recording a total contribution of Nu.2,966.54 million to the government as tax and dividends. The good financial returns are because of the company's prudent investments guided by the Board and DHI and the constant improvements made in the daily operations leading to cost efficiency.

The company continued to extend free internet services to the quarantine centers and offices to strengthen effective communications in the nation's effort to contain the spread of Covid-19 throughout the year. As part of digital initiatives and the digital roadmap, the company implemented ERPNext in BTL and conducted Proof of Concept (POC) for Blockchain Technology by implementing a BT Phone sale registry. In fulfilling the social and economic goals of the country and as envisioned in the DHI's "A roadmap for DHI and Group 2.0", the company implemented its corporate strategic plan 2022 – 2024 with an outlook to generate revenue of more than ngultrum seven billion. To promote and practice best work ethics by inculcating positive attitudes in all the employees to deliver higher value to the customers, the company would continue to develop human capacities and capabilities through continuous learning programs and training.

Besides the challenges and disruptions caused by the pandemic, the rapid advancement of technology and the shorter lifecycle of technology is one of the main challenges faced by the company. The company invested over Nu. 1 billion in 2021 with significant investments in enhancing mobile network services comprising of existing 4G infrastructure and 5G technology. As per GSMA, the company will have to continue investing in 4G technology, and investments for new technologies such as 5G would be more than 80% of the total investment. Another recurrent challenge for the company is improving the customer satisfaction score. The company recorded a score of 3.74 against the target of 3.90 in 2021. Therefore, the company would continue to focus on improving customer satisfaction across all the areas of operations and categorically focus on the weak areas concerning service quality attributes and value for money.

Despite all the challenges, the country didn't face difficulties and challenges like other countries, all because of His Majesty the Druk Gyalpo's leadership. Therefore, I would like to submit our heartfelt gratitude to His Majesty the Druk Gyalpo for his selfless leadership and for guiding the nation through such a difficult time. I thank all the valued customers for being with us and providing us with the platform to grow and improve in this rapidly advancing industry amid trying times. I take this opportunity to thank the DHI and the BT Board for all the guidance and support received in 2021. I am also thankful to all the employees for their unwavering support, rising to the occasion, and ensuring uninterrupted services. Finally, I on behalf of the employees of the company and my own behalf would like to rededicate our services to the Tsa-Wa-Sum.

Yours Sincerely,

Karma Jurme
Chief Executive Officer

1. Company Profile

Mission	***Provide innovative and reliable ICT services***
Vision	***To be the Company of choice***
Destination Theme	***In 2024, Bhutan Telecom's revenue is more than Nu. 7 Billion***

1.1 Values

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

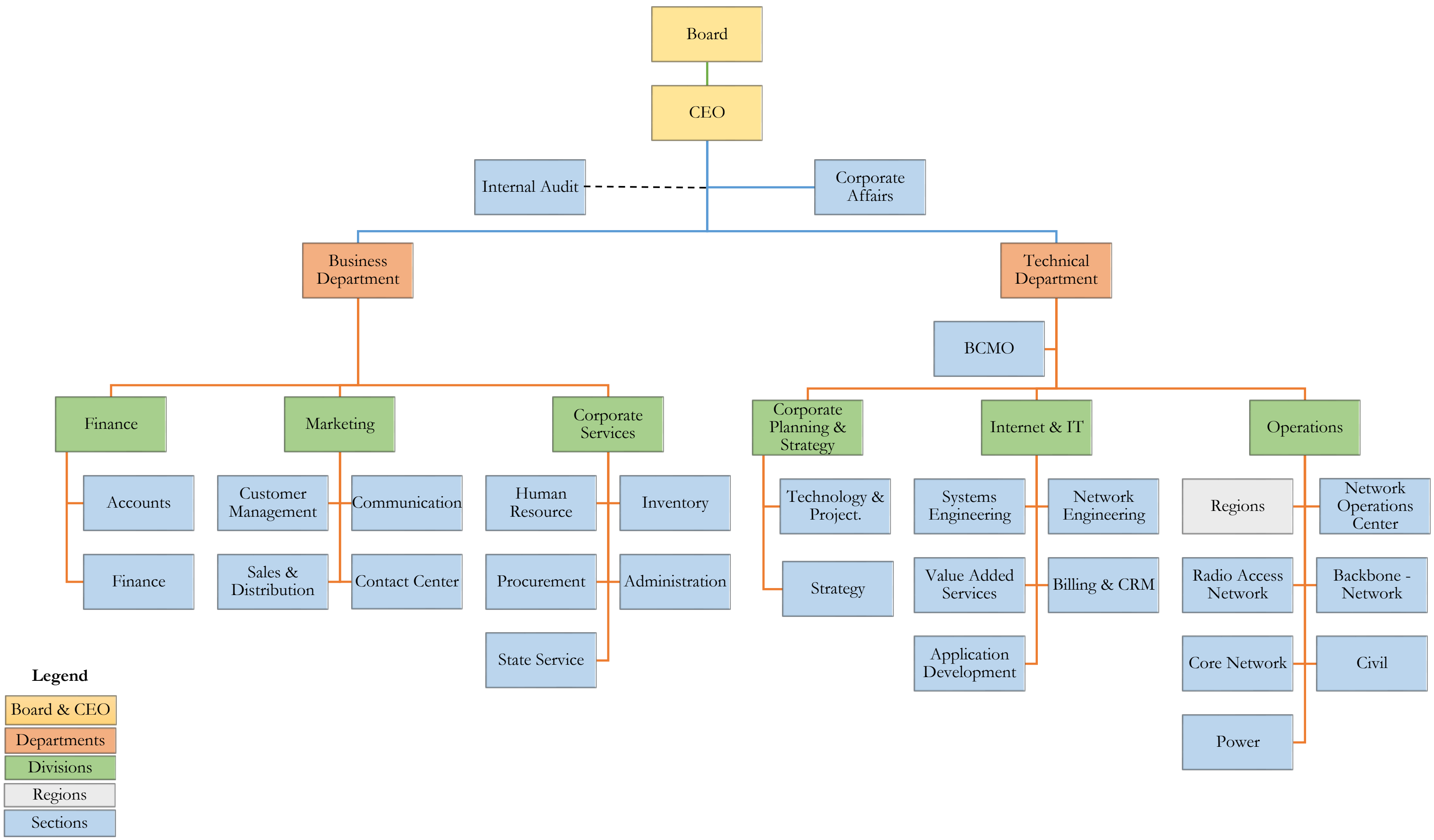
Integrity: We believe and commit to practice high ethical business standard in all business transactions including handling customers, suppliers and company information. We value in conducting our business with honesty, transparency and highest level of corporate ethics.

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

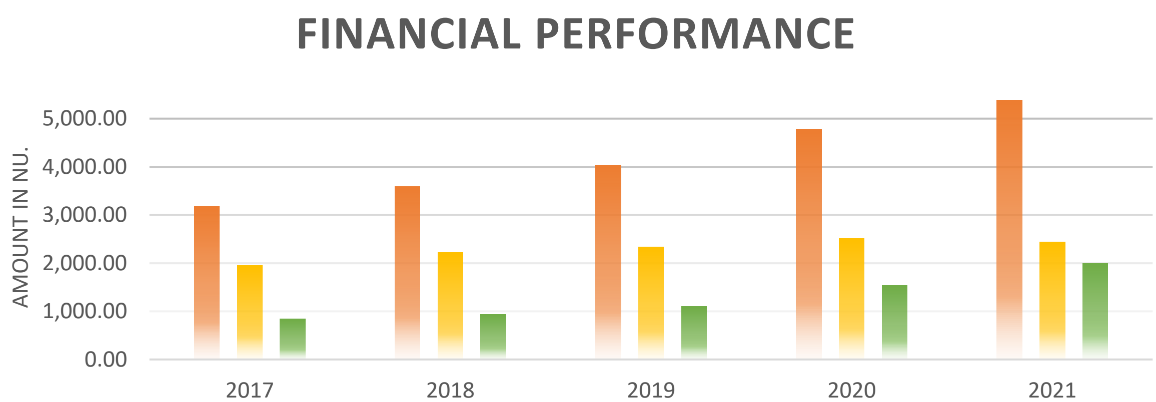
Excellence: We believe and commit to strive for the highest possible standards while conducting business with continuous improvement, constantly seeking solutions to problems. To deliver quality services to meet customer expectations (external) and exerting efforts to obtain feedback from customers to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

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

1.2 Organization Chart

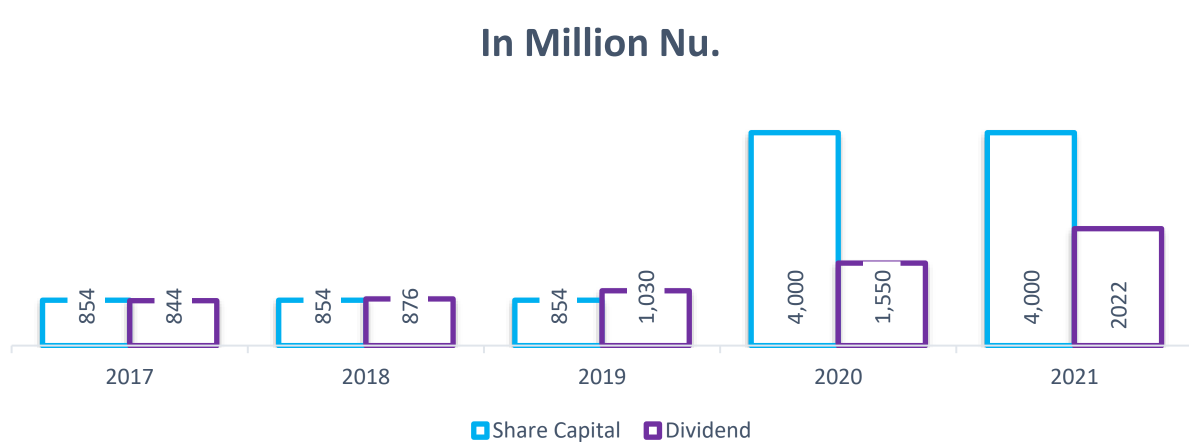


Revenue, Expenditure and Profit after Tax.



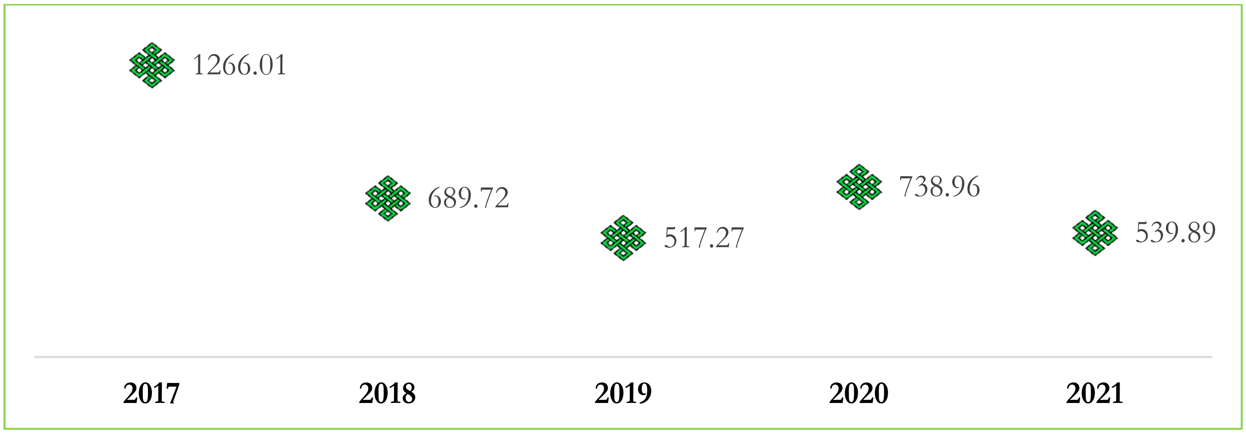
	2017	2018	2019	2020	2021
Revenue	3,175.05	3,593.28	4,039.01	4,785.75	5,382.81
OPEX	1,947.87	2,220.20	2,338.28	2,514.01	2,439.99
PAT	839.67	941.79	1,102.51	1,538.25	1,998.28

Dividend in Million Nu.



Corporate Income Tax in Million Nu.

Capital Expenditure



Note: 2021 Capital Expenditure is exclusive of CWIP amounting to Nu. 883.01 million

1.3 BT Day Celebration:

Coinciding with the World Telecommunication and Information Society Day, Bhutan Telecom celebrated the fifth BT day in Thimphu, Headquarter office on May 17, 2021. BT Day is observed every year to celebrate the successes and achievements of the company by bringing together all employees of the company, and also to reward high-performing employees. However, the section and PC managers attended virtually and only the management team and awardees were present in person during the event.

1.4 Service launch:

I. 5G launch:

As a company dedicated to providing the best services to its clients and in keeping with technological advancements in the field of ICT, Bhutan Telecom (BT) soft-launched 5G services on September 30, 2021. 5G services have been introduced as a long-term initiative for clients to meet the increasing demand for high-speed mobile data connectivity as well as to support digital transformation initiatives of the Royal Government. As 5G is a new technology, deployment is to be carried out in phases. In the first phase, 5G services have been made available in selected locations in the core areas of Thimphu and Paro Dzongkhags. Based on the uptake of 5G services in the select areas of Thimphu and Paro, and most importantly, guided by the long-term vision of the country as envisioned by His Majesty the King, BT plans to expand the 5G network in the core areas of the rest of the country.

II. ERP Next Implementation:

Bhutan Telecom launched the ERPNext system on December 31, 2021. Enterprise Resource Planning (ERP) is a business process management software that allows an organization to use system integrated applications to manage the business and automate back-office functions related to accounts, technology, services, and human resources.

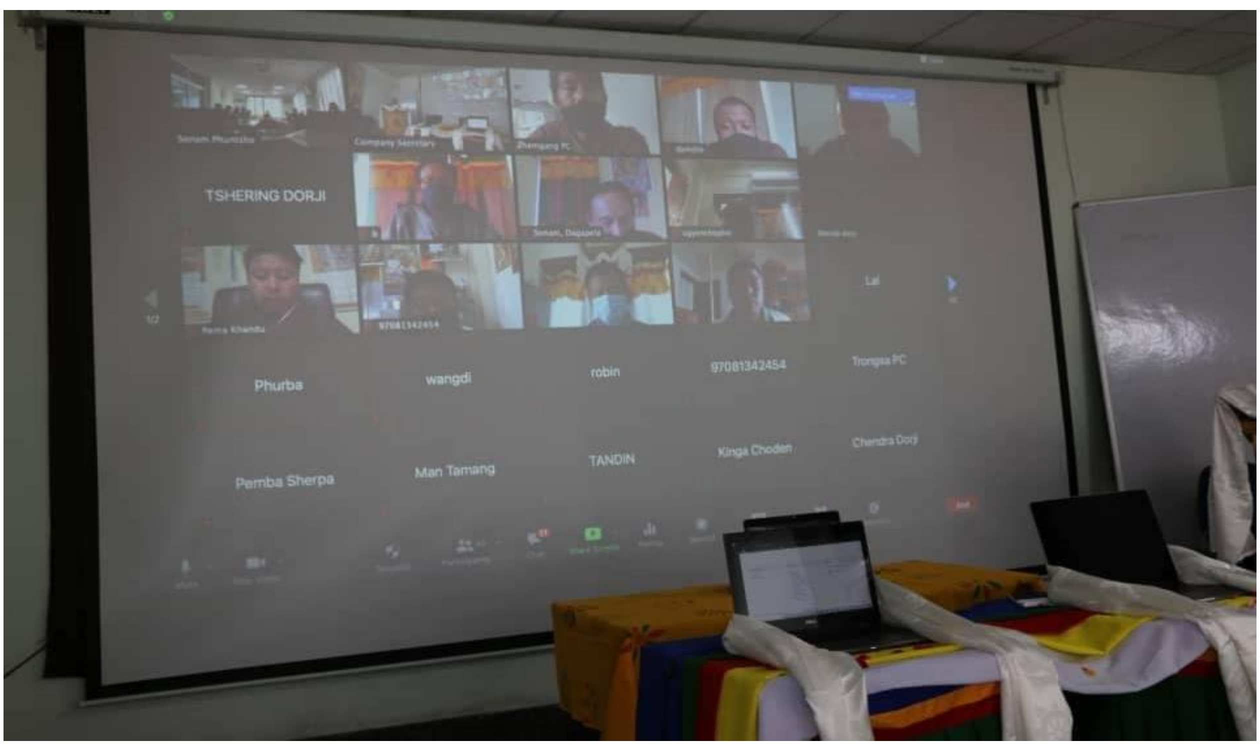
SAP ERP was implemented in BT in 2014, as a business imperative, enabling the use of innovation and technology to transmute its business across Bhutan. The hardware components of the system had come to end of life in 2019. To improve efficiency in operations, reduce operational expenditure, and also to curb investing outside Bhutan, BT resorted to implementing ERPNext in 2021. ERPNext is an open-source solution, customized and implemented by an all Bhutanese team of Thimphu TechPark. BT started using ERPNext with effect from 1st January 2022.

This is the first replacement of SAP ERP with an open-source alternative in the country, and also the largest ERPNext software project in the country carried out by a Bhutanese team.

III. e-KYC launch:

As a part of the BT Day celebration, Bhutan Telecom also launched e-KYC (Electronic Know Your Customer) on May 17, 2021. It is a digital initiative with the objective and a long-term goal to create user friendly registration process for our citizens to avail telecommunication services and to know our customers better to understand and serve their needs efficiently. By digitization of the registration process for on-boarding of subscribers, it will not only help us to achieve the company's objective of knowing our subscribers to manage customer relationships efficiently but also it will be a step towards achieving the national vision of Digital Drukyul.

E-KYC will enable customers to register for BT's prepaid mobile services and also to update their personal profile as and when required, thus, replacing the existing manual process of filling forms such as prepaid forms/legal stamp which includes forms for New Registration, SIM Replacement, Application for SIM Replacement, Tourist SIM, and Reconnection & Customer Information Update, however, Employer Assurance Form will continue to exist. It improves efficiency and makes tasks easier to manage for our subscribers. E-KYC service can be easily availed via mobile handset apps or the Web portal. The long-term plan is to incorporate other lines of business in the platform moving forward to have a single unified system for provisioning and management of relationships with our valuable customers. This system can also be used for sharing subscriber's information by BT within the scope of customer privacy policy to avoid multiple resubmissions for customer details and registration forms. This initiative is the first step towards achieving the broader goal of the company which is to digitally manage Customer Relationships which will help us to design and market our products and services as per their needs and requirements.



IV. GNH award:

Bhutan Telecom received the GNH of Business Certification on 30th December, 2021, following a GNH Alignment Assessment conducted in 2019. BT would like to thank the Center for Bhutan and GNH Studies for considering us for the assessment.

2. Board Directors

Mr. Pema L. Dorji has a Master's degree from Fletcher School of Law and Diplomacy, Tufts Univertsity, USA and a Master's degree in Political Science from Delhi University. He has more than 29 years of work experience in the Ministry of Foreign Affairs, Royal Bhutanese Embassy in New Delhi and Dhaka. He also served as the Director for SAARC Secretariat and Deputy Permanent Representative to UN, New York. He is currently serving as Director General, Department of Immigration, MoHCA. He is the Chairman of BT Board and serves as an independent, non-executive director on BT Board.

Mr. Jigme Tenzing has a Masters in Information and Computer Science from University of Oregon, US. He has more than 18 Years of work experience in the field of strategic planning and Computer Science and Information Technology. He is currently serving as the Director, Department of Information Technology and Telecom. He serves as a non-independent, non-executive director on BT Board.

Ms. Jamyang Choeden has a M.Phil in International and Comparative Education from University of Oslo, Norway. She has more than 35 years of work experience in the field of education, strategic planning and administration. She is currently serving as the Director for Bhutan Council for School Examinations and Assessments. She serves as an independent, non-executive director on BT Board.

Mr. Gonpo Tenzin has a Masters in Urban and Regional Planning from University of Canberra, Australia. He has more than 18 years of experience in the field of strategic planning, research, program monitoring and evaluating experience. He is currently serving as the Chief, Policy & Planning Division for National Land Commission. He serves as independent, non-executive director on BT Board.

Dr. Lam Dorji has a Ph.D in Natural Resources Management from Asian Institute of Technology, Thailand. He has more than 29 years of experience in the field of environment management, innovative financing and sustainable development, governance and organizational management. He served as the Executive Director for the Royal Society for protection of nature and currently serving as an Independent Environmental Monitoring Expert at Construction Development Corporation Limited (CDCL) / ADB. He serves as an independent, non-executive director on BT Board.

Mr. Chencho Tshering Namgay has a Masters in Business Administration from Asian Institute of Management, Phillipines. He has more than 18 Years of work experience in the field of corporate finance, Financial securities, investment, risk management, project management, telecom infrastructure and power system automation. He is currently serving as the Director, Department of Investments for Druk Holding and Investments Ltd. He serves as a non-independent, non-executive director on BT Board.

Mr Karma Jurme has a Masters in Human Resources Management from Curtin University in Australia. He has more than 31 years of work experience in the field of Administration and Human Resource Management. He is the Chief Executive Officer for Bhutan Telecom Ltd. He serves as a non-independent, executive director on BT Board.

3. Management Team:

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

Mr. Karma Jurme is the Chief Executive Officer and he has more than 31 years of work experience in the field of administration and Human Resource Management. He holds a Masters in Human Resources Management from Curtin University in Australia.

Mr. Karma Tshewang is the Director, Technical Department. He has more than 25 years of work experience in the field of management and telecommunications and holds a bachelor's degree in Electrical Engineering from Penn State University in USA.

Mr. Sangay Wangdi is the Director, Business Department. He has more than 19 years of work experience in the field of Marketing and Finance and holds a Master of Business Administration from Southern Cross University, Australia.

Mr. Jichen Thinley is the General Manager, Corporate Planning and Strategy Division. He has more than 33 years of work experience in the field of internet technology and telecommunications.

Mr. Jambay Sither is the General Manager, Operations Division. He has more than 29 years of work experience in the field of telecommunications and holds a Masters in Technology in Mobile Communication and Networking Technology from the West Bengal University of Technology.

Mr. Dawa Sonam is the General Manager, Internet & IT Division. He has served as the IT Head, DHI before his current appointment and holds a Master in Information Technology from Murdoch University, Australia.

Mr. Phuntsho is the General Manager, Corporate Services Division. He has more than 19 years of work experience in the field of administration and human resource management and holds a Masters in Human Resource Planning and Development from the Institute of Applied Manpower Research, India.

Mr. Jigme Thinley is the General Manager, Marketing Division. He has more than 22 years of work experience in the field of taxation, business & finance, human resource management, marketing, business development and organizational development, and holds an MBA (International Business) from the Asian Institute of Technology, Thailand.

Mr. Chendra Dorji is the General Manager, Finance & Accounts Division. He has 14 years of work experience in the field of Finance and Accounts and holds master's degree in MBA with specialization in Finance and Accounting from Maastricht School of Management in Netherlands.

4. Directors' Report

Introduction.

On behalf of the Board of Directors of Bhutan Telecom Limited and the management, I would like to report that the year 2021 has been a very challenging year for the company due to the challenges posed by the Covid-19 pandemic. Despite the challenges, the company managed to live up to its mandate by ensuring uninterrupted telecommunications services. I am happy to present the Directors' Report 2021 covering operational performance, audited financial statements, audit observations/recommendations, corporate governance, corporate social responsibility, and the challenges and way forward for 2022.

Operational highlights.

The company continued to prioritize enhancing network reliability and accessibility by undertaking many activities to improve the telecommunication services throughout its network in the country. In addition to the capacity enhancement of the existing 4G Cell sites, the company deployed 192 new 4G (LTE) sites and 16 new 2G sites to ensure network reliability. Despite the multifaceted challenges posed by the pandemic, the company continued to carry out regular network drive tests and antenna alignment activities to ensure service reliability during trying times in the country and beyond. While ensuring service reliability, the company managed to keep up with the global technological trends, particularly initiatives to meet the ever-increasing demand for high-speed mobile data, by introducing 5G technology in its network towards the end of the year in the core towns of Thimphu, Paro, and Phuntsholing. As part of 5G, the company also initiated works on the voice-over LTE (VoLTE) feature and is expected to be launched for our customers in the first quarter of 2022.

As envisioned by DHI and the Board to scale up the digital initiatives, the company successfully carried out a POC (Proof of Concept) on blockchain technology and implemented Digital Customer Relationship Management (Digital CRM) with electronic-Know-Your-Customer (eKYC) to create a user-friendly registration process for the customers. In addition to the digital CRM, the company implemented Telecom Data Analytics (TDA) across different business lines to better understand customers' behavior for building a meaningful engagement with them. The TDA would help the company segment and manage the customers better by enhancing customer lifetime value through timely campaigns, loyalty offers and support. The company's active mobile subscriber base increased from 423,020 in 2020 to 429,026 at the end of 2021, and Leased Line Internet subscriptions grew from 1,921 in 2020 to 2,583 at the end of 2021. The company had 1,966 fixed broadband Internet subscriptions and 19,680 fixed-line customers at the end of 2021.

The company couldn't conduct any ex-country human resource development activities in 2021 owing to the travel restrictions posed by the Covid-19 pandemic. However, the company pursued its critical function of developing human resources by adopting the online training and certification policy. Accordingly, four in-house, 11 in-country, 29 online training, and 63 training on the Udemy platform were successfully conducted in 2021, covering different technologies and management facets. At the end of 2021, the company had 647 employees, comprising 569 regular employees, five contract employees, 64 ESPs, and nine local caretakers.

Financial position and key financial performance highlights.

The company has financially performed well in the year 2021, BT recorded revenue of Nu. 5,382.82 Million for the period ending December 31, 2021 marking a revenue growth of 12.47% from the previous year. BT also recorded a profit after tax of Nu. 1,998.28 Million for the period ending December 31, 2021, marking a growth of 29.91% from the previous year.

Financial highlights for 2021:

Revenue in Billion Nu.	**Expenditure in Billion Nu.**
Nu. 5.382 b 12.47% ▲	**Nu. 2.439 b** 2.94% ▼

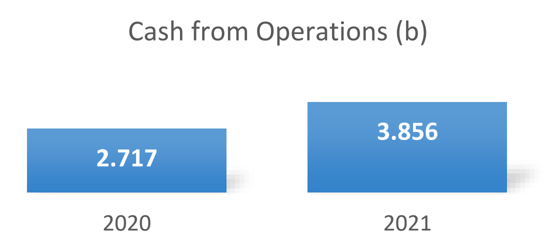
*The Revenue of the company marked a growth of **12.47%** in 2021. The Operating Expenditure of the company marked an reduction of 2.94**%** in 2021.*

Cash from Operations in Billion Nu.

Operations **Nu. 3.856 b**

▲41.92%

The cash from Operations marked increase of 41.92% from 2020



PBT in Million Nu.	**PAT in Million Nu.**
Nu. 2,942.82 m 29.54% ▲	**Nu. 1,998.28 m** 29.91% ▲

The PBT and PAT marked an increase as compared to 2020, PBT marked an increase by 29.54% and PAT marked an increase by 29.91% in 2021.

Asset (Net Worth)

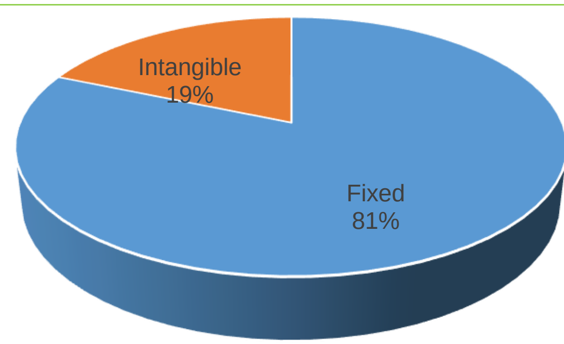
Tangible Assets **Nu. 3.083 b**

▼9.59%

Intangible Assets **Nu. 0.704 b**

▼16.16%

The overall percentage decrease in asset was 12.88% as compared to 2020



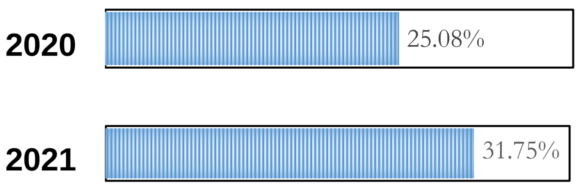
Liquidity

	2020	2021	
Current Ratio	2.72 : 1	2.19 : 1	↓
Quick Ratio	2.68 : 1	2.06 : 1	↓

The current ratio reduced from 2.72:1 in 2020 to 2.19:1 in 2021 and the quick ratio reduced from 2.68:1 in 2020 to 2.06:1 in 2021.

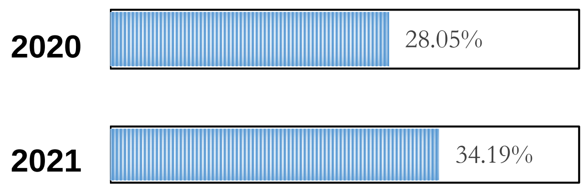
Profitability.

Return on Capital Employed



ROCE increased from 25.08% in 2020 to 31.75% in 2021.

Return on Equity.



ROE increased from 28.05% in 2020 to 34.19% in 2021.

Audit Issues:

The Company was audited by statutory auditors, Karma & Associates, Chartered Accountants based in Thimphu, Bhutan. The audit had issued one observation under deficiencies and lapses and two observations under recommendatory in nature during 2020 audit period. Out of two recommendations one is implemented, one is not implemented, and one observation remains not implemented. Similarly, during 2021 audit period, two observation under recommendatory nature are highlighted which will be followed through in 2022.

Board's recommendation of Dividend

The dividend for 2021 to the shareholder (DHI) is recommended at 101% of the Total Comprehensive Income.

Corporate governance

The company is generally compliant with the provisions of the Corporate Governance Code and Ownership Policy developed and introduced by its owner – the Druk Holding & Investments Limited (DHI), the Companies Act 2016, and other statutory requirements. In line with the signing of the integrity pledge with the Anti-Corruption Commission (ACC) on December 27, 2017, the company has been complying with the business code of conduct and other internal control systems, ensuring complete and accurate procedures to limit potential losses and lapses through fraud.

All members of the Board of Directors are identified and appointed by DHI with subsequent endorsement in the general meetings. The DHI organizes and conducts an orientation program for the new Board members to prepare them for the roles and responsibilities of the Board. At the end of 2021, the company's Board comprised seven directors, including the Chief Executive Officer, and held ten Board meetings, a Mid Term Review meeting, and an annual general meeting. The company had three Board committees in place – The Board Audit Committee, The Board HR Committee, and The Board Tender Committee, and the committees held three, four, and eight meetings respectively in 2021.

Corporate Social Responsibility

In keeping with the corporate belief to act responsibly in upholding the principle of balanced economic development through the extension of telecommunication services to rural and remote areas of the country, the company continued to provide telecommunications services even to non-profitable and challenging places of the country as a social mandate. As guided by DHI and in fulfilling the social responsibility of standing in solidarity with the nation during a difficult time due to the Covid-19 pandemic, the company continued to extend free internet services and communication facilities worth Nu. 12.65 million to the quarantine centers and offices engaged in the fight against containment of pandemic, along with customized data recharge packages with 65% to 91% additional data compared to normal data packages to various frontline workers across the country. Furthermore, the company contributed Nu. 3.31 million as part of the Corporate Social Responsibility and donated Nu. 415,000 in 2021, to various civil societies and social causes.

Challenges and way forward

Retaining skilled employees leaving the organization for better opportunities is a recurrent challenge for the company, like any other organization in the country. However, the Board and management would continue assessing the shortfalls in 2022 and continue reviewing the level of employee engagements to understand and address the areas of improvement for the company. Another recurrent challenge is the threats from rapidly advancing technology with different standards calling for huge investments and meeting the ever-increasing demand for mobile data with seasonal surges during the lockdowns. However, the company is hopeful of managing challenges with the Corporate Strategic Plan, five-year investment plan, and the Risk Management processes instituted in the company, with the guidance of the Board and the DHI. To address the ever-increasing demand for mobile data services, the Board approved a budget of Nu. 189 million to expand 5G and Nu. 484.84 million for 4G LTE expansion in 2022. Likewise, the company will be spending Nu. 101.81 million for mobile core expansion to support the 4G LTE and 5G expansions in 2022.

In 2021, the company recorded a customer satisfaction score of 3.74 from the target of 3.90. As per the survey findings, customers are satisfied with customer care, service efficiency, and complaint handling. However, customers have rated service attributes and value for money lower than other key result areas. While respecting the ratings provided by the customers, the lower value for money despite several tariff reductions could be due to the longer screen time of the customers congesting the network during lockdowns and the decreasing purchasing power due to the adverse economic impact of the pandemic like any other country. To address the issues concerning service quality attributes, the company would continue to prioritize enhancing the availability of high-speed data across the country and along the national highways. The company would also continue carrying out tariff revisions and implement loyalty and incentive schemes in its pursuit of making BT services affordable and accessible to everyone. To keep up with the technological advancements and in its earnest effort of enhancing customer service, the company would implement an application on blockchain technology and continuously improve the BT self-care apps and complaint handling processes in 2022.

Acknowledgements

First, we submit our deepest gratitude to His Majesty the Druk Gyalpo for his exemplary and selfless leadership in leading the nation's efforts in containing the spread of Covid-19 in the country, thus ensuring the safety and wellbeing of every Bhutanese. The Board and Management take this opportunity to rededicate our services to the Tsa-Wa-Sum and submit our prayers for the good health and glorious reign of His Majesty the Druk Gyalpo.

As always, we thank the company's valued customers for their continued loyalty and support. Despite some shortcomings, the company has continued to receive cooperation and support from its valued customers. The company made substantial investments to improve the customer experience in 2021 and would continue to invest progressively in 2022 to improve the customer experience. With the progressive improvements made and the support received until now, we believe that our valued customers will continue to support the company.

The company's shareholder, DHI, has guided the company throughout 2021 in overcoming the challenges and helping ensure uninterrupted telecommunications services during such a difficult time in the country and beyond. The board and management of the company would like to thank DHI for the same. We would also like to place on record our sincere thanks to all the other stakeholders for whatever support the company received during the year.

Lastly, the board would like to thank the management and employees of the company for working hard and living up to its purpose in 2021. The board looks forward to similar efforts and success in 2022.

On behalf of the Board of Directors.

(Pema L Dorji)
CHAIRMAN

5. Corporate Governance:

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

5.1 Board of Directors

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

Name:	Address	Category	Appointment to present term	Term
Mr. Pema L Dorji (Chairman)	Director, Department of Immigration, MoHCA.	Independent Non-Executive	March 26, 2021	2nd Term
Mr. Jigme Tenzing	Director, Department of Information Technology & Telecom, MoIC.	Non-Independent Non-Executive	March 26, 2021	3rd Term
Ms. Jamyang Choeden	Director, Bhutan Council for School Examinations & Assessment, MoE.	Independent Non-Executive	March 26, 2021	2nd Term
Mr. Gonpo Tenzin	Chief, PPD, National Land Commission.	Independent Non-Executive	March 26, 2021	2nd Term
Dr. Lam Dorji	Independent Environmental Monitoring Expert, CDCL.	Independent Non-Executive	March 26, 2021	1st Term
Mr. Chencho T. Namgay	Director, Department of Investments, DHI.	Non-Independent Non-Executive	March 26, 2021	1st Term
Mr. Karma Jurme	CEO, Bhutan Telecom	Non-Independent Executive		

5.2 Board Meetings

A total of Ten Board Meetings were held in 2021 and the meetings were held as frequently as required and gap between any two meetings never exceeded three months, as required by the Companies Act of Bhutan 2016. Board Meetings in 2021 were held on the following dates:

#	# Meeting Number	Date	Status
1	162nd Board Meeting:	January 29, 2021	Held
2	163rd Board Meeting:	March 10, 2021	Held
3	164th Board Meeting:	April 30, 2021	Held
4	165th Board Meeting:	June 17, 2021	Held
5	166th Board Meeting:	August 02, 2021	Held
6	167th Board Meeting:	September 14, 2021	Held
7	168th Board Meeting:	October 07, 2021	Held
8	169th Board Meeting:	October 22, 2021	Held
9	170th Board Meeting:	October 29, 2021	Held
10	171st Board Meeting:	December 21, 2021	Held

5.3 Board Meeting Attendance:

Meeting Date:	**29th January**	**10th March**	**30th April**	**17th June**	**2nd August**	**14th September**	**7th October**	**22nd October**	**29th October**	**21st December**	**Total**
Meeting Number:	162	163	164	165	166	167	168	169	170	171	
Name of Directors:											
Mr. Pema L Dorji. (Chairman)	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	10
Mr. Jigme Tenzing.	⊙	⊙	✓	✓	✓	✓	✓	✓		✓	9
Ms. Jamyang Choeden.	⊙	✓	✓								3
Mr. Gonpo Tenzin.	⊙	⊙	⊙	⊙	⊙	✓	✓	✓	✓	✓	10
Dr. Lam Dorji.	⊙	⊙	✓	✓	✓	✓	✓		✓		8
Mr. Chencho T. Namgay.	⊙	✓	✓	✓		✓	✓	✓	✓	✓	9
Mr. Karma Jurme.	⊙	✓	✓	✓	✓	✓	✓	✓	✓	✓	10
Quorum.	Full	Full	Full	6/7	5/7	6/7	6/7	5/7	5/7	5/7	

The calendar for the Board Meetings during the entire year is proposed at the beginning of the year. The calendar is reviewed and the date for the next Board Meeting is confirmed in every Board Meeting. All the Board Meetings in 2021 were held at the Conference Hall of the Company's Headquarters in Chubachu, Thimphu, and also used virtual meeting platforms owing to the Covid-19 pandemic. The agenda and related documents for the Board Meetings are generally circulated to the Board Members at least five working days in advance of the Meetings. However, it is challenging to meet this timeline on rare occasions, when the Board Meeting is called on short notice and/or when papers take time to finalize because of various reasons.

The following Board Committees are in place:

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

5.4 Board Audit Committee (BAC):

The Board Audit Committee was established to monitor the internal control system and internal audit activities. The Committee held three meetings in 2021 on the following dates:

1. 32nd BAC Meeting was held on April 12, 2021.
2. 33rd BAC meeting was held on June 08, 2021
3. 34th BAC meeting was held on 2nd December, 2021

Meeting Date:	**12th April**	**8th June**	**2nd December**	**Total**
Meeting Number:	**32nd BAC**	**33rd BAC**	**34th BAC**	
Members:				
Dr. Lam Dorji. (BAC Chair)	✓	✓	✓	3
Mr. Gonpo Tenzin.	✓	✓	✓	3
Mr. Kelzang Chophel. (Secretary)	✓	✓	✓	3

5.5 Board Tender Committee (BTC):

The Board Tender Committee was established to make decision and approve works/ procurements which are beyond the management's authority. The Committee held eight meetings in 2021 on the following dates:

1. 20th BTC Meeting was held on January 26, 2021.
2. 21st BTC Meeting was held on February 05, 2021.
3. 22nd BTC Meeting was held on March 04, 2021.
4. 23rd BTC Meeting was held on March 24, 2021.
5. 24th BTC Meeting was held on April 21, 2021.
6. 25th BTC Meeting was held on May 18, 2021.
7. 26th BTC Meeting was held on June 16, 2021.
8. 27th BTC Meeting was held on July 27, 2021.

Meeting Date:	**26th January**	**05th February**	**04th March**	**24th March**	**21st April**	**18th May**	**16th June**	**27th July**	**Total**
Meeting Number:	**20**	**21**	**22**	**23**	**24**	**25**	**26**	**27**	
Mr. Jigme Tenzing (Chair)	⦿	✓	✓	✓	✓	✓	✓	✓	8
Mr. Chencho T. Namgay.	⦿	✓	✓	✓	✓	✓	✓	✓	8
Mr. Karma Jurme.	⦿	✓	✓	✓	✓	✓	✓	✓	8
Mr. Sangay Wangdi (Secretary)	⦿	✓	✓	✓	✓	✓	✓	✓	8

5.6 Board HR Committee (BHRC):

The Board HR Committee was established to make decisions on HR related issues which are beyond the authority of the management. The Committee held four meetings in 2021 on the following dates:

1. 50th BHRC Meeting was held on April 29, 2021.
2. 51st BHRC Meeting was held on June 21, 2021.
3. 52nd BHRC Meeting was held on July 23, 2021.
4. 53rd BHRC Meeting was held on October 18, 2021

Meeting Date:	**29th April**	**21st June**	**23rd July**	**18th October**	**Total**
Meeting Number:	**50th BHRC**	**51st BHRC**	**52nd BHRC**	**53rd BHRC**	
Members:					
Ms. Jamyang Choeden. (BHRC Chair)	✓				1
Mr. Chencho Tshering Namgay (BHRC Chair from 51st BHRC)	✓	✓	✓	✓	4
Mr. Gonpo Tenzin	***Not appointed.***			✓	1
Mr. Karma Jurme.	✓	✓	✓	✓	4
Mr. Phuntsho. (Secretary)	✓	✓	✓	✓	4

5.7 Board Remuneration.

Transactions	Amount in Nu			
	2021		2020	
	DSA	Sitting Fee	DSA	Sitting Fee
Mr. Pema L Dorji (Chairman)	-	84,000	-	64,000
Dr. Damber S. Kharka. (Retired)	-	-	-	36,000
Mr. Dechen Dorji (Retired)	-	-	-	20,000
Mr. Jigme Tenzing	-	112,000	-	92,000
Ms. Jamyang Choeden	-	28,000	-	72,000
Mr. Gonpo Tenzin	-	100,000	-	92,000
Dr. Lam Dorji	-	80,000	-	48,000
Mr. Chencho Tshering Namgay.	-	132,000	-	76,000
Total	**-**	**536,000**	**-**	**500,000**

5.8 Chief Executive Officer's Remuneration.

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

5.9 Annual General Meeting.

The 19th Annual General Meeting was held on April 13, 2022 virtually through Zoom meeting and attended by the Shareholder, Board Directors and the key members of the management team. The 19th Annual General Meeting transacted the following business items:

a. Ratification of the Minutes of 18th Annual General Meeting.
b. Consideration of audited accounts for the financial year ended December 31, 2021, Auditor's Report and Directors' Report.
c. Declaration of remuneration for CEO and Directors Fees.
d. Declaration of Dividend.
e. Retirement and appointment of directors.
f. Appointment of Auditors.
g. Review and assessment of Compact 2021.

6. Independence Auditors Report

To,
The Members of
Bhutan Telecom Limited (BTL)

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

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

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

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

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

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

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Information other than financial statement & Auditor's Report thereon

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

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

In connection with our audit report of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

We describe these matters in our audit report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

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

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

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

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

Chartered Accountants

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

For **Karma & Associate**
Chartered Accountants
Firm Registered No.: **BH-04**

(Chimmi Dorji)
Partner

Place: **Thimphu**
Date: 13/04/2022

Karma & Associate
Chartered Accountants

7. (Annexure "A" to AUDITOR'S REPORT

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

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

General:

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

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

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

   b) Due to large size of regional offices and assets located at various locations, BT has decided to conduct physical verification for each region annually by the management, apart from asset custodians appointed at regional levels to conduct physical verification of fixed assets under their respective profit centres, and there were material variances that were identified in between the asset register and the physical assets on floor, the discrepancies have been properly dealt with in the books of accounts.

   c) Bhutanese Accounting Standards (BAS)-16 Property, Plant and Equipment states that the residual value and the useful life of an asset shall be reviewed at least at each financial year-end. The Company have adequate policy to review residual value and useful life of assets in relation to the size of the Company and the nature of its business.

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2. The fixed assets of the Company have not been revalued during the year under audit.
3. As explained to us, physical verification of inventories has been conducting at reasonable intervals by a committee nominated by the management for reconciling Inventories between the System and actual physical inventories.

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

5. According to information given to us, the Company is conducting physical verification of Inventory in quarterly basis and no material discrepancies were noticed during review of quarterly reports. Quantitative reconciliation has been carried out during the year in respect of all major items of inventories at the end of the accounting period.

6. On the basis of our examination and information's given to us, the Company has maintained reasonable system of recording receipts, issues and consumption of materials and stores and allocating materials consumed to the respective jobs, commensurate with its size and nature of its business.

7. In our opinion and basis of information given to us, the quantitative reconciliation is carried out at least at the end of accounting year in respect of all major items of inventories by the Company.

8. The Company has adequately created provision for obsolete, damaged, slow moving and surplus goods/inventories which is based on policy of the Company. Provision made for the year is **Nu. 7.98** million.

9. As explained to us, the unserviceable or damaged inventories were disposed through open auction at regular interval as per the inventory management manual 2019.

10. According to information given to us, the approval of appropriate authority is obtained for writing off amounts due to material loss/discrepancies in physical/book balances of inventories including Tele equipments, stores and spares.

11. On the basis of our examination of stock records, we are satisfied that the valuation is fair and proper in accordance with the applicable Accounting Standards issued by the Accounting and Auditing Standard Board of Bhutan (AASBB). The basis of valuation of stock is same as that in the previous year. In addition, the Company has adequate provision for impairment in value of inventory lying for long time (refer to note 8 of this clause).

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12. As informed to us, the Company has liquidated both the NPPF and BOBL secured loan during year and no secured/unsecured loans were availed during year. Hence, said clause in not applicable.

13. In our opinion and information given to us, the Company have refrained from granting loans to other parties which are *ultra-vires* to the Article of Incorporation and other relevant Acts and regulations.

14. The advances granted to officers/staffs are in keeping with the provision of service rules. No excessive/frequent advances are granted and accumulation of large advances against particular individual is avoided.

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

16. According to the information and explanation given to us, the Company has reasonable system of authorization at proper levels, and adequate system of internal control commensurate with the size of the Company and nature of its business, on issue of stores and allocation of materials and labour to jobs.

17. In our opinion and according to information and explanations given to us, the Company has reasonable system of obtaining competitive bids/quotations from the vendors in respect of purchase of stores, plant & machinery, equipment and other assets commensurate with the size of the Company and nature of its business.

18. **(a)** As informed to us, there is no transaction for purchase and sale of goods and services made in pursuance of contracts or agreements entered into with the directors or any other parties related to directors or with the Company or firms in which the directors are directly or indirectly interested.

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

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

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20. According to the records, no unserviceable or damaged inventories, Tele equipments or spares parts were determined during year 2021 if any have been properly dealt in books of account.

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

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

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

24. According to the records, the company is generally regular in depositing rates and taxes, duties etc. and other statutory dues with the appropriate authorities during the year 2021. Provision for Corporate Income Tax is adequate and necessary adjustments have been made to compute the amount of tax required to be paid under The Rules on the Income Tax Act of Bhutan, 2001, and has been appropriately disclosed in the financial statement.

25. According to the books records and the computation of tax, Company has payable of Corporate Income Tax (CIT) **Nu. 440.17 million** for year 2021 and no other undisputed amount payable in respect of rates and taxes, royalties, provident funds, and other statutory deductions at the yearend.

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

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

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

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

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

31. According to records, the management of liquid resources particularly cash / bank and short-term deposits etc. are reasonably adequate in respect of nature and size of the business. During the year, *Company could not deposit excess Cash in the interest-bearing deposits with any financial institutions in the country, due to excess liquidity with banks and their denial to accept any term deposits from corporate entities.*

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

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

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

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

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

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

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

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

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

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

Computerized Accounting Environment

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

GENERAL

1. **Going Concern Issues**

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

2. **Ratio Analysis**

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

Karma & Associate * Chartered Accountants *

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

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

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

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

For **Karma & Associate**
Chartered Accountants
Firm Registered No.: **BH-04**

(Chimmi Dorji)
Partner

Place: **Thimphu**
Date: 13/04/2022

Karma & Associate
Chartered Accountants

8. Statement of Financial Position for the year ended 31st December, 2021

			Amount in Nu.
Particulars	**Note no.**	**As at 31st December,2021**	**As at 31st December,2020**
I. ASSETS:			
Non-current assets			
Property, plant and equipment	2(a)	3,083,111,657	3,410,461,431
Intangible assets	2(b)	704,978,376	840,939,889
Capital work-in-progress	2(c)	883,010,095	78,625,176
Investments	3	4,276,493	15,847,192
Other receivable	4	-	1,000,000
Deferred tax assets (net)	5	389,762,024	429,165,698
Other non-current assets	6	156,139	4,615,616
Total Non-current Assets		**5,065,294,784**	**4,780,655,001**
Current assets			
Investments	7	16,849,534	602,849,126
Inventories	8	146,617,242	34,071,870
Trade receivables	9	89,774,006	116,014,798
Cash and bank balances	10	2,056,469,063	1,163,196,976
Loans	11	-	400,000,000
Other receivable	12	717,492	893,149
Other current assets	13	68,416,230	10,373,541
		2,378,843,567	**2,327,399,459**
Asset classified as held for distribution to owners	14	5,964,125	99,285,178
Total Current Assets		**2,384,807,692**	**2,426,684,638**
Total Assets		**7,450,102,475**	**7,207,339,638**
II. EQUITY AND LIABILITIES:			
EQUITY			
Equity share capital	15	4,000,000,000	4,000,000,000
Retained Earnings	16	1,843,640,665	1,483,260,741
Total equity		**5,843,640,665**	**5,483,260,741**
Non-current Liabilities			
Long term borrowings	17	-	84,279,486
Other payables	18	31,439,832	62,523,889

Deferred government grants	19	450,417,819	563,775,802
Employee benefit obligation	20	38,670,675	123,373,504
Total non-current liabilities		**520,528,326**	**833,952,680**
Current Liabilities			
Trade and other payables	21	260,964,372	67,226,235
Other payables	22	64,528,669	164,397,246
Short term provision	23	486,043,890	527,228,901
Other current liabilities	24	259,556,309	115,677,324
Employee benefit obligation	25	14,840,243	15,596,513
Total Current Liabilities		**1,085,933,484**	**890,126,218**
Total Liabilities		**1,606,461,810**	**1,724,078,897**
Total Equity and Liabilities		**7,450,102,475**	**7,207,339,638**

For Karma & Associate
Chartered Accountants
(Firm Reg. No. BH-04)

(Chimmi Dorji)
Partner
Place: Thimphu
Date: 13/04/2022

For and on behalf of board of directors

Chairman

Chief Executive Officer

Karma & Associate ★ Chartered Accountants ★

9. Statement of Comprehensive Income for the year ended 31st December, 2021

Amount in Nu.

Particulars	Note No.	31 December, 2021	31 December, 2020
Income:			
Income from operations	26	5,336,295,311	4,708,529,145
Other income	27	46,521,275	77,225,556
		5,382,816,586	**4,785,754,700**
Expenses:			
Network operating expenses	28	620,186,544	551,380,137
Cost of trading goods	29	247,891,946	27,468,417
Employee benefit expenses	30	380,963,310	384,172,154
Depreciation and amortization	31	887,994,358	944,928,543
Finance cost	32	13,996,848	34,130,668
Other expenses	33	288,963,575	571,938,143
		2,439,996,582	**2,514,018,063**
Profit Before Tax		**2,942,820,004**	**2,271,736,639**
Tax expenses:	34		
Prior Period Tax		18,205,314	
Current tax		886,927,210	750,776,588
Deferred income tax		39,403,672	(17,280,115)
Total tax expense		**944,536,196**	**733,496,473**
Profit after tax for the year		**1,998,283,809**	**1,538,240,166**
Other comprehensive income			
Re-measurement (gains)/losses on defined benefit plans		(5,423,505)	(16,568,365)
Income tax relating to component for other comprehensive income		1,627,052	4,970,510
Other comprehensive income, net of tax		(3,796,454)	(11,597,856)
Total comprehensive income for the year		**2,002,080,262**	**1,549,838,021**
Earnings Per Share	35	500	461

For Karma & Associate
Chartered Accountants
(Firm Reg. No. BH-04)

(Chimmi Dorji)
Partner
Place: Thimphu
Date: 13/04/2022

For and on behalf of board of directors

Chairman

Chief Executive Officer

Karma & Associate ★ Chartered Accountants ★

10. Statement of Changes In Equity for the year ended 31st December, 2021

			Amount in Nu.
Particulars	**Share capital**	**Retained earnings**	**Total Equity**
Balance as at 31 December,2019	**854,082,000**	**3,786,007,427**	**4,640,089,427**
Profit for the year 2020 * *Note: Prior period expense of Nu. 6,336 adjusted with retained earnings*	**-**	**1,538,246,502**	**1,538,246,502**
Other Comprehensive Income	-	11,597,856	11,597,856
Dividend for the year	-	(771,758,326)	(771,758,326)
Bonus share issue during the year	3,145,918,000	(3,145,918,000)	-
Add back: Depreciation	-	45,891,111	45,891,111
Add back: Brand & Management fee	-	19,194,171	19,194,171
Balance at 31 December,2020	**4,000,000,000**	**1,483,260,741**	**5,483,260,741**
Profit for the year 2021	-	1,998,283,809	1,998,283,809
Other Comprehensive Income	-	5,423,505	5,423,505
Dividend for the year	-	(1,550,000,000)	(1,550,000,000)
Land transferred to DHI	-	(93,321,053)	(93,321,053)
Balance at 31 December,2021	**4,000,000,000**	**1,843,640,665**	**5,843,640,665**

For Karma & Associate
Chartered Accountants
(Firm Reg. No. BH-04)

(Chimmi Dorji)
Partner
Place: Thimphu
Date: 13/04/2022

Karma & Associate ★ Chartered Accountants ★

For and on behalf of board of directors

Chairman

Chief Executive Officer

11. Cash Flow Statement of the year ended 31st December, 2021

Amount in Nu.

Particulars	31st December, 2021	31st December 2020
Cash flow from operating activities		
Net profit before tax*	2,962,652,370	2,271,742,975
*Note: *PBT is inclusive of prior period taxes and tax on OCI component.*	(4,054,266)	(5,280)
Add/Less: Gain on sale of property plant and equipment		
Add/Less: Gain or loss on scrapping/retirement of assets	3,070,595	10,903,592
Add/Less: Inventory loss (gain) on physical verification	-	-
Add/Less: Provision for loss allowance	9,180,518	9,529,411
Add/Less: BAS adj on interest expense on License fee	7,766,404	
Add/Less: PPEadj related to last year	-	(33,482,192)
Add/Less: Adj for last year accounted in SOCIE	-	65,085,283
Add/Less: Provision for old inventories	-	-
Add/Less: Foreign exchange loss/(gain)	-	-
Add: Less: Re-measurement gain/loss	5,423,505	16,568,365
Net profit before tax and after adjustment of provisions	**2,984,039,126**	**2,340,342,155**
Adjustment for:		
Depreciation during the year	887,994,358	1,060,139,308
Interest paid	11,918,855	32,526,659
Interest received	(17,435,796)	(43,507,186)
Net profit from operating activities before working capital changes	**3,866,516,543**	**3,389,500,936**
Adjustment for:	-	
Inventories	(112,545,372)	3,721,229
Non-current/current financial and other assets	993,860,278	150,246,099
Non-current/current financial and other liabilities/provisions	59,298,499	(300,450,494)
Cash generated from operating activities	**4,807,129,948**	**3,243,017,768**
Income tax paid	(950,975,972)	(525,787,898)

Net cash flow from operating activities	**3,856,153,972**	**2,717,229,867**
Cash flow from investing activities		
Payment for property plant and equipment	(360,319,580)	(474,919,041)
Payment for intangible assets	(179,565,754)	(266,415,545)
Payment for capital work in progress	(804,384,919)	(41,391,471)
Sale of property plant and equipment (actual cash received)	10,150,912	252,619
Interest earned on fixed deposits	17,435,796	43,507,186
Net cash used in investing activities	**(1,316,683,544)**	(738,966,252)
Cash flow from financing activities		
Term loan (long term borrowings)	(84,279,486)	(117,303,534)
Short term borrowings	0	400,000,000
Receipt of capital grant from BICMA	0	115,210,766
Payment of dividend	(1,550,000,000)	(771,758,326)
Interest paid on Loans	(11,918,855)	(32,526,659)
Net cash used in financing activities	**(1,646,198,340)**	**(1,436,799,285)**
Net Increase/(decrease) in cash and cash equivalents	**893,272,087**	**541,464,332**
Cash and cash equivalents at the beginning of the financial year	1,163,196,976	621,732,645
Effect of exchange rate changes on cash and cash equivalents		
Closing cash and cash equivalents	2,056,469,063	1,163,196,976
Increase/(decrease) in cash and cash equivalents	**893,272,087**	**541,464,331**

For Karma & Associate
Chartered Accountants
(Firm Reg. No. BH-04)

(Chimmi Dorji)
Partner
Place: Thimphu
Date: 13/04/2022

Karma & Associate ★ Chartered Accountants ★

For and on behalf of board of directors

Chairman

Chief Executive Officer

12. Notes Forming parts of the Financial Statements as at 31st December, 2021

Significant Accounting Policies:

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

The financial statements were approved and authorized for issue in accordance with the resolution of the Company's Board of Directors on 13th April,2022

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

Basis of Preparation:

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

a) Compliance with BAS/BFRS:

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

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

b) Historical cost convention:

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

2. Use of estimates:

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

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The areas involving critical estimates or judgments are:

a) Estimation of defined benefit obligation - Note No. 41 to 45
b) Estimation of useful life of Property plant and equipment/Intangible Asset - Note "2 (a& b)
c) Income Taxes: Significant judgments are involved in determining the provision for income taxes, including amount expected to be paid/recovered for uncertain tax positions. - Note No. 36
d) Recognition of deferred tax asset - Note No.37
e) Estimation of Impairment of Trade Receivable- Note No. 40

3. Current and non-current Classification:

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

An asset is treated as current when:

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

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

All other assets are classified as non-current.

An entity shall classify a liability as current when:

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

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

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

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

4. Revenue recognition:

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

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

a) Service revenue:

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

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

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

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

b) Sale of Trading goods:

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

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c) Interest income:

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

d) Rental income:

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

d) Other Claims:

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

5. Property, Plant and Equipment

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

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

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

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

b) Subsequent costs:

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

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c) Depreciation:

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

Estimated useful life of Assets applied is as follows:

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

6.Capital work in progress:

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

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7. Intangible assets:

Software:

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

Subsequent Expenditure:

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

b) Amortization:

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

8. Borrowing cost:

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

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

9. Leases:

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

Company as a lessee:

Assets on operating lease are not recognized as part of company's asset. Payments made for operating leases are recognized in Statement of comprehensive income on a straight-line basis

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over the term of the lease unless another systematic basis is more representative of the time pattern of the user's benefit.

Company as a lessor:

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

Lease Income:

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

10. Government grants:

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

11. Employee benefits:

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

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

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

b) Defined Benefit Plans (Gratuity):

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

c) Short Term Benefits:

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

d) Earned Leave Encashment:

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

e) Other Long-Term Benefits:

As per company's service rules, the employee who have rendered minimum three years of service are entitled to Travelling allowance of an amount equal to one month's last basic pay of the employee, Transfer grant of an amount equal to one month's last basic pay of the employee and

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Carriage charges at the time of leaving the service. One-month basic pay for this purpose is the pay at the time of leaving the service. The company's net obligation in respect of this terminal benefit is calculated by estimating the amount of benefits that the employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The calculation is performed annually by a qualified actuary and amount of obligation is provided in Statement of comprehensive income. The plan is unfunded.

12. Fair value measurement:

The Company measures some financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

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

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

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

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

13. Current & deferred income tax:

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

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

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

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

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

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

14. Provision:

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

15. Contingent Liabilities and Contingent Assets:

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

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

16. Foreign Currency:

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

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

17. Inventories:

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

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

Consumables and Stores & Spares: The Stock of stores & spare parts are charged to revenue account except loose tools. Stores are valued at cost calculated on the basis of yearly weighted average method. Provisions are made for unserviceable, damaged, obsolete, slow moving, defective stores and spares identified during the physical stock taking."

18. Segmental reporting:

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

19. Impairment:

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

20. Investments & other financial assets:

a) Initial measurement:

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

b) Classification and subsequent measurement:

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

i. Financial assets measured at amortized cost;

ii. Financial assets measured at fair value through other comprehensive income (FVTOCI); and

iii. Financial assets measured at fair value through profit and loss (FVTPL)

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

i. Financial assets measured at amortized cost:

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

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

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

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

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

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

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

The asset's contractual cash flow represents SPPI.

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

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

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

c. Impairment of financial assets:

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

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

d. De-recognition of financial assets:

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

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

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

When the company has transferred an asset, it evaluates whether it has substantially transferred all risks and rewards of ownership of the financial asset. In such cases, the financial asset is derecognized. When the company has not transferred substantially all the risks and rewards of ownership of a financial asset, the financial asset is not derecognised. When the company has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is derecognised if the entity has not retained control of the financial asset. When the entity retains control of the financial asset, the asset is continued to be recognized to the extent of continuing involvement in the asset.

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e. Income recognition:

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

21.Financial liabilities:

Initial recognition and measurement:

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

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

Borrowings:

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

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period. Where there is a breach of a material provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand on the reporting date, the entity classify the liability as current, if the lender does not agreed not to demand payment as a consequence of the breach before reporting date.

Embedded derivatives:

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

Trade and other payables:

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

De-recognition:

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of comprehensive income. Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in Statement of comprehensive income.

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Financial guarantee contracts:

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with BAS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less cumulative amortisation, where appropriate. The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations. Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

22. Offsetting:

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

23. Cash & cash equivalents:

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

24. Trade & other receivables:

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

25. Trade & other payables:

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

26. Assets held for sale:

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

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

27.Earnings per share:

Basic earnings per share:

Basic earnings per share is calculated by dividing:

the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares

by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Diluted earnings per share:

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

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

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Notes to the standalone financial statements as at 31st December, 2021

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

Particulars	Gross Block				Accumulated Depreciation				Net Block	
	01.01.2021	Addition	Adjustment	31.12.2021	01.01.2021	Addition	Adjustment	31.12.2021	31.12.2021	31.12.2020
Note A: Tangible Assets:										
Buildings#	807,771,193	8,794,231	-	816,565,424	267,211,639	31,509,878	-	298,721,517	517,843,907	540,559,554
Telephone equipments#	7,374,793,932	200,727,617	15,718,006	7,559,803,543	5,486,025,028	471,410,931	14,679,277	5,942,756,682	1,617,046,860	1,888,768,904
Office equipments#	105,454,705	12,840,100	*1,143,794*	117,151,011	80,502,375	9,696,651	1,247,351	88,951,675	28,199,335	24,952,329
Power system and cables#	2,360,204,555	121,939,045	2,107,622	2,480,035,978	1,451,585,844	159,518,053	1,304,037	1,609,799,860	870,236,117	908,618,711
Furniture and fixtures#	24,374,686	850,904	27,588	25,198,002	15,148,917	1,696,592	25,641	16,819,867	8,378,135	9,225,770
Vehicles#	114,685,186	15,167,683	9,581,203	120,271,665	76,349,021	11,992,970	9,477,625	78,864,366	41,407,299	38,336,164
Total (A)	10,787,284,257	360,319,580	28,578,214	11,119,025,623	7,376,822,824	685,825,074	26,733,931	8,035,913,967	3,083,111,655	3,410,461,432

Particulars	Gross Block				Accumulated Depreciation				Net Block	
	01.01.2021	Addition	Adjustment	31.12.2021	01.01.2021	Addition	Adjustment	31.12.2021	31.12.2021	31.12.2020
Note B: Intangible Assets:										
Software applications#	2,113,819,430	179,565,754	-	2,293,385,184	1,343,892,586	280,020,745	-	1,623,913,331	669,471,852	769,926,844
License#	532,597,835	-	-	532,597,835	461,584,790	35,506,522		497,091,312	35,506,523	71,013,045
Total (A)	2,646,417,265	179,565,754	-	2,825,983,019	1,805,477,376	315,527,267	-	2,121,004,643	704,978,376	840,939,889
Note C: Capital work in progress:	78,625,176	804,384,919	-	883,010,095	-	315,527,267	-	-	883,010,095	78,625,176

For Karma & Associate
Chartered Accountants
(Firm Reg. No. BH-04)

(Chimmi Dorji)
Partner
Place: Thimphu
Date: 13/04/2022

For and on behalf of board of directors

Chairman

Chief Executive Officer

Note: 3 Investments: Non-Current		
Particulars	**Dec 31, 2021**	**Dec 31, 2020**
Investment in fixed deposits	4,000,000	15,000,000
Accrued income on investments	276,493	847,192
Total	**4,276,493**	**15,847,192**

Note: 4 Other Receivable: Non-Current		
Particulars	**Dec 31, 2021**	**Dec 31, 2020**
Security deposit with BOB	-	1,000,000
Total	**-**	**1,000,000**

Note: 5 Deferred Tax Assets (Net)		
Particulars	**Dec 31, 2021**	**Dec 31, 2020**
Deferred Tax Assets		
Property, plant and equipment	352,942,378	398,522,874
Staff training cost	-	-
Provision for leave encashment	7,191,165	6,131,151
Provision for doubtful debt	10,501,089	12,254,575
Provision for bonus	13,486,462	11,029,127
Deferred rent	175,398	178,214
Provision for Salary Indexation	1,800,000	-
Provision for separation allowance	2,493,032	2,339,045
Provision for carriage allowance	1,124,758	1,146,878
Provision for travel allowance	2,493,032	2,339,045
Amortisation of licence fees	-	-
Total	**392,207,313**	**433,940,908**
Deferred Tax Liability		
Deferred liability on account of licence fees	2,445,289	4,775,210
	2,445,289	**4,775,210**
Total	**389,762,024**	**429,165,698**

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Note: 6 Other Non-Current Assets		
Particulars	**Dec 31, 2021**	**Dec 31, 2020**
Prepaid expense - noncurrent	-	4,468,400
Deferred Rent	156,139	147,216
Total	**156,139**	**4,615,616**
Note: 7 Investments: current		
Particulars	**Dec 31, 2021**	**Dec 31, 2020**
Investment in short term deposits with FIs	16,000,000	600,000,000
Accrued income on investments	849,534	2,849,126
Total	**16,849,534**	**602,849,126**
Note: 8 Inventories		
Particulars	**Dec 31, 2021**	**Dec 31, 2020**
Inventory-Consumables	8,004,885	6,280,684
Inventory - Traded Goods	146,598,605	35,844,991
Provision for Inventories	(7,986,249)	(8,045,813)
Total Inventories	**146,617,242**	**34,071,870**
Note: 9 Trade receivables - current		
Particulars	**Dec 31, 2021**	**Dec 31, 2020**
Unsecured, considered good	123,906,807	156,863,380
Less:- Loss allowance	(34,132,801)	(40,848,582)
Total	**89,774,006**	**116,014,798**
Note: 10 Cash and bank balances		
Particulars	**Dec 31, 2021**	**Dec 31, 2020**
Cash in hand	11,827,386	2,873,945
Balances lying with bank and current account	2,044,641,678	1,160,323,031
Total	**2,056,469,063**	**1,163,196,976**
Note: 11 Loans		
Particulars	**Dec 31, 2021**	**Dec 31, 2020**
Inter corporate loans given to DoCs	-	400,000,000
Total	**-**	400,000,000

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Note: 12 Other receivables - current		
Particulars	**Dec 31, 2021**	**Dec 31, 2020**
Security deposit - others	717,492	893,149
Total	**717,492**	**893,149**
Note: 13 Other current assets		
Particulars	**Dec 31, 2021**	**Dec 31, 2020**
Advance to suppliers	48,991,842	142,000
Advance to others	801,264	805,613
Prepaid expense	15,563,275	4,750,823
Balance with government authority:		
Tax Deducted at Source-Asset	3,059,850	4,675,105
Advance Income Tax		
Total	**68,416,230**	**10,373,541**
Note: 14 Asset classified as held for distribution to owners		
Particulars	**Dec 31, 2021**	**Dec 31, 2020**
Asset classified as held for distribution to owners	5,964,125	99,285,178
Total	**5,964,125**	**99,285,178**

NOTE:-

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

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

Measurement of Land: - Due to the large volume of the land and the distinct location of many of the lands, it was impracticable for the company to determine the fair value of the lands and hence, the transaction has been accounted at carrying value of the lands. As on 31.12.2021, Bhutan

Telecom has transferred land worth Nu. 93,321,053 to DHI, these lands are located in various Dzongkhags in the country.

Note: 15 Equity share capital

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

(i) Terms / rights attached to equity shares

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

(ii) Details of shareholding of the company

Particulars	Dec 31, 2021		Dec 31, 2020	
	No. of Shares	% of holding	No. of Shares	% of holding
Druk Holdings & Investment Ltd.	4,000,000	100	4,000,000	100
Total	**4,000,000**	**100**	**4,000,000**	100

iii Reconciliation of number of shares

Particulars	Dec 31, 2021		Dec 31, 2020	
	No. of Shares	Amount	No. of Shares	Amount
Equity shares				
At the beginning of the year	4,000,000	4,000,000,000	4,000,000	4,000,000,000
Issued during the year				
Outstanding at the end of the year	**4,000,000**	**4,000,000,000**	**4,000,000**	**4,000,000,000**

Note 16: Other equity

Particulars	Dec 31, 2021	Dec 31, 2020
Retained Earnings	1,843,640,665	1,483,254,405
Particulars	**31 Dec,2021**	**31 Dec,2020**
Opening balance	**1,483,254,405**	**3,786,007,427**
add: Add back of depreciation and Provision for brand & management fee		**65,085,283**

Reduction retained earnings due to insurance of bonus shares	**-**	**(3,145,918,000)**
Land transferred to DHI	**(93,321,053)**	
Add: Profit for the year	**1,998,283,809**	**1,538,240,166**
Add: Other compressive income for the year	**5,423,505**	**11,597,856**
Less: Dividend for the year	**(1,550,000,000)**	**(771,758,326)**
Closing balance	**1,843,640,665**	**1,483,260,741**

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

Note: 17 - Long term borrowings

Particulars	**Dec 31,2021**	**Dec 31,2020**
Long term loan - BOB & NPPF	-	84,279,486
	-	**84,279,486**

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

Note: 18 Other Payables - Non-current

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

Note: 19 Deferred government grants

Particulars	**Dec 31,2021**	**Dec 31,2021**
Grant from RGoB*	47,137,317	69,691,138
Grant from RGoB	18,617,639	18,617,639
Grant from RGoB	28,519,678	51,073,498

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Grant from JICA**	403,280,502	494,084,664
Grant from JICA	2,238,705	2,238,705
Grant from JICA	401,041,797	491,845,959
Deferred government grants#	**450,417,819**	**563,775,802**

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

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

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

Note: 20 Employee benefit obligation

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

Note: 21 Trade and other payables - current

Particulars	Dec 31,2021	Dec 31, 2020
Sundry creditors		
Sundry creditors - domestic	83,513,562	16,648,480
Sundry Creditors - international	177,300,811	48,781,442
Other payables	150,000	1,796,313
Total	**260,964,372**	**67,226,235**

Note: 22 Other payables - current

Particulars	Dec 31,2021	Dec 31, 2020
Current maturity for license payable	38,850,000	38,850,000
Current maturity of long-term loan	-	108,429,804
Security deposits - customer	3,290,000	3,270,000

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Security deposits - vendor	22,388,669	13,793,531
Payable to employees	-	53,911
Total	**64,528,669**	**164,397,246**

Note: 23 Short term provision

Particulars	Dec 31,2021	Dec 31, 2020
Income tax payable (Net of advance tax paid as on 31 December 2021)	440,178,331	490,465,144
Provision for bonus	39,865,558	36,763,757
Provision for salary indexation	6,000,000	-
Total	**486,043,889**	**527,228,901**

Note: 24 Other current liabilities

Particulars	Dec 31,2021	Dec 31, 2020
Payable to government authority	**-**	**183,042**
Tax deducted at source (TDS)	-	9,673
Tax on Telecom Service Payable	-	173,369
Contract liability*	-	-
Advances from customer	132,090,000	-
Advances from customer - deposit work	7,736,732	2,628,791
Advance from postpaid customer	4,377,416	3,948,711
Liability for unearned income	112,702,161	107,266,779
Advances from Customer - DHI Intra Company		
Other deductions	2,650,000	1,650,001
Total	**259,556,309**	**115,677,324**

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

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Note 24A - Contract liabilities		
Particulars	**Dec 31,2021**	**Dec 31, 2020**
Contracts liabilities		
Advances from customer	132,090,000	-
Advances from customer - deposit work	7,736,732	1,577,730
Advance from post-paid customer	4,377,416	3,948,711
Liability for unearned income	112,702,161	107,266,779
Total Contracts liabilities	256,906,309	112,793,220

(i) Significant changes in contract assets and liabilities

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

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

Note: 25 Employee benefit obligation - current		
Particulars	**Dec 31,2021**	**Dec 31, 2020**
Provision for carriage allowance	910,716	320,645
Provision for separation allowance	1,437,603	422,783
Provision for travel allowance	1,437,603	422,783
Provision for gratuity	9,023,485	12,819,151
Provision for leave encashment	2,030,836	1,611,151
Total	14,840,243	15,596,513

Note:26 Income from operations		
Particulars	**Dec 31,2021**	**Dec 31, 2020**
Revenue from contracts with customers		
Service revenue		
-Landline	61,935,034	72,115,416
-Mobile	4,584,073,495	4,250,518,575
-Internet	366,837,498	337,420,498
-Others	36,332,825	30,666,475
Total	5,049,178,852	4,690,720,964

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Sale of products		
-Telecom products	285,303,629	11,726,956
-Accessories	10,100	90,926
Other operating revenue	285,313,729	11,817,882
Income from depository works	1,802,730	5,990,299
Total	5,336,295,311	4,708,529,145
The following table shows reconciliation of revenue recognised with contract price.		

Particulars	**Dec 31, 2021**	**Dec 31, 2020**
Contract price		
Adjustments for:	5,223,593,150	4,601,262,366
Contract liabilities - Liability for unearned income	112,702,161	107,266,779
Revenue from operations	5,336,295,311	4,708,529,145
Timing of revenue recognition		
Particulars	**Dec 31,2021**	**Dec 31,2020**
Products and services transferred at a point in time	285,313,729	11,817,882
Products and services transferred over time	5,049,178,852	4,690,720,964
Total	5,334,492,581	4,702,538,846
Note:27 Other income		
Particulars	**Dec 31,2021**	**Dec 31,2020**
Income from Fine & Penalty	5,956,073	7,711,862
Interest income from investments*	17,435,796	43,507,186
Income from AMC service	116,575	1,502,354
Miscellaneous income	23,012,830	24,504,153
Total	46,521,275	77,225,556
Note: During 165th Board meeting held on 17th June, 2021, considering the extraordinary circumstances and being mindful that this would be one off, the board resolved to waive off interest on intercorporate loan amounting to Nu. 400 million given to DCCL, the interest waiver amounted to Nu. 10.08 million for the period from March 1, 2021 to August,31.2021. Further as per the decision of the board, BT has received entire Nu. 400 million from DCCL.		
Note:28 Network operating expenses		
Particulars	**Dec 31,2021**	**Dec 31,2020**
Internet band-with & leased line charges	292,320,362	264,038,176
Power and fuel	56,385,930	49,089,086
Repair and maintenance	251,550,443	221,964,960

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Others	9,514,031	8,092,769
Rent	10,415,778	8,195,147
Total	620,186,544	551,380,137

Note:29 Cost of trading goods

Particulars	**Dec 31,2021**	**Dec 31, 2020**
Cost of trading goods	247,891,946	27,468,417
Total	247,891,946	27,468,417

Note:30 Employee benefit expenses

Particulars	**Dec 31,2021**	**Dec 31, 2020**
Salaries and bonus	327,385,939	323,791,520
Provident Fund Contribution	30,120,165	29,884,139
Expense on Gratuity	14,121,043	21,422,859
Staff welfare expenses	4,039,051	4,154,731
Others	2,430,108	2,121,526
Expense on Separation Allowance	1,158,926	1,109,894
Expense on Carriage Allowance	549,152	577,590
Provision for Travel Allowance	1,158,926	1,109,894
Total	380,963,310	384,172,154

Note:31 Depreciation and amortization

Particulars	**Dec 31,2021**	**Dec 31, 2020**
Depreciation*	685,825,074	715,519,112
Amortization*	202,169,285	229,409,431
Total	887,994,358	944,928,543

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

Note:32 Finance cost

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

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

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Note:33 Other expenses		
Particulars	**Dec 31,2021**	**Dec 31, 2020**
Fines and penalty	28,300	-
Rates and taxes	282,325	210,389
Provision for loss allowance	9,180,518	9,529,411
Deposit work expenses	685,286	4,795,802
Communication (fax, mail, post)	323,236	228,954
Business promotion	4,933,373	2,566,259
Advertisement	1,326,438	2,092,938
Commission	185,770,762	208,291,603
Brand and management fees	32,392,047	26,442,496
Carriage outward and inward	1,197,365	1,497,117
Vehicle running expense - POL	9,501,793	7,183,177
Audit expenses	323,143	619,921
Printing and stationery	1,093,894	956,762
Insurance	891,240	861,067
Loss on sale or retirement of asset	(4,054,266)	10,898,312
Professional fees	1,664,575	1,859,406
Charity and donation	3,721,877	258,952,695
Travel-Foreign	-	6,875
Travel	15,046,524	14,411,835
R&M building - service	6,324,844	6,960,546
Repair and maintenance others	10,582,594	11,660,776
Other expenses	7,747,705	1,918,676
Total	288,963,575	571,938,143

Note: 34 Tax expenses		
Particulars	**Dec 31,2021**	**Dec 31, 2020**
Deferred tax income	39,403,672	(17,280,115)
Deferred tax expense		-
Corporate income tax paid	886,927,210	750,776,588
Tax expense related to prior period	18,205,314	
Total	944,536,196	733,496,473

(Refer note 36 for tax expense reconciliation)

Note: 35 Earning per share		
Particulars	**Dec 31,2021**	**Dec 31, 2020**
(a) Profit for the attributable to equity holders of the company	1,998,283,809	1,538,246,502
(b) Weighted average number of equity shares outstanding for calculating earnings per share.	4,000,000	3,338,154
(e) Nominal value of Equity Share (in Nu.)	1,000	1,000
(f) Basic and diluted Earnings per Share (Nu.)	500	461

Note 36: Income tax expense

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

Particulars	**Dec 31,2021**	**Dec 31, 2020**
(a) Income tax expense Current tax Current tax on profits for the year Current income tax charge for the year	886,927,210	750,776,588
Adjustment for current tax of prior periods	18,205,314	-
Total current tax expenses	905,132,524	750,776,588
Deferred tax		-
Decrease (increase) in deferred tax assets	41,733,595	(17,280,115)
(Decrease) increase in deferred tax liabilities	(2,329,921)	(2,998,029)
Total deferred tax expense/(benefit)	39,403,673	(14,282,087)
	944,536,197	736,494,502

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Particulars	Dec 31,2021	Dec 31, 2020
Current tax expense recognised in profit or loss		
Current tax on profits for the year	886,927,210	750,776,588
Profit and loss		-
Adjustment for current tax of earlier years	18,205,314	-
Total current tax expense (A)	905,132,524	750,776,588
Deferred tax expense recognised in profit or loss		
Deferred taxes.	39,403,673	(17,280,115)
Total deferred tax expense recognised in profit or loss (B)	39,403,673	(17,280,115)
Total deferred tax expense recognised in Other comprehensive income (c)	1,627,052	4,970,510
Total deferred tax for the year (B+C)	41,030,725	(12,309,605)
Total income tax expense recognized in profit & loss (A+B)	944,536,197	733,496,473
Total income tax recognized in Other comprehensive (c)	1,627,052	4,970,510
Total income tax expense (A+B+C)	927,957,934	738,466,983
(b) Reconciliation of tax expense and the accounting profit multiplied by tax rate:		
Particulars	**Dec 31,2021**	**Dec 31, 2020**
Profit before tax	2,942,820,004	2,271,736,639
Tax at the rate of 30% (December 31, 2021– 30%)	882,864,001	681,520,992
Effect of non-deductible expenses, exempt income and others	61,670,196	51,975,481
Effect of prior year re-assessments	-	-
Income tax expense reported in the Statement of Profit and Loss	944,536,197	733,496,473

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Note 37: Deferred tax assets/ liabilities

Movement in deferred tax assets/ (liabilities)

Particulars	Property, plant and equipment	Provision for Leave Encashment	Provision for doubtful debt	Provision for bonus	deferred rent	Provision for separation allowance	Provision for carriage charges	provision for travel allowance	Amortization of License fees	Provision for Salary Indexation	Deferred liability on account of license fees	Total
At 1st December 2020	377,091,732	4,757,121	12,563,983	15,175,536	178,897	2,318,762	1,241,854	2,318,762	4,012,174	-	(7,773,240)	411,885,581
Charged/(credited):												
- to profit or loss	21,431,141	1,374,030	(309,408)	(4,146,409)	(684)	20,283	(94,976)	20,283	(4,012,174)	-	2,998,029	17,280,115
- to other comprehensive income						-	-	-				-
At 31st December 2020	398,522,873	6,131,151	12,254,575	11,029,127	178,213	2,339,045	1,146,878	2,339,045	-	-	(4,775,211)	429,165,696
Charged/(credited):	-	-	-		-	-	-	-	-	-	-	-
- to profit or loss	(45,580,495)	1,060,014	(1,753,486)	2,457,335	(2,815)	153,987	(22,120)	153,987	-	1,800,000	2,329,921	(39,403,672)
- to other comprehensive income						-		-				-
At 31st December 2021	352,942,378	7,191,165	10,501,089	13,486,462	175,398	2,493,032	1,124,758	2,493,032	-	1,800,000	(2,445,290)	389,762,024

For Karma & Associate
Chartered Accountants
(Firm Reg. No. BH-04)

(Chimmi Dorji)
Partner
Place: Thimphu
Date: 13/04/2022

For and on behalf of board of directors

Chairman

Chief Executive Officer

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

i) Fair value hierarchy

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

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

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

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

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

(ii) Valuation technique used to determine fair value

Specific valuation techniques used to value financial instruments include:

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

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

Particulars	**31st December, 2021**		**31st December,2020**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Financial assets				
Investment in fixed deposits	4,276,493	4,276,493	618,696,318	631,148,488
Security deposit with BOB	-	-	1,000,000	1,000,000
Total financial assets	**4,276,493**	**4,276,493**	**619,696,318**	**632,148,488**
Financial liabilities				
Long term loan	192,709,290		192,709,289	212,499,163
Corporate bond	-	-	-	-
License fee payable	69,549,034	69,571,347	100,632,630	100,324,924
Deferred Rent	740,799	740,799	741,259	741,259
Total financial liabilities	**262,999,122**	**70,312,146**	**294,083,178**	**313,565,346**

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

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

(c) Management uses its best judgement in estimating the fair value of its financial instruments. However, there are inherent limitations in any estimation technique. Therefore, for substantially all financial instruments, the fair value estimates presented above are not necessarily indicative of the amounts that the Company could have realised or paid in sale transactions as of respective

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dates. As such, fair value of financial instruments subsequent to the reporting dates may be different from the amounts reported at each reporting date.

Note 39: Capital management

(a) Risk Management

The company's objectives when managing capital are to;

i. safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and

ii. Maintain an optimal capital structure to reduce the cost of capital.

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

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

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

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(b) Dividends Paid

Particulars	**2021**	**2020**
(i) Equity shares Final dividend for the year ended 31st December 2021- Nu. 2,022,101,065.	1,550,000,000	771,758,326
(ii) Dividends not recognised at the end of the reporting period In addition to the above dividends, since year end the board has recommended the payment of a final dividend of Nu. 2,022,101,065. This proposed dividend is subject to the approval of shareholders in the ensuing annual general meeting.	2,022,101,065	1,800,000,000

Note 40: Financial Risk Management

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

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

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

(A) Credit risk

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

(I) Trade and Other Receivables

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

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

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

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

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

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

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

The Company performs on-going credit evaluations of its customers' financial condition and monitors the credit-worthiness of its customers to which it grants credit in its ordinary course of business. The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amount due. Where the financial asset has been written-off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit and loss.

Financial Instruments and Cash Deposits

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

(i) Credit Risk Management

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

Apart from cash and cash equivalents, company's majority of the financial assets are in the form of trade receivables only. Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. As significant portion of the company's sale is in cash (all prepaid services), total trade receivables outstanding at the reporting date are also not significant in comparison of the

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company's total revenue. These trade receivables are non-interest bearing and are generally on credit term of 30-60 days. The Company regularly monitors its outstanding customer receivables.

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

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

(B) Liquidity Risk

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

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

(i) Maturities of financial liabilities

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

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

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Contractual Maturities of Financial Liabilities:

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

(C) Market Risk

(i) Foreign Currency Risk

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

The company does not operate internationally, however, expose to the foreign currency risk due to receivables/payables denominated in foreign currency for the various transactions such as interconnect agreement with foreign operators, and providing network services to the foreign operator's customers, etc. Foreign currency risk is closely monitored by the Management to

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decide on the requirement of hedging. The position of foreign currency exposure to the Company as at the end of the year is expressed in USD are as follows:

Particulars	**December 31, 2021**	**December 31, 2020**
	USD	**USD**
Financial assets	163,850	212,986
Financial liabilities	38,285	499,353
Net exposure to foreign currency risk	125,565	(286,367)
Particulars	**December 31, 2020**	**December 31, 2019**
	Euro	**Euro**
Financial assets	798	2,680
Financial liabilities	-	-
Net exposure to foreign currency risk	798	2,680

Sensitivity

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

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

* Holding all other variables constant

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

(ii) Interest Rate Risk

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

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(iii) Price Risk

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

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

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

A	Change in Defined Benefit Obligation (DBO)	31-Dec-21	31-Dec-20
1	DBO at end of prior period	222,947,201	217,445,154
2	Current service cost	13,766,943	13,505,402
3	Interest cost on the DBO	17,481,676	16,923,024
4	Curtailment (credit)/ cost	-	-
5	Settlement (credit)/ cost	-	-
6	Past service cost - plan amendments	-	-
7	Acquisitions (credit)/ cost	-	-
8	Actuarial (gain)/loss - experience	(10,205,880)	(13,111,683)
9	Actuarial (gain)/loss - demographic assumptions	-	-
10	Actuarial (gain)/loss - financial assumptions	138,273	-
11	Benefits paid directly by the Company	-	-
12	Benefits paid from plan assets	(8,852,500)	(11,814,696)
13	DBO at end of current period	235,275,714	222,947,201
B	**Statement of Profit & Loss**	**31-Dec-21**	**31-Dec-20**
1	Current service cost	13,766,943	13,505,402
2	Past service cost - plan amendments	-	-
3	Curtailment cost / (credit)	-	-
4	Settlement cost / (credit)	-	-
5	Service cost	13,766,943	13,505,402
6	Net interest on net defined benefit liability / (asset)	17,481,676	16,923,024
7	Immediate recognition of (gains)/losses – other long term employee benefit plans	-	-
8	Cost recognized in P&L	31,248,619	30,428,426
C	**Defined Benefit Cost**	**31-Dec-21**	**31-Dec-20**
1	Service cost	13,766,943	13,505,402
2	Net interest on net defined benefit liability / (asset)	17,481,676	16,923,024
3	Actuarial (gains)/ losses recognized in OCI	(5,097,559)	(15,367,451)

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4	Immediate recognition of (gains)/losses – other long term employee benefit plans		-
5	Defined Benefit Cost	26,151,060	15,060,975
D	**Development of Net Financial Position**	**31-Dec-21**	**31-Dec-20**
1	Defined Benefit Obligation (DBO)**	235,275,714	222,947,201
2	Fair Value of Plan Assets (FVA)	226,252,228	123,830,921
3	Funded Status (Surplus/(Deficit))	(9,023,485)	(99,116,280)
4	Net Defined Benefit Liability	(9,023,485)	(99,116,280)
E	**Reconciliation of Net Balance Sheet Position**	**31-Dec-21**	**31-Dec-20**
1	Net defined benefit asset/ (liability) at end of prior period	222,947,201	217,445,154
2	Service cost	13,766,943	13,505,402
3	Net interest on net defined benefit liability/ (asset)	17,481,676	16,923,024
4	Actuarial (gain) or losses due to experience adjustment	(10,205,880)	(13,111,683)
5	Amount recognized in Profit & Loss	-	-
6	Employer contributions	-	-
7	Benefit paid directly by the Company	(8,852,500)	(11,814,696)
8	Actuarial (gain) or losses due to financial assumptions	138,273	-
9	Withdrawals From the Plan Assets	-	-
10	Cost of termination benefits	-	-
	Net defined benefit liability at end of current period	235,275,712	222,947,201
F	**Other Comprehensive Income (OCI)**	**31-Dec-21**	**31-Dec-20**
1	Actuarial (gain)/loss due to liability experience	(10,205,880)	(13,111,683)
2	Actuarial (gain)/loss due to liability assumption changes	138,273	-
3	Actuarial (gain)/loss arising during period	(10,067,607)	(13,111,683)
4	Return on plan assets (greater)/less than discount rate	4,970,048	(2,255,768)
5	Actuarial (gains)/ losses recognized in OCI	(5,097,559)	(15,367,451)
6	Adjustment for limit on net asset	-	-
	Expense recognized as OCI	(5,097,559)	(15,367,451)
	Actuarial (Gain) or Loss Recognized via OCI at Current Period End		
G	**Reconciliation of changes in Fair Value of Plan Asset**	**31-Dec-21**	**31-Dec-20**
1	Fair value at the beginning of the year	123,830,921	174,689,696
2	Contribution paid into the plan	99,116,280	(50,305,414)
3	Return on plan assets	17,127,576	9,005,567
4	Benefits paid from the plan	(8,852,500)	(11,814,696)
5	Return on plan assets greater or (less) than discount rate	(4,970,048)	2,255,768
	Fair value at the end of period	226,252,228	123,830,921

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H	Expected benefit payments for the year ending	31-Dec-21	31-Dec-20
	Less than a year	34,677,298	27,185,103
	Between 1 - 2 years	31,719,896	29,618,901
	Between 2 - 5 years	102,895,711	105,689,836
	Over 5 years	635,398,484	621,905,679
(i)	**Expected employer contributions for the period ending 31 December, 2021**		**Not Applicable**
(ii)	**Weighted average duration of defined benefit obligation**		**11.75 years**
(iii)	**Significant estimates: actuarial assumptions and sensitivity**		
a	**Discount Rate**	**31-Dec-21**	**31-Dec-20**
	Discount Rate as at 31 December 2021	0.50%	8.00%
	Effect on DBO due to 0.5% increase in Discount Rate	(8,029,282)	(7,859,728)
	Effect on DBO due to 0.5% decrease in Discount Rate	8,573,426	8,395,153
b	**Salary Escalation rate**	**31-Dec-21**	**31-Dec-20**
	Salary Escalation rate as at 31 December 2021	0.50%	8.00%
	Effect on DBO due to 0.5% increase in Salary escalation rate	9,162,976	8,939,738
	Effect on DBO due to 0.5% decrease in Salary escalation rate	(8,658,477)	(8,443,125)

(iv)Risk exposures

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

1. Discount rate risk

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

2. Salary growth risk

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

3. Employee turnover risk

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

4. Demographic risk

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

5. Regulatory risk

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

6. Liquidity risk

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

7. Investment risk

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

8. Asset-liability mismatch risk

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

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

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

A	Change in Defined Benefit Obligation (DBO)	31-Dec-21	31-Dec-20
1	DBO at end of prior period	20,437,169	15,857,069
2	Current service cost	3,533,380	4,580,100
3	Interest cost on the DBO	288,221	(61,621)
4	Curtailment (credit)/ cost		-
5	Settlement (credit)/ cost		-
6	Past service cost - plan amendments		-
7	Acquisitions (credit)/ cost		-
8	Actuarial (gain)/loss - experience	16,544,440	16,688,949
9	Actuarial (gain)/loss - demographic assumptions		-
10	Actuarial (gain)/loss - financial assumptions	1,740	-
11	Benefits paid directly by the Company	(16,834,401)	(16,627,328)
12	Benefits paid from plan assets		-
13	**DBO at end of current period**	**23,970,549**	**20,437,169**
B	**Statement of Profit & Loss**	**31-Dec-21**	**31-Dec-20**
1	Current service cost	3,533,380	4,580,100
2	Past service cost		-
3	Loss or (Gain) on settlement		-
4	Interest on DBO	288,221	(61,621)
6	Net interest on net defined benefit liability / (asset)		-
7	Immediate recognition of (gains)/losses – other long term employee benefit plans	16,546,180	16,688,949
8	**Cost recognized in P&L**	**20,367,781**	**21,207,428**
C	**Other Comprehensive Income (OCI)**	**31-Dec-21**	**31-Dec-20**
1	Actuarial (gain)/loss due to experience adjustments	16,544,440	16,688,949
2	Actuarial (gain)/loss due to change in demographic assumptions	1,740	-
3	Actuarial (gain)/loss arising during period	16,546,180	16,688,949
4	Return on plan assets (greater)/less than discount rate		
5	Actuarial (gains)/ losses recognized in OCI	16,546,180	16,688,949
6	Adjustment for limit on net asset		-

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	Actuarial (Gain) or Loss Recognized via OCI at Current Period End	**16,546,180**	**16,688,949**
D	**Development of Net Financial Position**	**31-Dec-21**	**31-Dec-20**
	Defined Benefit Obligation (DBO)**	23,970,549	20,437,169
	Fair Value of Plan Assets (FVA)	-	-
	Funded Status (Surplus/(Deficit))	23,970,549	20,437,169
	Net Defined Benefit Liability	**23,970,549**	**20,437,169**
E	**Reconciliation of Net Balance Sheet Position**	**31-Dec-21**	**31-Dec-20**
1	Net defined benefit asset/ (liability) at end of prior period	20,437,169	15,857,069
2	Service cost	3,533,380	4,580,100
3	Net interest on net defined benefit liability/ (asset)	288,221	(61,621)
4	Actuarial gain/loss due to experience	16,544,440	16,688,949
5	Amount recognized in Profit & Loss		-
6	Employer contributions		-
7	Benefit paid directly by the Company	(16,834,401)	(16,627,328)
8	Acquisitions credit/ (cost)		-
9	Actuarial (gain) or Losses due to change in financial assumptions	1,740	-
10	Withdrawals From the Plan Assets		-
11	Cost of termination benefits		-
10	**Net defined benefit liability at end of current period**	**23,970,549**	**20,437,169**

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

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

ii) Weighted average duration of defined benefit obligation: 9.74 years.

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E	**Sensitivity Analysis**		
	Assumption/Parameter	**Scenario**	**Net Effect of BDO**
	Discount Rate	0.5% Base Rate -0.5%	(989,951) Base Rate 1,067,110
	Salary Growth Rate	0.5% Base Rate -0.5%	 1,124,967
	Employee Turnover rate	0.5% Base Rate -0.5%	(15,660) Base Rate 19,266
	Particulars	**31-Dec-21**	**31-Dec-20**
	Present value obligation at the end of the year towards compensated absences** **Excluding earned leave on contract labour	23,970,549	20,437,169

i) Risk Exposures

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

1. Discount Rate Risk

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

2. Salary Growth Risk

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

3. Employee Turnover Risk

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

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4. Demographic Risk

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

5. Regulatory Risk

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

6. Liquidity Risk

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

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

A	**Change in Defined Benefit Obligation (DBO)**	**31-Dec-21**	**31-Dec-20**
1	DBO at end of prior period	3,822,924	4,139,513
2	Current service cost	269,721	277,562
3	Interest cost on the DBO	279,431	300,028
4	Actuarial (gain)/loss - experience	(144,643)	(505,018)
5	Actuarial (gain)/loss - financial assumptions	(744)	-
6	Benefits paid directly by the Company	(330,031)	(389,161)
	DBO at end of current period	**3,896,658**	**3,822,924**
B	**Statement of Profit & Loss**	**31-Dec-21**	**31-Dec-20**
1	Current service cost	269,721	277,562
2	Service cost	269,721	277,562
3	Net interest on net defined benefit liability / (asset)	279,431	300,028
	Cost recognized in P&L	549,152	577,590
C	**Defined Benefit Cost**	**31-Dec-21**	**31-Dec-20**
1	Service cost	269,721	277,562
2	Net interest on net defined benefit liability / (asset)	279,431	300,028
3	Actuarial (gains)/ losses recognized in OCI	(145,387)	(505,018)
4	Immediate recognition of (gains)/losses – other long term employee benefit plans	-	-
	Defined Benefit Cost	403,765	72,572

D	Development of Net Financial Position	31-Dec-21	31-Dec-20
1	Defined Benefit Obligation (DBO)**	(3,896,658)	(3,822,924)
2	Fair Value of Plan Assets (FVA)	-	-
3	Funded Status (Surplus/(Deficit))	(3,896,658)	(3,822,924)
	Net Defined Benefit Liability	(3,896,658)	(3,822,924)
E	**Reconciliation of Net Balance Sheet Position**	**31-Dec-21**	**31-Dec-20**
1	Net defined benefit asset/ (liability) at end of prior period	(3,822,924.00)	(4,139,513)
2	Service cost	(269,721)	(277,562)
3	Net interest on net defined benefit liability/ (asset)	(279,431)	(300,028)
4	Amount recognized in OCI	144,643	505,018
5	Amount recognized in Profit & Loss	-	-
6	Employer contributions	-	-
7	Benefit paid directly by the Company	330,031	389,161
8	Acquisitions credit/ (cost)	-	-
9	Actuarial (gain) or losses due to change in financial assumptions	744	-
10	Withdrawals From the Plan Assets	-	-
11	Cost of termination benefits	-	-
	Net defined benefit liability at end of current period	(3,896,658)	(3,822,924)
F	**Other Comprehensive Income (OCI)**	**31-Dec-21**	**31-Dec-20**
1	Actuarial (gain)/loss due to liability experience	(144,643)	(505,018)
2	Actuarial (gain)/loss due to liability assumption changes	(744)	-
3	Actuarial (gain)/loss arising during period	(145,387)	(505,018)
4	Return on plan assets (greater)/less than discount rate	-	-
5	Actuarial (gains)/ losses recognized in OCI	(145,387)	(505,018)
6	Adjustment for limit on net asset	-	-
	Actuarial (Gain) or Loss Recognized via OCI at Current Period End	(145,387)	(505,018)

G	Expected benefit payments for the year ending	31-Dec-21
2	31-Dec-23	797,057
3	31-Dec-24	866,730
4	31-Dec-25	806,727
5	31-Dec-26	631,646
6	December 2027 to December,2031	3,186,846
7	December 2032 to December,2041	6,346,388

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

ii. Weighted average duration of defined benefit obligation 8.60 years

iii. Significant estimates: actuarial assumptions and sensitivity

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

iv. Risk Exposures

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

1. Discount Rate Risk

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

2. Increase in Cost of Transportation Risk

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

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3. Employee Turnover Risk

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

4. Demographic Risk

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

5. Regulatory Risk

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

6. Liquidity Risk

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

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

A	Change in Defined Benefit Obligation (DBO)	31-Dec-21	31-Dec-20
1	DBO at end of prior period	7,796,822	7,729,206
2	Current service cost	557,394	519,331
3	Interest cost on the DBO	601,532	590,563
4	Actuarial (gain)/loss - experience	(91,246)	(347,948)
5	Actuarial (gain)/loss - demographic assumptions		
6	Actuarial (gain)/loss - financial assumptions	966	
7	Benefits paid directly by the Company	(555,355)	(694,330)
8	Benefits paid from plan assets		
	DBO at end of current period	**8,310,113**	**7,796,822**
B	**Statement of Profit & Loss**	**31-Dec-21**	**31-Dec-20**
1	Current service cost	557,394	519,331
2	Service cost	557,394	519,331
3	Net interest on net defined benefit liability / (asset)	601,532	590,563
4	Immediate recognition of (gains)/losses – other long term employee benefit plans		-
	Cost recognized in P&L	**1,158,926**	**1,109,894**

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C	Defined Benefit Cost	31-Dec-21	31-Dec-20
1	Service cost	557,394	519,331
2	Net interest on net defined benefit liability / (asset)	601,532	590,563
3	Actuarial (gains)/ losses recognized in OCI	(90,280)	(347,948)
4	Immediate recognition of (gains)/losses – other long term employee benefit plans	-	-
	Defined Benefit Cost	**1,068,646**	**761,946**
D	**Development of Net Financial Position**	**31-Dec-21**	**31-Dec-20**
1	Defined Benefit Obligation (DBO)**	(8,310,113)	(7,796,822)
2	Fair Value of Plan Assets (FVA)	-	-
3	Funded Status (Surplus/(Deficit))	(8,310,113)	(7,796,822)
4	**Net Defined Benefit Liability**	**(8,310,113)**	**(7,796,822)**
E	**Reconciliation of Net Balance Sheet Position**	**31-Dec-21**	**31-Dec-20**
1	Net defined benefit asset/ (liability) at end of prior period	(7,796,822)	(7,729,206)
2	Service cost	(557,394)	(519,331)
3	Net interest on net defined benefit liability/ (asset)	(601,532)	(590,563)
4	Amount recognized in OCI	91,246	347,948
5	Benefit paid directly by the Company	555,355	694,330
6	Actuarial (gain) or losses due to change in financial assumptions	(966)	-
10	**Net defined benefit liability at end of current period**	**(8,310,113)**	**(7,796,822)**
F	**Other Comprehensive Income (OCI)**	**31-Dec-21**	**31-Dec-20**
1	Actuarial (gain)/loss due to liability experience	(91,246)	(347,948)
2	Actuarial (gain)/loss due to liability assumption changes	966	-
3	Actuarial (gain)/loss arising during period	(90,280)	(347,948)
4	Return on plan assets (greater)/less than discount rate	-	-
5	Actuarial (gains)/ losses recognized in OCI	(90,280)	(347,948)
6	Adjustment for limit on net asset	-	-
	Actuarial (Gain) or Loss Recognized via OCI at Current Period End	**(90,280)**	**(347,948)**

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G	Expected benefit payments for the year ending	31-Dec-21
	December,2022	1,552,611
	December,2023	1,416,192
	December,2024	1,567,850
	December,2025	1,531,980
	December,2026	1,279,554
	December,2027 to December 2031	6,684,053
	December,2031 to December 2041	16,644,262

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

ii. Weighted average duration of defined benefit obligation 9.74 years

iii. Significant estimates: actuarial assumptions and sensitivity

a	Discount Rate	31-Dec-21	31-Dec-20
	Discount Rate as at 31 December 2021	**0.50%**	8.00%
	Effect on DBO due to 0.5% increase in Discount Rate	(272,436)	283,301
	Effect on DBO due to 0.5% decrease in Discount Rate	290,436	(265,663)
b	**Salary Escalation rate**	**31-Dec-21**	**31-Dec-20**
	Salary Escalation rate as at 31 December 2021	**0.05%**	8.00%
	Effect on DBO due to 0.5% increase in Salary escalation rate	311,339	302,494
	Effect on DBO due to 0.5% decrease in Salary escalation rate	(294,339)	(286,168)
c	**Employee Turnover Rate**	**31-Dec-21**	**31-Dec-20**
	Mortality rate as at 31 December 2021	**0.50%**	8.00%
	Effect on DBO due to 0.5% increase in Mortality	311,339	302,494
	Effect on DBO due to 0.5% decrease in Mortality	(294,339)	(286,168)
d	**Salary Escalation rate**	**31-Dec-21**	**31-Dec-20**
	Salary Escalation rate as at 31 December 2021	**0.05%**	8.00%
	Effect on DBO due to 0.5% increase in Salary escalation rate	(11,939)	302,494
	Effect on DBO due to 0.5% decrease in Salary escalation rate	13,232	(286,168)

iv. Risk exposures

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

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1. Discount Rate Risk

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

2. Salary Growth Risk

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

3. Employee Turnover Risk

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

4. Demographic Risk

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

5. Regulatory Risk

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

6. Liquidity Risk

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

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

A	Change in Defined Benefit Obligation (DBO)	31-Dec-21	31-Dec-20
1	DBO at end of prior period	7,796,822	7,729,206
2	Current service cost	557,394	519,331
3	Interest cost on the DBO	601,532	590,563
4	Curtailment (credit)/ cost	-	-
5	Settlement (credit)/ cost	-	-
6	Past service cost - plan amendments	-	-

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7	Acquisitions (credit)/ cost	-	-
8	Actuarial (gain)/loss - experience	(91,246)	(347,948)
9	Actuarial (gain)/loss - demographic assumptions	-	-
10	Actuarial (gain)/loss - financial assumptions	966	-
11	Benefits paid directly by the Company	(555,355)	(694,330)
12	Benefits paid from plan assets		-
	DBO at end of current period	**8,310,113**	**7,796,822**
B	**Statement of Profit & Loss**	**31-Dec-21**	**31-Dec-20**
1	Current service cost	557,394	519,331
2	Past service cost - plan amendments	-	-
3	Curtailment cost / (credit)	-	-
4	Settlement cost / (credit)	-	-
5	Service cost	557,394	519,331
6	Net interest on net defined benefit liability / (asset)	601,532	590,563
7	Immediate recognition of (gains)/losses – other long term employee benefit plans	-	-
8	**Cost recognized in P&L**	**1,158,926**	**1,109,894**
C	**Defined Benefit Cost**	**31-Dec-21**	**31-Dec-20**
1	Service cost	557,394	519,331
2	Net interest on net defined benefit liability / (asset)	601,532	590,563
3	Actuarial (gains)/ losses recognized in OCI	(90,280)	(347,948)
4	Immediate recognition of (gains)/losses – other long term employee benefit plans	-	-
5	**Defined Benefit Cost**	**1,068,646**	**761,946**
D	**Development of Net Financial Position**	**31-Dec-21**	**31-Dec-20**
1	Defined Benefit Obligation (DBO)**	(8,310,113)	(7,796,822)
2	Fair Value of Plan Assets (FVA)	-	-
3	Funded Status (Surplus/(Deficit))	(8,310,113)	(7,796,822)
4	**Net Defined Benefit Liability**	**(8,310,113)**	**(7,796,822)**
E	**Reconciliation of Net Balance Sheet Position**	**31-Dec-21**	**31-Dec-20**
1	Net defined benefit asset/ (liability) at end of prior period	(7,796,822)	(7,729,206)
2	Service cost	(557,394)	(519,331)
3	Net interest on net defined benefit liability/ (asset)	(601,532)	(590,563)
4	Amount recognized in OCI	91,246	347,948
5	Amount recognized in Profit & Loss	-	-
6	Employer contributions	-	-

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7	Benefit paid directly by the Company	555,355	694,330
8	Acquisitions credit/ (cost)	-	-
9	Actuarial (gain) or Losses due to change in financial assumptions	(966)	-
10	Withdrawals From the Plan Assets	-	-
11	Cost of termination benefits	-	-
10	**Net defined benefit liability at end of current period**	**(8,310,113)**	**(7,796,822)**
F	**Other Comprehensive Income (OCI)**	**31-Dec-21**	**31-Dec-20**
1	Actuarial (gain)/loss due to liability experience	(91,246)	(347,948)
2	Actuarial (gain)/loss due to liability assumption changes	966	-
3	Actuarial (gain)/loss arising during period	(90,280)	(347,948)
4	Return on plan assets (greater)/less than discount rate	-	-
5	Actuarial (gains)/ losses recognized in OCI	(90,280)	(347,948)
6	Adjustment for limit on net asset	-	
	Actuarial (Gain) or Loss Recognized via OCI at Current Period End	**(90,280)**	**(347,948)**

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

(i) Expected employer contributions for the period ending 31 December 2021

(ii) Weighted average duration of defined benefit obligation 9.74 years

(iii) Significant estimates: actuarial assumptions and sensitivity

a	Discount Rate	31-Dec-21	1-Jan-21
	Discount Rate as at 31 December 2021	**0.5%**	**8.00%**
	Effect on DBO due to 0.5% (2020: 1%,2019:1%) in discount rate	(262,436)	(265,663)
	Effect on DBO due to 0.5% (2020: 1%,2019:1%) in discount rate	290,378	283,301
b	**Salary Escalation rate**	**31-Dec-21**	**1-Jan-20**
	Salary Escalation rate as at 31 December 2021	**0.5%**	**8.00%**
	Effect on DBO due to 0.5% (2020: 1%, 2019:1%) increase in salary escalation rate	311339	302,494

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	Effect on DBO due to 0.5% (2020: 1%, 2019:1%) decrease in salary escalation rate	(294,742)	(286,168)
c	**Employee Turnover Rate**	**31-Dec-21**	**31-Dec-20**
	Mortality rate as at 31 December 2021	**0.50%**	8.00%
	Effect on DBO due to 0.5% increase in Mortality	311,339	302,494
	Effect on DBO due to 0.5% decrease in Mortality	(294,339)	(286,168)
b	**Salary Escalation rate**	**31-Dec-21**	**31-Dec-20**
	Salary Escalation rate as at 31 December 2021	**0.05%**	8.00%
	Effect on DBO due to 0.5% increase in Salary escalation rate	(11,939)	302,494
	Effect on DBO due to 0.5% decrease in Salary escalation rate	13,232	(286,168)

(iv) Risk exposures

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

1. Discount Rate Risk

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

2. Salary Growth Risk

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

3. Employee Turnover Risk

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

4. Demographic Risk

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

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5. Regulatory Risk

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

6. Liquidity Risk

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

Note 46: Related Party Disclosure

1. Related Party Disclosure

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

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

i. Parent and Subsidiary:

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

ii. Key Management Personnel

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

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iii. Entities under Common Control

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

a) Transactions with related parties during the year:

Government Agencies

Nature of relationship	Name of entity	Acronym used
Government Agencies	Ministry of Education	MoE
Government Agencies	Ministry of Labour& Human Resource	MoLHR
Government Agencies	Ministry of Works & Human Settlement	MoWHS
Government Agencies	Ministry of Foreign Affairs	MoFA
Government Agencies	Ministry of Finance	MoF
Government Agencies	Ministry of Economic Affairs	MoEA
Government Agencies	Ministry of Home & Culture Affairs	MoHCA
Government Agencies	Ministry of Health	MoHCA
Government Agencies	Ministry of Agriculture & Forestry	MoAF
Government Agencies	Ministry of Information and Communication	MoIC

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i. Board sitting fee paid to Board Directors

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

ii. Chief Executive Officer's remuneration:

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

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iii. Intergroup transaction with the DOC companies:					
GROUP GL CODE	**GCOA Ledger**	**Entity**	**Inter CO ID**	**2021.DEC**	**Amount**
4107010514	Communication and ICT revenue from DHI Group companies	BTL	I_CDCL	2021.DEC	(1,561,713)
1212010001	Capital Work-in-Progress	BTL	I_CDCL	2021.DEC	16,187,372
2103010302	Intragroup trade payable	BTL	I_CDCL	2021.DEC	(12,275,647)
1109010102	Intragroup trade receivables	BTL	MSPCL	2021.DEC	1,314
3109010043	Intra Group Miscellaneous Expenses	BTL	MSPCL	2021.DEC	184,080
4107010514	Communication and ICT revenue from DHI Group companies	BTL	MSPCL	2021.DEC	(15,258)
1109010102	Intragroup trade receivables	BTL	I_DC01	2021.DEC	127,649
4107010514	Communication and ICT revenue from DHI Group companies	BTL	I_DC01	2021.DEC	(1,605,904)
4107010504	Interest income from loans to DHI Group companies	BTL	I_DC01	2021.DEC	(4,931,507)
1213030001	Furniture, fixtures, computers and office equipment	BTL	I_STCBL	2021.DEC	9,765
1213050001	Vehicles	BTL	I_STCBL	2021.DEC	233,360
4107010514	Communication and ICT revenue from DHI Group companies	BTL	I_STCBL	2021.DEC	(2,065,902)
4107010504	Interest income from loans to DHI Group companies	BTL	I_STCBL	2021.DEC	(5,369,863)
3107010012	Running & Maintenance Of Vehicle-Intergroup	BTL	I_STCBL	2021.DEC	1,151,487
4107010514	Communication and ICT revenue from DHI Group companies	BTL	I_DP01	2021.DEC	(571,101)
1109010102	Intragroup trade receivables	BTL	I_DP01	2021.DEC	137,227
2103010302	Intragroup trade payables	BTL	I_TTPL	2021.DEC	(8,436)
1109010102	Intragroup trade receivables	BTL	I_TTPL	2021.DEC	123,191
4107010514	Communication and ICT revenue from DHI Group companies	BTL	I_TTPL	2021.DEC	(639,918)
3109010616	Rental Expenses paid to DHI Group Companies	BTL	I_TTPL	2021.DEC	101,530
4107010524	Inter Group Miscellaneous Income	BTL	I_TTPL	2021.DEC	(772,200)
1111010103	Intergroup Advance	BTL	I_TTPL	2021.DEC	10,800
1212010001	Capital Work-in-Progress	BTL	I_TTPL	2021.DEC	7,636,406
2503010008	Intragroup Dividends relating to current year	BTL	I_DI01	2021.DEC	1,550,000,000
3109010617	Inter group Brand management Fees	BTL	I_DI01	2021.DEC	32,564,849
2501010001	Equity Shares held by DHI	BTL	I_DI01	2021.DEC	(854,082,000)
4107010514	Communication and ICT revenue from DHI Group companies	BTL	I_DI01	2021.DEC	(1,584,677)
4107010524	Inter Group Miscellaneous Income	BTL	I_DI01	2021.DEC	(229,290)
3109010041	Intragroup Lease Rent	BTL	I_DI01	2021.DEC	383,169
1109010102	Intragroup trade receivables	BTL	I_DI01	2021.DEC	736,491
4107010514	Communication and ICT revenue from DHI Group companies	BTL	I_SMCL	2021.DEC	(2,340,220)

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1109010102	Intragroup trade receivables	BTL	I_SMCL	2021.DEC	83,314
1109010102	Intragroup trade receivables	BTL	I_PCAL	2021.DEC	69,273
4107010514	Communication and ICT revenue from DHI Group companies	BTL	I_PCAL	2021.DEC	(703,683)
4107010514	Communication and ICT revenue from DHI Group companies	BTL	I_NRDCL	2021.DEC	(1,890,612)
1109010102	Intragroup trade receivables	BTL	I_NRDCL	2021.DEC	136,107
1213030001	Furniture, fixtures, computers and office equipment	BTL	I_NRDCL	2021.DEC	26,500
4107010514	Communication and ICT revenue from DHI Group companies	BTL	I_DACL	2021.DEC	(3,583,394)
1109010102	Intragroup trade receivables	BTL	I_DACL	2021.DEC	541,134
4107010521	Rental Income from Group Companies	BTL	I_DACL	2021.DEC	(73,702)
4107010514	Communication and ICT revenue from DHI Group companies	BTL	I_DG01	2021.DEC	(2,398,796)
1109010102	Intragroup trade receivables	BTL	I_DG01	2021.DEC	1,889,820
3109010616	Rental Expenses paid to DHI Group Companies	BTL	I_DG01	2021.DEC	16,728
4107010508	Service Revenue from DHI Group companies	BTL	I_DG01	2021.DEC	(6,661,792)
2103060302	Intragroup deposits received	BTL	I_DG01	2021.DEC	2,923,308
1101020103	Balances with BOBL	BTL	I_BOBL	2021.DEC	1,933,651,178
1109020104	Intragroup deposits	BTL	I_BOBL	2021.DEC	5,000,000
4107010521	Rental Income from Group Companies	BTL	I_BOBL	2021.DEC	(2,744,000)
4107010522	Intra Group Commission and Brokage Income	BTL	I_BOBL	2021.DEC	(782,766)
3109010044	Intra Group Commission and Brokage fees	BTL	I_BOBL	2021.DEC	127,097,130
4107010514	Communication and ICT revenue from DHI Group companies	BTL	I_BOBL	2021.DEC	(12,223,662)
1101030002	Interest accrued on short-term bank deposits	BTL	I_BOBL	2021.DEC	278,836
3109010627	Electricity Charges - paid to DHI Group companies	BTL	I_BPC	2021.DEC	51,373,844
4107010514	Communication and ICT revenue from DHI Group companies	BTL	I_BPC	2021.DEC	(9,260,946)
3109010616	Rental Expenses paid to DHI Group Companies	BTL	I_BPC	2021.DEC	3,941,599
1213040001	Cables and Power System	BTL	I_BPC	2021.DEC	11,876,863
2103060302	Intragroup deposits received	BTL	I_BPC	2021.DEC	1,219,298
1109010102	Intragroup trade receivables	BTL	I_BPC	2021.DEC	744,723
4107010514	Communication and ICT revenue from DHI Group companies	BTL	I_THEL	2021.DEC	(1,297,168)
1109010102	Intragroup trade receivables	BTL	I_THEL	2021.DEC	105,261
4107010514	Communication and ICT revenue from DHI Group companies	BTL	I_KIL	2021.DEC	(151,071)

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iv. Outstanding Balances with Holding Company	
Particulars	**Amount**
Paid-up share capital	4,000,000,000
Intergroup trade receivable	736,491

v. Outstanding balances with Entities under Common Control	
Particulars	**Amount**
Trade Receivables	4,695,505
Trade Payable	12,284,082

47. Provisions and Contingent Liabilities

a) Capital Commitments

Particulars	2021	2020
5G project	99,999,451	
Additional Mobile Sites	94,090,985	
Construction of Residential Building at Jakar	44,439,000	
ERPNext Project	7,887,096	
Highway Mobile projects	20,702,331	
Integration of DSL and Off-load to PCRF	6,940,000	
LTE Expansion project	133,267,806	
Power System project	11,681,682	
Rural Communication Project VI	125,833,397	
Tower Replacement/Relocation Project	6,169,397	
VoLTE IMS Project	213,690,125	
LTE1800 Expansion	16,401,194	
Amount of contracts remaining to be executed on residential building at Paro	54,083,480	18,667,239
Amount of contracts remaining to be executed on residential building at Gelephu	47,824,152	18,492,108
Amount of contracts remaining to be executed on residential building at Jakar	-	38,878,625

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48. Leases

Operating lease: Company as lessee

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

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

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

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

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

Operating lease:

Company as lessor

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

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

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13. Ratio Analysis for the year ended 31st December, 2021:

		Amount in Nu.
Particulars	**2021**	**2020**
1. LIQUIDITY		
A. Current Ratio	2.19:1	2.72:1
B. Quick Ratio:	2.06:1	2.68:1
Quick Assets/Quick Liabilities		
C. Accounts Receivable Period	41.35 Days	36.71 Days
365/Accounts receivable turnover		
D. Working Capital to Sales	26.42%	23.55%
Average Current Assets-Average Current Liabilities/Net sales		
2. SOLVENCY:		
A. Term Debt to Total Fixed Assets	9.64%	14.96%
Long term Debt/Total Fixed Asset-Net		
B. Debt Equity Ratio:	0.07:1	0.13:1
Debt/(Capital Fund+Reserve& Surplus)		
3. PROFITABILITY:		
A. Return on Capital Employed:		
a) PBT/Capital Employed	46.755%	36.80%
b) PAT/Capital Employed	31.748%	25.088%
Capital Employed=Equity Capital + Loan Fund		
B. Return on Equity:	34.19%	28.05%
Profit After Tax/Total Equity		
Total Equity= Capital + Reserve & Surplus		
C. Return on Sales	55.14%	48.24%
PBT/Operating Income		
D. Employee Cost to Gross Income	7.139%	8.159%
Total Employee Expenses/Operating Income		
E. Profit per Employee:	3.07 million	2.34 million
PAT/Total no. of Employees		

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For Karma & Associate	**For and on behalf of board of directors**
Chartered Accountants	
(Firm Reg. No. BH-04)	
	Chairman
(Chimmi Dorji)	
Partner	
Place: Thimphu	
Date: 13/04/2022	**Chief Executive Officer**

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