



# ANNUAL REPORT 2024



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# The Year In Review

The year 2024 has been marked by significant achievements and milestones for Drukair, Bhutan's national airline. This report provides an overview of the key highlights and accomplishments throughout the year.

In 2024, Drukair operated a total of 4,435 flights, a notable increase from 3,996 flights in 2023. This expansion in flight operations resulted in carrying a total of 234,845 passengers compared to 201,979 passengers in 2023. The increased flight frequency led to a significant rise in the load factor, reaching 69.45% from 67 % in the previous year.

In 2024, Drukair achieved a historic milestone by recording its highest-ever revenue of Nu. 5.5 billion. This was accompanied by a Profit Before Tax (PBT) of Nu. 502 million and a Profit After Tax of Nu. 178 million. Passenger revenue saw a significant increase, rising from Nu. 3,051 million in 2023 to Nu. 3,841 million in 2024. However, revenue from chartered flights declined from Nu. 471 million to Nu. 332 million during the same period. In contrast, helicopter services experienced strong growth, with revenue increasing from Nu. 114 million in 2023 to Nu. 185 million in 2024. Strategic partnerships with global platforms such as Make My Trip (MMT), Hanh Air, and Turkish Airlines enhanced international distribution and interline e-ticketing capabilities, significantly expanding Drukair's global reach and improving customer convenience and satisfaction.

As part of Drukair's commitment to Corporate Social Responsibility (CSR), initiatives such as temporarily recruiting unemployed National Commercial Pilot License (CPL) holders have been implemented. This involves providing them with valuable flying hours and a fixed monthly salary to support their career advancement within the aviation industry.

Drukair achieved a compact score of 95.07% for 2024, resulting in full Performance Based Variable Payout (PBVP) for employees. Looking ahead, the company has set challenging targets for 2025, including revenue targets of Nu. 6.5 billion, PBT of Nu. 766.28 million, and PAT of Nu. 528.32 million.

To enhance international connectivity and foster opportunities for tourism, trade, and cultural exchange, Drukair launched the Dubai operations on October 28, 2024. This marks a significant milestone for Drukair and Bhutan's aviation sector. The launch reflects Drukair's commitment to expanding its network and supporting national development priorities, including the visionary Gelephu Mindfulness City project.

For a robust and scalable Passenger Service System (PSS), Drukair signed the PSS contract with HITIT on 17th December 2024, with the system cut over to be completed by March 2025.



The 34th Annual General Meeting held on 25th March, 2025 acknowledged that Drukair achieved a historic milestone by recording its highest-ever revenue of Nu. 5.5 billion.

Future plans include IOSA certification and IATA membership to enable interline and code sharing with other IATA members, fleet expansion with the addition of five new fixed-wings aircraft, leasing of a A320 neo and corporate jet conversion project to support the Gelephu Mindfulness City, route expansions increasing the charter portfolio, a joint venture glider project and the relaunch of the Trongsa Penlop Inspire Program (TPIP).

Drukair extends gratitude to His Majesty The King, DHI, the Drukair Board, Government Ministries, Bhutan Civil Aviation Authority, Department of Air Transport, and finally all employees for their contributions to the company's success in 2024.

The achievements and milestones of 2024 reflect Drukair's unwavering commitment to excellence, innovation, and customer satisfaction. With the collective efforts of its dedicated team, Drukair remains poised for continued success.

Tashi Delek

A handwritten signature in blue ink, appearing to be "Tashi Delek".

Tandi Wangchuk

Chief Executive Officer



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# COMPANY PROFILE

Drukair is the National Airline of the Kingdom of Bhutan owned by the Royal Government of Bhutan through its Investment Wing, Druk Holding & Investments Ltd. The airline operates a scheduled networks within South Asia, some parts of South East Asia and Middel east region from its headquarters located in the beautiful valley of Paro in Western Bhutan.

The airline was established through a Royal Proclamation on April 5, 1981. It started commercial operations on February 11, 1983, from Paro, about 55 km away from the capital, Thimphu. Drukair began humbly with an 18-seat Dornier 228-200 that made its historic touch down at Paro airport on January 14, 1983, to the chant of inauguration prayers, cymbals, conches and the like, with maroon-clad monks, blessing the occasion and the plane. The first link was Kolkata, followed by eight destinations in South Asia. As more and more people took to the skies, not just to connect but also to enjoy perhaps the most breath-taking view of the Himalayan range, including Mt. Everest, Mt. Kanchenjunga and the highest unclimbed mountains in Bhutan itself, another Dornier was added to meet the increasing demand.

Drukair had since then continued to upgrade its fleet; first to two BAe 146s in 1988, followed by Airbus A320 family, and an ATR for fixed wing services and two Airbus H130 helicopters for rotary services as of December 2024.

The airline operates in eleven international airports in seven countries (Bhutan, Bangladesh, India, Nepal, Thailand, The UAE and Singapore) and four domestic airports for fixed-wing services. The rotary services provide mountain scenic charters and other commercial charters apart from emergency services.

## VISION

To be the leading airline connecting Bhutan and the world

## MISSION

Drukair, as a National Airline, shall provide safe and reliable air transport services, be competitive and meet the growing demands, and consistently meet customer expectations with excellence in service

## CORE VALUES

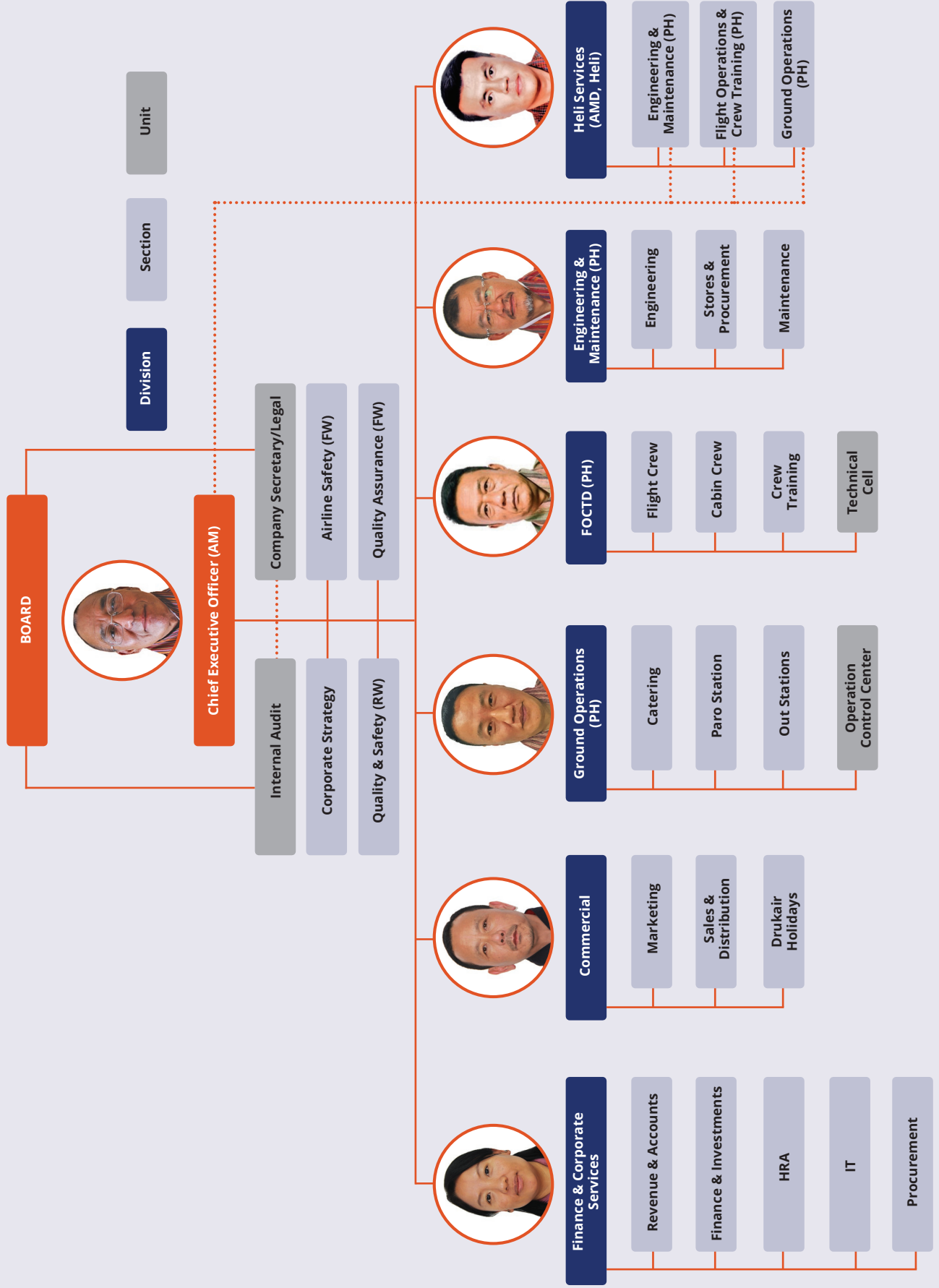
Safety, Standard, Service Excellence, Integrity, Teamwork and Open Door Culture

## SLOGAN

On the wings of the dragon



# DRUKAIR ORGANIZATIONAL STRUCTURE





# BOARD OF DIRECTORS

## **Mrs. Pema Choden, Chairperson**



Mrs. Pema Choden is the Secretary of the Ministry of Foreign Affairs and External Trade. She joined the then Ministry in 1989 and has served in various capacities. Prior to being appointed as the Secretary, she served as the Bhutan's resident Ambassador to Belgium and the European Union with concurrent accreditation to Sweden, the Netherlands, Denmark, Finland and Spain from April 2016 to January 2021. She received her Bachelor's Degree from Sherubtse College, Kanglung, Bhutan and a Diploma in International Relations from the Institute International d'Administration Publique (IIAP), Ecole Nationale d'Administration (ENA), Paris, France.

## **Mr. Karma Lotey, Board Director**



Mr. Karma Lotey is the Chief Executive Officer of Yangphel Private Limited, one of Bhutan's leading tour operators and has been on the top since its inception in 1988. Mr. Lotey has been with the company since 1995 and he has a bachelor's in business majored in Marketing and an Executive Master's in Business Administration from Devry University, Chicago USA.

## **Mr. Karma Thinlay, Board Director**



Mr. Karma Lotey is the Chief Executive Officer of Yangphel Private Limited, one of Bhutan's leading tour operators and has been on the top since its inception in 1988. Mr. Lotey has been with the company since 1995 and he has a bachelor's in business majored in Marketing and an Executive Master's in Business Administration from Devry University, Chicago USA.





**Mr. Karma Wangchuk, Board Director**

Mr. Karma Wangchuk is the Director General of the Department of Air Transport under the Ministry of Infrastructure and Transport and has over 35 years of work experience. He has a Bachelor's Degree in Commerce from Sherubtse College, Kanglung, Bhutan, Post Graduate Diploma in Aviation Management from NUS Singapore and master's in development administration from Australian National University, Canberra, Australia.



**Mr. Dorji Nima, Board Director**

Mr. Dorji Nima is the Director at Druk Holding and Investments (DHI). He has over 22 years of professional work experience. He has a bachelor's degree in business administration from Madras University, India and master's degree in business administration from Australian Graduate School of Entrepreneurship, Melbourne, Australia.



**Ms. Carissa L Nimah Board Director**

Ms. Carissa Louise Nimah is the Chief Marketing Officer at the Department of Tourism, under the Ministry of Industry, Commerce, and Employment, and has over 18 years of work experience leading global teams and orchestrating campaigns for luxury and international B2B and B2C brands. She possesses a multifaceted skill set, excelling as a writer, editor, marketer, brand builder, and project manager, consistently delivering exceptional results aligned with corporate and financial objectives.

Ms. Nimah holds two bachelor's degrees: a bachelor's degree in journalism, and another in Political Science from the University of Queensland, Australia. Additionally, she holds a master's degree in strategic marketing from the University of Wollongong, UAE, and is pursuing a part-time online Bachelor's Degree in Law from the University of Southern Queensland, Australia.



**Mr. Tandi Wangchuk, CEO & Board Director**

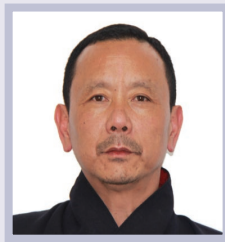
Mr. Tandi Wangchuk is the Chief Executive Officer of Drukair Corporation Limited. He has more than 35 years of work experience. He received his bachelor's degree in electrical and Electronics Engineering from Bangladesh University of Engineering and Technology (BUET), Dhaka, Bangladesh and Master's in Operational Telecommunication from Coventry University, Midlands, England, UK.



# MANAGEMENT



Mr. Tandi Wangchuk,  
Chief Executive Officer



Mr. Wangchuk Tshering,  
General Manager,  
Commercial Division



Mr. Ugen Tashi,  
Ground Operations Division



Mr. Thrimchong Wangdi,  
Engineering and  
Maintenance Division



Captain Sonam Choeda,  
Flight Operations and  
Crew Training Division



Ms. Dechen Peldon,  
Finance and Corporate  
Services Division



Mr. Gem Dorji Tshering,  
Helicopter Services division



# DIRECTORS' REPORT 2024

## INTRODUCTION

The Board is pleased to report the company's performance for the period 1<sup>st</sup> January 2024 to 31<sup>st</sup> December 2024.

### 1. OPERATIONAL HIGHLIGHTS

#### 1.1 Fixed Wing Operations

In 2024, Drukair's fixed wings recorded a total of 4,435 flights, reflecting a 11% increase from 3,996 flights in 2023.

The company also witnessed a 16% rise in total passengers carried (including charter flights), reaching 234,845 compared to 201,979 in 2023. This contributed to an improvement in the load factor, which increased from 67% in 2023 to 69.45% in 2024.

The total cargo transported during the year, however, saw a marginal increase to 574 metric tons (MT), up from 532MT in 2023.

To enhance aircraft utilization, the company introduced a new route to Dubai on 28<sup>th</sup> October 2024 with twice weekly flights.

Overall, Drukair achieved 70% market share of all competitive routes.

#### 1.2 Rotary Wing Operations

On the rotary-wing side, Drukair Heli Services recorded 1,067 revenue-flight hours in 2024, reflecting a 39.84% increase from 763.44 hours in 2023. The increase was primarily attributed to the addition of two new helicopters in the financial year.

The Company expanded its fleet with the arrival of:

- The second helicopter (registration BHU) on 1<sup>st</sup> July 2024, and
- The arrival of the third helicopter (BHV) on 15<sup>th</sup> October 2024.

With the addition of the third helicopter, Drukair is now better positioned to enhance connectivity to remote and far-flung areas. The expansion also supports increasing demand for medical evacuations, search and rescue missions, and scenic flights across Bhutan, reinforcing Drukair's commitment to providing safe, efficient, and advanced aviation solutions to the nation and beyond.

Additionally, Drukair successfully launched its web-based Heli Reservation System on 26<sup>th</sup> December 2024. The system is designed to streamline the booking process for helicopter services, ensuring high performance, scalability, and security.

### 2. FINANCIAL HIGHLIGHTS

#### 2.1 Total asset and liability

The company's total non-current assets increased from Nu. 7,505 million in 2023 to Nu. 7,933 million in 2024, reflecting a rise of Nu. 428 million (6%). This increase was due to the commitment fee and the first pre-delivery payment made to Airbus for the purchase of two A321 XLR and three A320neo aircrafts. Additionally, property, plant, and equipment (PPE) increased following the acquisition of two new helicopters during the year.

Conversely, current assets declined from Nu. 1,875 million in 2023 to Nu. 1,458 million, primarily due to:

- A Nu. 337 million (43%) reduction in cash and cash equivalents, driven by predelivery payments to Airbus and the final balance payments for the acquisition of two helicopters.
- A Nu. 219 million (37%) reduction in loans and advances, resulting from the capitalization of outstanding amounts related to the helicopters upon their arrival.

As a result, the total assets increased marginally by Nu. 11 million, reaching Nu. 9,391 million in 2024, compared to Nu. 9,380 million in 2023.

Similarly, the shareholders' equity increased by Nu. 190 million (12%), mainly due to profit after tax for the year.

The total non-current liabilities decreased by Nu. 696 million (16%), dropping from Nu. 4,292 million in 2023 to Nu. 3,596 million in 2024, due to loan repayments.

On the other hand, current liabilities increased by Nu. 517 million (14%), primarily due to additional intergroup borrowings and a growth in ticket sales, which led to a 26% (Nu. 136 million) increase in un-flown ticket liabilities

## 2.2 Income

The summary of financial performance for the year 2024 (in million Nu.) is shown in the table below:

Particular	2024	2023	Variance in Nu.	Variance in %
Operating Revenue	5,400	4,531	869	19%
Operating Expenditure	4,579	4,106	473	12%
Operating Profit/(Loss)	821	425	395	93%
Non-Operating Revenue	98	298	-200	-67%
Non-Operating Expenses	417	432	-15	-4%
Profit/(Loss) before tax	502	291	211	72%
Tax Expenditure	325	354	-30	-8%
Profit/(Loss) after tax	178	(63)	241	383%

Drukair's operating revenue increased by 19%, reaching Nu. 5,400 million in 2024, compared to Nu. 4,531 million in 2023. This growth was driven by:

- A 20% increase in scheduled passenger numbers, from 189,878 in 2023 to 227,149 in 2024.
- A Nu. 71 million increase in revenue from helicopter services, from Nu. 114 million in 2023 to Nu. 185 million in 2024.

However, non-operating revenue declined sharply by Nu. 200 million (67%) due to:

- One-off gains realized in 2023, including insurance reimbursements from the decommissioning of the helicopter following an accident.
- ATR's reimbursement for the Clear Vision System in 2023.
- A Nu. 27 million decrease in government subsidies on interest expenses following loan repayments in 2024.



### 2.3 Expenditure

The summary of operational expenditure is presented in million Nu. in the table below:

Particular	2024	2023	Variance in Nu.	Variance in %
Flight operation cost	1,996	1,920	75	4%
Other operation cost	244	180	64	36%
Aircraft maintenance cost	283	251	32	13%
Other maintenance cost	16	15	1	7%
Employee cost	748	653	95	15%
Marketing and Sales cost	108	72	36	50%
Other Administration cost	341	195	146	75%
Depreciation and amortization cost	842	819	23	3%
Total operating expenditure	4,579	4,106	473	12%
Finance cost	417	432	-15	-4%

Total operating expenditure increased by Nu. 473 million (or 12%), primarily due to higher flight operation cost, employee cost, and other operational expenditures, including inflight catering, cargo transport, and handling charges.

- Flight operations cost increased as the number of flights, including charter, grew by 11%, from 3,996 in 2023 to 4,435 in 2024.
- Employee costs rose by 15%, as the number of employees increased from 496 in 2023 to 537 as of December 31, 2024. The recruitment of employees was necessary to support the recovery in flight operations and execute planned flight schedules.
- Marketing and sales expenses surged by 50%, reflecting increased sales efforts by agents both domestically and internationally.
- Administrative costs also saw a notable rise of 75%, primarily due to the write-off of expenditures incurred on the cargo conversion project and foreign exchange losses driven by the depreciation of the Ngultrum against the US dollar.
- Depreciation expenses increased by 3%, attributed to the acquisition of two helicopters in 2024.

### 2.4 Profit before tax

The financial year 2024 marked a significant turnaround for Drukair, with profit before tax reaching Nu. 502 million, compared to Nu. 291 million in 2023—an improvement of Nu. 211 million (71%).

Tax expenses amounted to Nu. 325 million, which included the reversal of Nu. 72 million for tax credits booked in 2021. As a result, profit after tax surged to Nu. 178 million, compared to a loss of Nu. 63 million in 2023, reflecting an impressive 383% improvement (Nu. 241 million).

## 3. Customer Care

The 2024 Customer Satisfaction Survey of the company highlighted improvements across key service areas, reflecting enhanced customer satisfaction. The Customer Satisfaction Index (CSI) slightly improved from 4.06 in 2023 to 4.07 in 2024 maintaining a 'Good' rating. The airline's reputation for safety and reliability remains a key factor in customer confidence.

## 4. Fleet Management

Drukair has implemented a strategy fleet rotation system to ensure scheduled maintenance does not disrupt operations.

To optimize aircraft utilization and cost efficiency, the airline has been interchanging ATR and A319/ A320 aircrafts based on passenger load. This strategy, combined with fuel tankering strategies, has resulted in significant cost savings.

## Fleet expansion and modernization

In alignment with GMC's development plans, Drukair has secured the purchase of three A320neo aircraft to replace the aging A319 fleet and two A321XLR aircraft to expand routes beyond Gelephu. The Purchase Agreement was signed on October 12, 2024, with deliveries scheduled for 2030 and 2031.

Additionally, Drukair is evaluating the conversion of its newest A319, A5-JSW, into a Corporate Jet to cater to the growing demand for premium travel, especially with the rapid development of Gelephu Mindfulness City and increasing visits from high-level and potential investors.

## 5. HR and Other Systems

As of 31<sup>st</sup> December 2024, Drukair's employee strength remained at 537 comprising 466 regulars, 67 contracts, 3 temporary and 1 daily wage staff.

A total of 70 new staff members were appointed in 2024, while 31 employees left the company. As of 31<sup>st</sup> December 2024, the attrition rate stands at 5.84%. The workforce comprised 61% male and 39% female employees.

With the appointment of the General Manager for the Helicopter Service Division, the Company now has six divisions, each headed by a General Manager.

## 6. Corporate Governance

The company complied with the Corporate Governance (CG) Code issued by DHI. The company's Board held five Board meetings, six Board Audit Committee meetings, and six Board Human Resource Committee meetings in the year 2024. The quorum at each of these meetings was duly met with the average attendance standing at 77.14 % for the five Board Meetings.

As of the end of 2024, the Drukair Board consisted of seven Directors, including the Chairperson and the CEO.

The Chairperson Ms. Pema Choden, Secretary of the Ministry of Foreign Affairs and External Trade, and Board Directors Mr. Karma Wangchuk, Secretary, Ministry of Infrastructure and Transport, Mr. Karma Thinlay, Trashiyangtse Dzongdag, Mr. Karma Lotey, CEO of Yangphel Adventure Travels, and Mr. Dorji Nima, Director of CPD-DHI, continued their directorship. Board Director Dorji Dhradul, Director General, Department of Tourism resigned from the Board and was replaced by Ms. Carrissa L Nimah, Chief Marketing Officer, of Department of Tourism (MoICE)

Risk Management meetings were held quarterly to update the Risk Register and Risk Treatment Action Plan (RTAP), which were then reported to DHI after the endorsement of the Board.

## 7. Corporate Social Responsibility

As a socially responsible company, Drukair places a high priority on transparency, providing accurate and timely information, and promoting social well-being. The Corporate Social Responsibility (CSR) initiatives of the Company are guided by the Company Guidelines on Corporate Social Responsibility 2013 issued by DHI. The Company ensures the implementation of meaningful and sustainable CSR activities, including financial contributions and support for the benefit of communities.

In August 2024, Drukair and De-suung signed an MoU supporting the travel of De-suung voluntary blood donors to Kolkata subject to seat availability. This benefits the referred Bhutanese patients in Kolkata.

Rimdos/Soekha/Rewsangchoe/Prayer ceremonies were carried out at all four domestic airports, as is typically done, for the benefit and safety of all employees and passengers.

Due to financial constraints, the company's flagship CSR program, the Trongsa Penlop Inspire Program, could not be conducted in 2024.

## 8. Royal Audit Authority Report

The Royal Audit Authority (RAA) conducted an audit for the financial year 2023 for Drukair Corporation Limited, including Kathmandu, Delhi, Kolkata and Bangkok station offices. The audit commenced



on 28<sup>th</sup> August, 2024, and concluded on 1<sup>st</sup> October, 2024. The Royal Audit Authority identified a few recommendations to which the management implemented immediately. After the necessary adjustments, the RAA declared zero audit memo and reported that Drukair had complied with the relevant laws and guidelines pertaining to revenue, operating expenses, human resource management, procurement of goods, works and services.

## 9. Statutory Audit Report

The statutory audit for the year 2024 was conducted by Rinzing Financial Private Limited, marking their third consecutive year as the statutory auditor for Drukair, as appointed by the Royal Audit Authority. The audit commenced on 21<sup>st</sup> January 2025 and concluded on 5<sup>th</sup> February 2025. The auditors have issued an unqualified audit report for 2024 and reported that Drukair has complied with all the requirements of the Companies Act of Bhutan, 2016.

## 10. Way forward

As we enter 2025, Drukair as the national flag carrier has set its goal in playing a pivotal role in the success of His Majesty's vision for the Gelephu Mindfulness City project.

To achieve these goals, the company is strategizing to get IATA Operational safety Audit (IOSA) certification from International Air transport Association (IATA). The IATA Operational Safety Audit (IOSA) program is an internationally recognized and accepted evaluation system designed to assess the operational management and control systems of an airline. The successful IOSA certification will make it possible for Drukair to be a member of IATA, which then enables interline and code sharing with other IATA airline members besides other benefits from IATA membership.

Furthermore, for a robust and scalable Passenger Service System (PSS) that can support Drukair's long term goal, Drukair signed the Passenger Service System (PSS) contract with HITIT on 17<sup>th</sup> December 2024, in Istanbul. The PSS is more versatile and robust than the previous one and will be capable of GDS and interline requirements.

Staying in line with the upcoming Gelephu International Airport, the airline feels the need to establish a permanent operational base at Gelephu, which would station aircraft and crew on-site.

Furthermore, with its ground experience and expertise, Drukair is ready to support the Gelephu International Airport to successfully position itself as the robust regional aviation hub. Hence, the airline will study and explore engagements in the areas of Maintenance, Repair, and Overhaul (MRO) Services, Catering Service, Ground Handling Services, Cargo Handling Services and others.

Every individual employee in the company pledges to achieve excellence in these areas, but as Team Drukair, we assure every passenger the safety of air travel with Drukair, The National Airline.

## 11. Acknowledgements

On behalf of the Board of Directors, the Management, and all employees of Drukair, I would like to express our deepest gratitude to His Majesty the King for his exemplary leadership and selfless dedication to the people of Bhutan.

I would also like to extend our sincere gratitude to DHI for the continued guidance and support on all matters pertaining to Corporate Governance, Investments and Financing. We also acknowledge the kind support of all Government ministries, Bhutan Civil Aviation Authority and Department of Air Transport.

And finally, the Board would like to thank the management and employees of Drukair for their resilience and hard work in improving the performance of the company, and to the customers for their loyalty and support to Drukair.

A handwritten signature in blue ink, appearing to read "Pema Choden".

[Pema Choden]

CHAIRPERSON

# CORPORATE GOVERNANCE REPORT

The company complied with the Corporate Governance (CG) Code issued by DHI. The company's Board held five Board meetings, six Board Audit Committee meetings, six Board Human Resource Committee meetings.

## CEO and Board Remunerations

For the year 2024, the Board of Directors received a fixed amount of money as a sitting fee as such the remuneration is not based on commission or percentage of profits or turnover. Each Director was paid a sitting fee of Nu. 8000 (Ngultrum eight thousand) and Nu. 4000 (Ngultrum four thousand) per sitting for every Board Meeting and Board Committee Meeting respectively.

The remuneration and benefits paid to the CEO was Nu. 4,848,414 (Ngultrum four million eight hundred forty-eight thousand four hundred fourteen), and ID tickets as per his contract.

The remunerations and benefits paid to the other Board Directors including the Chairperson was Nu. 432,000 (Ngultrum four hundred thirty-two thousand) and ID tickets as per entitlement.

## Annual General Meeting

The 34<sup>th</sup> Annual General Meeting of Drukair Corporation Limited for the FY 2024 was held on 25<sup>th</sup> March, 2025 at the DHI Board Room.

### *The AGM Resolved*

That the Directors' report, Audited Accounts and the Auditor's Report for the financial year ended 31<sup>st</sup> December, 2024 were adopted as presented by the Board of Directors.

That no dividend is declared for the year 2024.

That the payment of the remunerations and other benefits of the Chief Executive Officer and Board Directors is endorsed.

That the AGM approved the PBVP as per the Compact Score of 95.07% for 2024.

## Risk Management Systems

Drukair has established a robust risk management system to identify critical risks, assess their potential impact and associated costs, and ensure they do not hinder the achievement of the company's objectives. The system includes a regularly updated risk register and targeted mitigation plans, enabling the company to remain responsive to evolving risks and opportunities. As of 2024, 12 risks have been documented in the register, with low aircraft utilization and brand reputation classified as high-risk areas.

### Low Aircraft Utilization

In 2024, Drukair operated a total of 4,045 scheduled flights, with the Airbus fleet recording an average daily utilization of 4.82 hours. To address the challenges of low aircraft utilization, the company implemented mitigation strategies, such as:

- Proactive flight scheduling,
- Expansion of our charter operations.

These measures aim to enhance aircraft productivity and reduce operational and financial risks.

### Brand Reputation

To mitigate the risk of losing customer trust, Drukair strengthened its communication strategy in 2024 by:

- Publishing 4-5 weekly updates on its official Facebook page,
- Responding to customer inquiries within 24 hours,
- Ensuring timely updates on schedule changes and service disruptions via the company website.



## Drukair Risk Reporting Structure

These efforts align with Drukair's brand standards and reinforce transparency with customers.



By maintaining this structured system, Drukair proactively identifies and mitigates risks, safeguarding its operational and financial stability.

## Corporate Social Responsibility

As a socially responsible company, Drukair places a high priority on transparency, providing accurate and timely information, and promoting social well-being. The Corporate Social Responsibility (CSR) initiatives of the Company are guided by the Company Guidelines on Corporate Social Responsibility issued by DHI. The Company ensures the implementation of meaningful and sustainable CSR activities, including financial contributions and support for the benefit of communities.

Rimdos/Soekha/Rewsangchoe/Prayer ceremonies were carried out at all four domestic airports, as is typically done, for the benefit and safety of all employees and passengers.

Due to financial constraints, the company's flagship CSR program, the Trongsa Penlop Inspire Program, could not be conducted in 2024.

However, being conscious of the situation where numerous self-sponsored and trained Bhutanese pilots holding Commercial Pilot Licenses (CPL) are unable to secure employment with airlines worldwide due to insufficient flying hours, the company (as part of the CSR initiative) temporarily recruited these national CPL holders, offering them a fixed monthly salary. The CSR initiative provides them with valuable flying hours, assisting in their advancement within the aviation industry, while remaining compliant with all regulatory requirements.

## Policies and Practices of CEO and Board Evaluation

The evaluation of Board Directors and CEO have been carried out for FY 2024 as per the existing policies and practices of DHI and DHI owned companies.

# INDEPENDENT AUDITOR'S REPORT

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PERIOD: JANUARY 1, 2024, TO DECEMBER 31, 2024  
FEBRUARY 2025



## **Independent Auditor's Report on the Financial Statements for year ended 31 December 2024 To the Shareholder(s) of Drukair Corporation Limited**

### **Opinion**

We have audited the financial statements of Drukair Corporation Limited (the Company), which comprises the Statement of Financial Position as at December 31, 2024, Statement of Comprehensive Income, Statement of Changes in Equity, and the Statement of Cash Flows for the year then ended, and notes to the Financial Statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respect, the financial position of the Company as at December 31, 2024, and of its financial performance and its Cash Flows for the year then ended in accordance with Bhutanese Accounting Standards 2020(BAS).

### **Basis for Opinion**

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

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the financial year ended December 31, 2024. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We do not have any matters to report under this for the current audit.

### **Other Information**

The other information comprises the information included in the Director's Report (but does not include the financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this audit report.

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

In connection with our audit 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**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 to cease operations, or has no realistic alternative but to do so.

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



## Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- i. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide basis for our opinion. The risk of not detecting material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions misrepresentations, or override of internal control;
- ii. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for purpose of expressing an opinion on the effectiveness of the Company's internal control;
- iii. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- iv. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a 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 auditor's 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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 outweigh the public interest benefits of such communication.





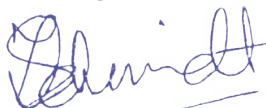
## Report on Other Legal and Regulatory Requirements

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

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

- a. We have obtained all information and explanations, which to the best of our knowledge and belief, were necessary for the purpose of our audit;
- b. In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
- c. The Company's 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 are in agreement with the books of accounts; and
- d. The Company has complied with other legal and regulatory requirements to the extent applicable to the company.

**For Rinzing Financial Private Limited:**



Ms. Tashi Rinzing Schmidt, CPA

Audit Partner

CPA License No. 34762

Date:

Place: Thimphu, Bhutan





# REPORT ON MINIMUM AUDIT EXAMINATION REQUIREMENTS

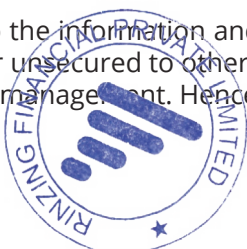
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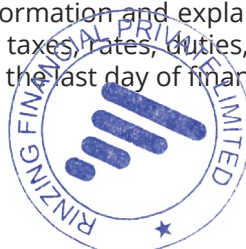
## Appendix referred to in our audit Report of even date on Minimum Audit Examination and Reporting requirements.

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

1. The Company has maintained proper records showing full particulars including quantitative details and the situation of fixed assets for Head Quarter and all the stations. Physical verification of Fixed Assets conducted during the year.
2. We have been informed that the company follows a cost model for accounting of fixed assets. Therefore, the fixed assets of the Company have not been revalued during the year.
3. Physical verification was conducted at reasonable intervals in respect of inventories of the Catering Division and Engineering and Maintenance Division.
4. In our opinion and according to the information and explanations given to us, the procedure of physical verification of inventories followed by the management is reasonable and adequate in relation to the size of the Company and the nature of its business.
5. In our opinion and according to the information and explanations given to us, a discrepancy was noticed in the physical verification of inventory as compared to the book records. Refer management appraisal report for details.
6. The Company is a service sector company and therefore, the requirement of maintenance of the reasonable system of recording receipts, issues, and consumption of materials and stores and allocating materials consumed to the respective jobs does not arise.
7. In our opinion and according to the information and explanations given to us, the Company prepares quantitative reconciliation at the end of an accounting year in respect of all major items of inventories i.e., Inflight Catering & duty-free stocks, stock of tickets, Gift stocks, aircraft maintenance supplies, and Uniform stores. The Company does not have any finished products and therefore, quantitative reconciliation is not required to be carried out in respect of finished products.
8. In our opinion and according to the information and explanations given to us, obsolete, damaged, slow-moving, and surplus goods/inventories have been determined. It was noted that there are obsolete inventory amounting to Nu. 376,651.04 and no provisions are made. Refer management report for details.
9. In our opinion and according to the information and explanations given to us, obsolete and surplus inventories are not disposed off. It was noted that there are obsolete inventory amounting to Nu. 376,651.04. Refer management report for details.
10. In our opinion and according to the information and explanations given to us, the Company has a system of obtaining approval of the Board/appropriate authority for writing off amounts due to material loss/discrepancies in physical/ book balances of inventories including stores, and spares.
11. On the basis of the examination of valuation of stocks and the information and explanations given to us and in our opinion, the valuation is fair and proper in accordance with the normally accepted accounting principles. The basis of the valuation of inventory is the same as in the preceding year.
12. The Company has taken secured loans. In our opinion and based on the information and explanations given to us, the rate of interest and the other terms and conditions of the above loans are not prejudicial to the interest of the Company.
13. In our opinion and according to the information and explanations given to us, the Company has not granted any loan secured or unsecured to other companies, firms, or other parties and/ or to the companies under the same management. Hence this sub-clause is not applicable.



14. In our opinion and according to the information and explanations given to us, the loans/ advances granted to officers/staff are in keeping with the provisions of service rules and no excessive/frequent advances are granted however, we noted that few salary advances granted are not aligned with the Drukair Service manual 2017. Refer management report for details.
15. In our opinion and according to the information and explanations given to us, the Company has established an adequate system of internal controls to ensure completeness, accuracy, and reliability of accounting records, carrying out the business in an orderly and efficient manner, to safeguard the assets of the Company as well as to ensure adherence to the rules, regulations, system and procedures.
16. In our opinion and according to the information and explanations given to us, there is a reasonable system of authorization at proper levels, and an adequate system of internal control commensurate with the size of Company and the nature of its business on issue of stores.
17. In our opinion and according to the information and explanations given to us, having regard to certain exceptions that some of item purchased are of special nature where suitable alternative sources of supply does not exist for obtaining comparable quotations thereof, there is an adequate system of competitive biddings, commensurate with the size of the Company and the nature of its business, for the purchase of goods and services including stores, plant and machinery, equipment and other assets. As the Company is engaged in providing services, it has no requirement of raw materials.
18. (a) On the basis of checking of books of account and relevant records of the Company and according to the information and explanations given to us, we are of the opinion that the Company has not entered into any transaction for purchases and sale of goods and service made in pursuance of contracts or arrangements entered into with the director(s) or any other party(ies) related to the director(s) or with the Company or firms in which the director(s) are directly or indirectly interested except DHI & its subsidiaries, the details of which is duly disclosed in the Related party transactions in notes to accounts to the financial statements.  
  
(b) The examination of records does not reveal any transaction entered into by the Company which is prejudicial to the interest of the Company wherein directors are directly or indirectly interested.
19. According to the information and explanations given to us and on the basis of our test checking of the accounts and other books and records, to the best of our knowledge, we are of the opinion that no personal expenses has been charged to the Company accounts other than those payable under contractual obligations/service rule and/or in accordance with generally accepted business practice.
20. In our opinion and according to the information and explanations given to us, there are no un-serviceable or damaged stores, which have not been provided for in the books of account. The Company being a service sector company, does not have any raw materials or finished goods.
21. *This section is not applicable to the company.*
22. *This section is not applicable to the company.*
23. *This section is not applicable to the company.*
24. In our opinion and according to the information and explanations given to us, the Company is regular in depositing rates and taxes, duties, royalties, provident funds, and other statutory dues with the appropriate authorities.
25. In our opinion and according to the information and explanations given to us, there was no undisputed amount payable in respect of taxes, rates, duties, royalties, provident funds and other statutory deductions outstanding as on the last day of financial year.





26. *This section is not applicable to the company.*
27. *This section is not applicable to the company.*
28. In our opinion and according to the information and explanations given to us, the Company has a reasonable system of periodical review of tariffs and based on such review and considering the market and economic conditions, the tariff rates are determined and approved by the Commercial committee constituted by the management. Also, the Company has proper costing system for the purpose of fixation of tariff rates.
29. In our opinion and according to the information and explanations given to us, the credit sales policy of the Company is reasonable and no credit rating of customers is carried out as the same is not applicable for the Company.
30. In our opinion and according to the information and explanations given to us, the agency commission structure is in accordance with the industry norms/ market conditions. Additionally, according to the information and explanations given to us, the Company has a proper system of evaluating performance of each agent on a periodic basis.
31. In our opinion and according to the information and explanations given to us, the Company has reasonable system of continuous follow-up with debtors and other parties for recovery of outstanding amounts. Also age wise analysis is carried out for management information and follow up action.
32. In our opinion and according to the information and explanations given to us, the management of liquid resources particularly cash/bank and short-term deposits etc. are adequate and that excessive amount are not lying idle in non-interest-bearing accounts and withdrawals of loan amounts are made after assessing the requirement of fund from time to time and no excess amounts is withdrawn leading to avoidable interest burden on the Company.
33. In our opinion and according to the information and explanations given to us, the activities carried out by the Company are lawful and intra-vires the Articles of the Company.
34. In our opinion and according to the information and explanations given to us, the activities / investment decisions are made subject to prior approval of the Board and investments in new projects i.e., acquisition of aircrafts are made only after ascertaining the technical and economic feasibility of such new ventures.
35. In our opinion and according to the information and explanations given to us, the Company has established effective budgetary control system.
36. The Company being a service sector company and therefore the system of input-output relationship, Standard Costing and variance analysis is not applicable to the Company.
37. In our opinion and according to the information and explanations given to us, the details of remuneration, commission and other payments made in cash or in kind to the Board of Directors including the Chief Executive Officer or any of their relatives (including spouse(s) and child/children) if any, by the Company directly or indirectly.
38. In our opinion and according to the information and explanations given to us, the management of the Company complies with the directives of the Board of Directors as we have not come across any such incidence where it is not complied.
39. In our opinion and according to the information and explanations given to us, the officials of the Company have not transmitted any price sensitive information which are not made publicly available, unauthorized to their relatives / friends / Associates or close persons which would directly or indirectly benefit themselves. We have however relied on the management assertion on the same and cannot independently verify the same.



40. In our opinion and according to the information and explanations given to us, proper records are kept for inter unit transactions/services and arrangements for services made with other agencies engaged in similar activities.
41. In our opinion and according to the information and explanations given to us, the Company has executed agreements properly and the terms and conditions of leases are reasonable and the same are applied for machinery/ equipment acquired on lease or leased out to others.

#### **In case of other service sector companies**

1. All matters specified in the minimum audit examination and reporting requirements are applied to a service sector company.
2. In our opinion and according to the information and explanations given to us, the Company has a reasonable system of periodical review of tariffs and based on such review and considering the market and economic conditions, the tariff rates are determined and approved by the Commercial committee constituted by the management. Also, the Company has proper costing system for the purpose of fixation of tariff rates.
3. In our opinion and according to the information and explanations given to us, proper records are kept for inter unit transactions/services and arrangements for services made with other agencies engaged in similar activities.
4. In our opinion and according to the information and explanations given to us, proper agreements are executed and that the terms and conditions of leases are reasonable

#### **Computerized Accounting Environment:**

1. In our opinion and according to the information and explanations given to us, the size and nature of I.T. (Computer) system and installations are adequate for organizational and system development and other relevant internal control.
2. In our opinion and according to the information and explanations given to us, the Company has adequate safeguard measures and back up facilities. Additional offsite backup system has been implemented in Thimphu.
3. In our opinion and according to the information and explanations given to us, there are backup facilities of keeping files at different and remote locations.
4. In our opinion and according to the information and explanations given to us, the operational controls are adequate to ensure correctness and validity of input data and out-put information.
5. In our opinion and according to the information and explanations given to us, the measures to prevent unauthorized access over the computer installation and files are in existence and adequate.
6. In 2021, the company migrated to a new system (SAP) and ensured completeness and integrity of data as well as smooth operation of the system.



**Other requirements:**

**1. Going Concern Problem**

Based on the attached Financial Statements for the year ended December 31, 2024, audited by us, we have no reason to believe that the company is not a going concern on the statement of financial position date. Additionally, the company is backed by the parent company DHI and the Royal Government of Bhutan should they require any additional funds.

**2. Ratio Analysis**

Relevant ratio analysis has been carried out and the details are under Section "Ratio Analysis."

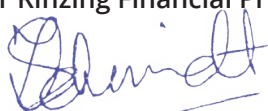
**3. Compliance with the Companies Act of Bhutan 2016**

The company has complied with the various provisions of the Companies Act of Bhutan 2016, details are under section "compliance calendar & checklist."

**4. Adherence to Laws, Rules, and Regulations**

The audit of the Drukair Corporation Limited is governed by the Companies Act of Bhutan 2016, Internal Service manual, and Bhutanese Accounting Standards. The scope of audit is limited to examination and review of the financial statements prepared by the management. During our audit, we have considered the compliance of the provisions of the said Act, rules and regulations as well as the Bhutanese Accounting Standards.

**For Rinzing Financial Private Limited:**



Ms. Tashi Rinzing Schmidt, CPA  
Audit Partner  
CPA License No. 34762  
Date:  
Place: Thimphu, Bhutan







# FINANCIAL STATEMENTS

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## DRUKAIR CORPORATION LIMITED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2024

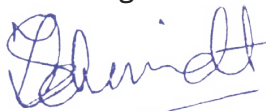
(Amount in Nu.)

	Related Note	31 December 2024	31 December 2023
Non-current assets			
Property, plant and equipment	3	6,830,878,630	6,748,137,444
Intangible assets	4	17,399,785	19,567,063
Right of use Assets	5	46,634,370	58,502,650
Trade and other receivables	6	1,139,460	2,067,663
Investment	7	20,498,813	105,983,877
Deferred tax asset	8	268,163,421	571,106,472
Capital Advances	9	748,566,643	-
<b>Total</b>		<b>7,933,281,121</b>	<b>7,505,365,169</b>
Current assets			
Trade and other receivables	6	349,869,205	251,540,058
Investment	7	111,240,882	63,555,851
Inventories	10	184,624,769	192,517,349
Cash and cash equivalents	11	443,462,236	780,157,048
Loan and advances	12	368,402,783	587,132,300
<b>Total</b>		<b>1,457,599,876</b>	<b>1,874,902,607</b>
<b>Total assets</b>		<b>9,390,880,997</b>	<b>9,380,267,776</b>
Equity attributable to owners of the parent			
Share capital	13	4,308,623,900	4,308,623,900
Other Capital Contribution	13	88,246,391	82,695,850
Reserves	13	37,614,917	34,462,999
Retained Earnings	13	(2,724,878,087)	(2,906,075,282)
<b>Total</b>		<b>1,709,607,121</b>	<b>1,519,707,467</b>
Non-current liabilities			
Borrowing	14	3,362,133,872	4,056,001,045
Provisions	15	109,086,681	98,162,180
lease liability	5	43,058,442	48,149,672
Other liabilities	17	81,802,348	89,679,130
<b>Total</b>		<b>3,596,081,343</b>	<b>4,291,992,026</b>
Current liabilities			
Borrowing	14	2,788,566,683	2,433,803,940
Provisions	15	44,685,634	45,573,142
Trade and other payables	16	434,167,376	467,340,597
lease liability	5	8,613,934	13,580,233
Other liabilities	17	809,158,907	608,270,369
<b>Total</b>		<b>4,085,192,534</b>	<b>3,568,568,283</b>
<b>Total equity and liabilities</b>		<b>9,390,880,997</b>	<b>9,380,267,776</b>

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



**For Rinzing Financial Private Limited:**



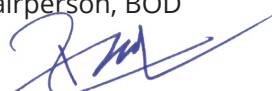
Ms. Tashi Rinzing Schmidt, CPA  
Audit Partner  
CPA License No. 34762  
Date:  
Place: Thimphu, Bhutan



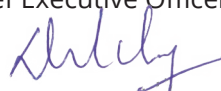
**For Drukair Corporation Limited:**



Ms. Pema Choden  
Chairperson, BOD



Mr. Tandi Wangchuk  
Chief Executive Officer



Ms. Dechen Peldon  
General Manager, FCSD



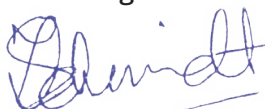
## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2024

(Amount in Nu.)

Particulars	Note	December 31, 2024	December 31, 2023
<b>Operating revenue</b>			
Traffic revenue	18	5,346,130,089	4,491,659,722
Other operating revenue	19	53,574,372	39,257,759
<b>Total operating revenue</b>		<b>5,399,704,461</b>	<b>4,530,917,481</b>
<b>Operating expenditure</b>			
Flight operation cost	21	1,995,764,816	1,920,428,458
Other operation cost	22	243,882,203	179,796,229
Aircraft maintenance cost	23	283,498,624	251,308,659
Other maintenance cost	24	16,136,700	15,139,025
Employee cost	25	748,317,312	652,887,456
Marketing and Sales cost	26	107,988,863	71,996,274
Other administration cost	27	340,983,715	194,859,632
Depreciation and amortization expenses	3,4 & 5	842,438,280	819,261,562
<b>Total operating expenditure</b>		<b>4,579,010,514</b>	<b>4,105,677,296</b>
<b>Operating profit/(loss)</b>		<b>820,693,947</b>	<b>425,240,185</b>
<b>Non-operating items</b>			
Non-operating revenue	20	98,309,843	297,856,140
Finance cost	28	(416,615,516)	(431,752,600)
<b>Profit/(loss) before tax</b>		<b>502,388,274</b>	<b>291,343,725</b>
<b>Tax</b>			
Tax Income/(Expense)	29	(324,553,270)	(354,148,518)
<b>Profit/(loss) after tax</b>		<b>177,835,004</b>	<b>(62,804,794)</b>
<b>Other Comprehensive Income</b>			
Currency translation differences (Non-taxable)		3,151,918	(2,954,570)
Actuarial gains/(losses)		3,362,191	(4,127,142)
<b>Total comprehensive income for the year</b>		<b>184,349,113</b>	<b>(69,886,505)</b>

The above Statement of Comprehensive Income is to be read in conjunction with the accompanying notes

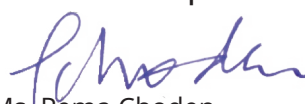
**For Rinzing Financial Private Limited:**



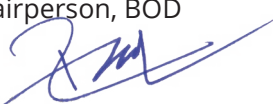
Ms. Tashi Rinzing Schmidt, CPA  
Audit Partner  
CPA License No. 34762  
Date:  
Place: Thimphu, Bhutan



**For Drukair Corporation Limited:**



Ms. Pema Choden  
Chairperson, BOD



Mr. Tandi Wangchuk  
Chief Executive Officer



Ms. Dechen Peldon  
General Manager, FCSD

**DRUKAIR CORPORATION LIMITE**  
**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED**  
DECEMBER 31, 2024

(Amount in Nu.)

Particulars	Issued capital	Translation reserve	Other Capital Contribution	Retained Earnings	Total
Balance as at January 1, 2024	4,308,623,900	34,462,999	82,695,850	(2,906,075,282)	1,519,707,467
Capital Contribution	-	-	5,550,541	-	5,550,541
Profit/(Loss) for the year	-	-	-	177,835,004	177,835,004
Other Comprehensive Income/loss	-	-	-	-	-
Translation Loss	-	3,151,918	-	-	3,151,918
Actuarial gains/loss	-	-	-	3,362,191	3,362,191
Balance at 31 December 2024	4,308,623,900	37,614,917	88,246,391	(2,724,878,087)	1,709,607,121

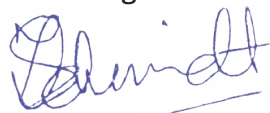
**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED**  
DECEMBER 31, 2023

(Amount in Nu.)

Particulars	Issued capital	Translation reserve	Other Capital Contribution	Retained Earnings	Total
Balance as at January 1, 2023	4,308,623,900	37,417,568	63,815,419	(2,854,643,744)	1,555,213,143
Capital Contribution	-	-	18,880,431	-	18,880,431
Prior period expenses	-	-	-	15,500,397	15,500,397
Profit/(Loss) for the year	-	-	-	(62,804,794)	(62,804,794)
Other Comprehensive Income/loss	-	-	-	-	-
Translation Loss	-	(2,954,570)	-	-	(2,954,570)
Actuarial gains/loss	-	-	-	(4,127,142)	(4,127,142)
Balance at 31 December 2023	4,308,623,900	34,462,999	82,695,850	(2,906,075,282)	1,519,707,467

The above Statement of Change in Equity is to be read in conjunction with the accompanying notes.

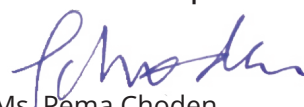
**For Rinzing Financial Private Limited:**




Ms. Tashi Rinzing Schmidt, CPA  
Audit Partner  
CPA License No. 34762  
Date:  
Place: Thimphu, Bhutan



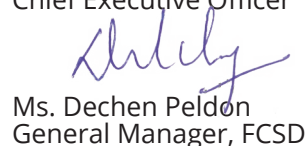
**For Drukair Corporation Limited:**



Ms. Pema Choden  
Chairperson, BOD



Mr. Tandi Wangchuk  
Chief Executive Officer



Ms. Dechen Peldon  
General Manager, FCSD

**DRUKAIR CORPORATION LIMITED**  
**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED**  
DECEMBER 31, 2024

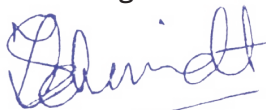
(Amount in Nu.)

Particulars	December 31, 2024	December 31, 2023
<b>Cash flow from operating activities (A)</b>		
Profit before income tax expense	505,750,465	291,343,724.70
Depreciation, amortization, and impairment	842,438,280	819,261,561.95
Gain/Loss on sale of PPE	-	(137,624,824.03)
Interest Income	(76,456,851)	(101,270,674.35)
Interest Expense	375,361,456	402,830,803.28
Stores and Spares written off	40,826,569	-
<b>Operating profit before working capital changes</b>	<b>1,687,919,919</b>	<b>1,274,540,592</b>
<b>Current asset and liability changes</b>		
Movement in Trade and Other Liabilities	149,781,005	336,450,864.08
Movement in Provisions	(10,822,595)	(35,517,037.95)
Movement in Inventory	(32,933,990)	(32,269,128.30)
Movement in Trade and other receivables	(97,400,943)	60,136,144.64
Movement in other current assets	218,729,517	(443,591,842.19)
Movement in deposits receivable	40,850,248	49,298,443.78
	<b>268,203,243</b>	<b>(65,492,556)</b>
Taxes paid	(19,538,107)	(126,716,541.66)
	<b>248,665,136</b>	<b>(192,209,098)</b>
<b>Total cash flow from operating activities</b>	<b>1,936,585,055</b>	<b>1,082,331,494</b>
<b>Cash flow from investing activities (B)</b>		
Purchase of PPE and intangible assets	(1,659,710,551)	(107,027.98)
Sale Proceeds from PPE	-	137,624,824.03
Interest income	7,546,874	9,971,595.30
<b>Total cash flow from investing activities</b>	<b>(1,652,163,677)</b>	<b>147,489,391</b>
<b>Cash flow from financing activities (C)</b>		
Repayment of Bond	(216,343,353)	-
Interest-free loan	(25,358,001)	(16,905,333.76)
NPPF loan	(198,630,306)	(94,798,540.67)
Repayment of SDF loan	(102,194,444)	(113,388,888.89)
COVID-19 relief loan from BOB	(112,420,046)	(1,086,965.04)
OD loan from BOB	(1,393,024)	(545,279,512.38)
Inter-group borrowing	399,000,000	96,576,111.00
Interest expense paid	(385,716,408)	(219,423,621.76)
<b>Total cash flow from financing activities</b>	<b>(643,055,583)</b>	<b>(894,306,752)</b>
<b>Changes in Cash and cash equivalents (A)+(B)+(C)</b>	<b>(358,634,204)</b>	<b>335,514,134</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>780,157,048</b>	<b>438,162,957</b>
	<b>421,522,844</b>	<b>773,677,091</b>
Effects of change in the foreign exchange rate on cash and cash equivalents increase/(decrease)	21,939,393	6,479,957
<b>Cash and cash equivalents as of 31 December 2024</b>	<b>443,462,236</b>	<b>780,157,048</b>

The above Statement of Cashflow is to be read in conjunction with the accompanying notes.



**For Rinzing Financial Private Limited:**



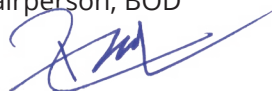
Ms. Tashi Rinzing Schmidt, CPA  
Audit Partner  
CPA License No. 34762  
Date:  
Place: Thimphu, Bhutan



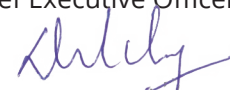
**For Drukair Corporation Limited:**



Ms. Pema Choden  
Chairperson, BOD



Mr. Tandi Wangchuk  
Chief Executive Officer



Ms. Dechen Peldon  
General Manager, FCSD



# ACCOUNTING POLICIES & NOTES TO ACCOUNTS

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## Note 1: General Information and authorization of financial statement

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

The Company is a limited liability company incorporated and domiciled in Bhutan with the address of its registered office at P.O. Box 1219, Paro. These financial statements relate to the year ended December 31, 2024.

The financial statements of the Company for the year ended December 31, 2024, were authorized for issue in accordance with the resolution of the Board of Directors dated

## Note 2: Significant Accounting Policies

### A. Basis of preparation

#### i) Compliance with BAS

These financial statements have been prepared in accordance with the Bhutan Accounting Standards (BAS) and in conformity with the requirements of the Companies Act of Bhutan 2016.

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

These financial statements are presented in Bhutanese Ngultrum and all values are rounded to the nearest ngultrum, except where indicated otherwise.

#### ii) Functional and Presentation currency

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

#### iii) Foreign currency transactions and balances

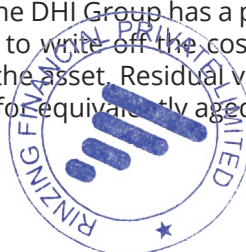
Foreign currency transactions in Bhutan are converted into functional currency at the exchange rate prevailing at the date of the transaction. Monetary foreign currency assets and liabilities are converted at the year-end on the rate prevailing on that date. All foreign exchange gains/(loss) arising from the above are taken to the Profit & Loss Account.

Foreign currency transactions in countries other than Bhutan are converted into the currency of that country at the exchange rate prevailing at the date of the transaction. Translation of all transactions from the currency of countries other than Bhutan to the functional currency is done at the month-beginning rate, for each month of the year except at the year-end. When monetary foreign currency assets and liabilities are translated at the year-end rate, all foreign exchange gain/(loss) arising from the above are taken to the Statement of Other Comprehensive Income (OCI).

### B. Property, Plant, and Equipment (PPE)

#### i) Cost Recognition

Property, plant, and equipment are held at cost. The DHI Group has a policy of not revaluing property, plant, and equipment. Depreciation is calculated to write off the cost less estimated residual value on a straight-line basis, over the economic life of the asset. Residual values, where applicable, are reviewed annually against prevailing market values for equivalently aged assets, and depreciation rates are adjusted accordingly on a prospective basis.





## ii) Capitalization of interest on progress payments

Interest attributed to progress payments made on account of aircraft and other qualifying assets under construction are capitalized and added to the cost of the asset concerned. All other borrowing costs are recognized in the income statement in the year in which they are incurred.

## iii) Fleet

All aircraft are stated at the fair value of the consideration given after taking account of manufacturers' credits. Fleet assets owned, or right of use of assets, are disaggregated into separate components and depreciated based on the useful life of such assets on a straight-line basis. Depreciation rates are specific to aircraft type, based on the Company's fleet plans, with useful economic lives of 16 years.

Cabin interior modifications, including those required for brand changes and relaunches, are depreciated over the lower of five years or the remaining economic life of the aircraft.

Aircraft and engine spares acquired on the introduction or expansion of a fleet, as well as ratable spares purchased separately, are carried as property, plant, and equipment and generally depreciated in line with the fleet to which they relate.

Major overhaul expenditure, including replacement spares and labor costs, is capitalized and amortized over the average expected life between major overhauls. All other replacement spares and costs relating to the maintenance of fleet assets are charged to the income statement on consumption or as incurred respectively.

## iv) Depreciation

Provision is made for the depreciation of all PPE. Except for buildings with a useful life of 30 years, other PPE is depreciated over periods ranging from 6.67 years to 10 years.

Detailed estimated range of useful lives of assets for depreciating its PPE, based on the evaluation performed by the Technical Department are as follows:

Asset Class	Useful life
Buildings and civil structures	30 years
Aircraft fleet – non-renewable:	
i. Aircraft frame	16 years
Aircraft fleet – renewable:	
ii. Engine	12 years
iii. APU	5 years
iv. APU LLP	6 years
v. Landing gear	10 years
vi. 6-year check	6 years
vii. 12-year check	12 years
Capital tools and rotatable spare parts	3 - 15 years
Furniture & Fixtures	10 years
Vehicles	6.67 years
Other Equipment	10 years

Cost and the accumulated depreciation for those PPE sold, scrapped, retired, or otherwise disposed off are eliminated from the financial statements, and the resulting gains and losses are included in the Statement of OCI.

## C. Intangible assets

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



## D. Lease

The Company land and building. The lease terms of these assets are consistent with the determined useful economic life of similar assets within property, plant and equipment.

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Leases are recognised as a right of use ('ROU') asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company.

### i) Right of use

At the lease commencement date, a ROU asset is measured at cost comprising the following: the amount of the initial measurement of the lease liability; any lease payments made at or before the commencement date less any lease incentives received; any initial direct costs; and restoration costs to return the asset to its original condition.

The ROU asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If ownership of the ROU asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

### ii) Lease liabilities

Lease liabilities are initially measured at their present value, which includes the following lease payments: fixed payments (including in-substance fixed payments), less any lease incentives receivable and payments to be made under reasonably certain extension options.

The lease payments are discounted using the interest rate implicit in the lease. The interest rate implicit in the lease is the discount rate that, at the inception of the lease, causes the aggregate present value of the minimum lease payments and the unguaranteed residual value to be equal to the fair value of the leased asset and any initial indirect costs of the lessor.

Each lease payment is allocated between the principal and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

The Group has elected not to recognise ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less and those leases of low-value assets. Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less.

The Group is exposed to potential future increases in variable lease payments based on rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on a rate take effect, the lease liability is reassessed and adjusted against the ROU asset.

## E. Income tax

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

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

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



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

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

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

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

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

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

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

## **F. Investments and other financial assets**

### **i) Initial measurement**

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

### **ii) Classification and subsequent measurement**

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

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

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

Financial assets measured at amortized cost:

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

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



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

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

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

Financial instruments included within the FVTOCI category are measured initially as well as at each reporting period at fair value. Fair value movements are recognized in OCI. Currently, the Company does not have any assets classified under this category

#### **Financial instruments measured at fair value through profit and loss (FVTPL)**

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

#### **iii) Impairment of financial assets**

The Company assesses on a forward-looking basis the expected credit losses associated with its assets carried at amortized cost and FVOCI debt instruments. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 30 details how the Company determines whether there has been a significant increase in credit risk.

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

#### **iv) De-recognition of financial assets**

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

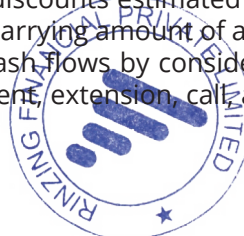
- a) The rights to receive cash flows from the asset have been transferred, or
- b) The Company retains the contractual rights to receive the cash flows of the financial asset but assumes a contractual obligation to pay the cash flows to one or more recipients.

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

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

#### **v) Income recognition**

Interest income: Interest income from debt instruments is recognized using the effective interest (EIR) rate method. An IER is a 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 an EIR, 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.





## G. Financial Liabilities

### i) Initial recognition and measurement

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

### ii) Subsequent measurement

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

#### Financial Liabilities at fair value through profit or loss (FVTPL)

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition at FVTPL. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

#### Gains or losses on liabilities held for trading are recognized in the profit or loss.

Financial liabilities designated upon initial recognition at FVTPL 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 recognized in the statement of profit or loss. The Company has not designated any financial liability as at FVTPL.

#### Borrowings

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

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

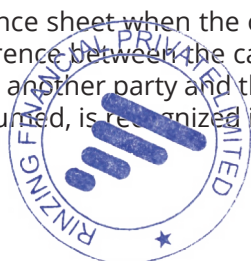
#### Trade and other payables

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

### iii) Derecognition

A financial liability is derecognized when the obligation under the liability is discharged canceled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of comprehensive income.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, canceled 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 recognized in profit or loss as other gains/(losses).



### Financial guarantee contracts

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

#### iv) Offsetting financial instruments

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

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

### H. Current Assets

#### i) Advances

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

#### ii) Cash and cash equivalents

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

#### iii) Inventories

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

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



## I. Reserves

The nature and purpose of reserves are as follows:

### i) Retained Earnings

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

### ii) Translation Reserve

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

### iii) Actuarial Reserve

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

## J. Grants

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

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

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

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

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

## K. Borrowing Costs

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

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

## L. Provisions

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

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation, taking into account the risks and uncertainties surrounding the obligation as of the



balance sheet date. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

#### **M. Employee benefit liabilities**

Contribution to Provident Fund (PF) administered by NNPPF is charged to Statement of Comprehensive Income as and when they fall due.

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

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

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

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

#### **N. Revenue Recognition**

Revenue from contracts with customers is recognized when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The description of revenue is as follows:

##### **i) Traffic Revenue**

Revenue is recognized when transportation services are rendered. Passenger tickets are generally paid in advance of transportation and are recognized, net of discounts, as deferred revenue on sales of tickets in current liabilities until the customer has flown. All these revenue amounts related to the transportation of passengers and cargo are categorized under Traffic Revenue. Prior to the impact of COVID-19 on the ability of passengers to utilize transportation services, unused tickets were recognized as revenue after the contracted date of departure using estimates regarding the timing of recognition based on the terms and conditions of the ticket and statistical analysis of historical trends. If as a result of the impact of COVID-19 a flight is canceled, the passenger is entitled to either a refund or rescheduling the original. In such cases, the expired tickets are also shown as liability.

The Company provides a loyalty scheme through the “HappinesSmiles” program where members can convert accumulated mileage to a cabin upgrade, free tickets, and other member rewards. The revenue recognized when the transportation service is provided is reduced by the price of the loyalty points issued.

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

##### **ii) Other Revenue**

Revenue attributable from the Catering services, Drukair holiday services, and cargo and transship handling charges are presented under this head. These revenue amounts are recognized when related performance obligations are satisfied, being when the control of the goods or services is transferred to the customer.

##### **iii) Non-operating Revenue**

These are revenue amounts attributable to non-operational activities such as interest subsidy, interest income earned from deposits, and other miscellaneous incomes. Interest income is accrued on a time proportion basis, by reference to the principal outstanding and at the EIR applicable.





## O. Earnings per share ('EPS')

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

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

## P. Critical accounting estimates and assumptions

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

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

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

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

### i) Useful Lives of Property, Plant, and Equipment (PPE)

Property, Plant, and Equipment are depreciated on a straight-line basis at rates that can be used to write down their cost to their estimated residual values at the end of their useful lives. The estimates of the useful lives and residual values of the flight equipment are made by the Company on the basis of past experience and fleet operation performance in the industry which are detailed in the accounting policy vide Note 1 (B). Changes in the expected level of usage, technological developments, and level of wear and tear could impact the economically useful lives and the residual values of these assets, therefore future depreciation charges could be revised and could have an impact on the profit in future years.

### ii) Retirement benefit obligations

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

### iii) Provision for doubtful debts

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

### iv) Frequent Flyer Program

The Company has a "HappinesSmiles" program through which members can convert accumulated mileage to a cabin upgrade, free tickets, and other member rewards. A portion of passenger revenue attributable to the rewards for the frequent flyer program is deferred. The entity recognizes this de-



ferred revenue as revenue only when the entity has fulfilled its obligations on the granting of rewards or when the period for converting the mileage to rewards has expired. The liability for frequent flyer programs is provided based on the actuarial method which is determined from the redemption rate, loyalty points accrued, and cost per point.

**v) Impairment of aircraft and related equipment**

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

**vi) Fair Value for Financial Instruments**

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



**Note 3: Property, Plant and Equipment (PPE), Work-In-Progress (WIP)**

(Amount in Nu.)

Particulars	Cost			Depreciation			Net Block Value
	Balance as at January 1, 2024	Additions for the year	Disposal during the year	Balance as at December 31, 2024	Charge for the year	Disposal for the year	Balance as at December 31, 2024
Aircraft - Fixed Wing	12,887,734,191	149,521,059	-	13,037,255,250	747,147,379	-	5,708,924,633
Aircraft - Helicopter	356,419,570	711,106,676	-	1,067,526,245	48,006,177	-	908,288,790
Furniture & Fixture	28,344,395	1,073,765	(2,518,180)	26,899,980	2,397,663	(2,103,310)	12,706,597
Office Equipment	52,921,494	8,627,958	(11,158,819)	50,390,632	3,950,890	(9,712,868)	23,367,708
Electrical Fitting & Equipment	17,218,630	1,810,543	(2,587,210)	16,441,963	1,471,043,24	(2,296,365)	7,340,495
Ramp Equipment	76,911,599	17,769,056	(19,670,117)	75,010,538	3,328,254	(19,670,082)	35,335,235
Engineering Equipment	26,653,882	-	(2,830,737)	23,823,145	317,307	(2,830,732)	932,338
Building	53,801,605	7,885,041	-	61,686,646	1,635,062	-	45,646,165
Motor Vehicle	77,022,272	-	(6,422,674)	70,599,598	6,213,254	(6,402,084)	8,971,252
Miscellaneous Asset	20,733,349	7,588,821	(1,110,902)	27,211,269	2,048,247	(1,031,126)	14,706,921
Catering Equipment	8,462,437	3,152,004	(3,778,651)	7,835,791	549,933	(3,429,358)	4,546,733
Tools & Spares	199,474,643	4,429,289	(5,805,261)	198,098,672	9,131,166	(1,729,659)	52,935,456
AFT Equipment - Heli	9,190,788	-	-	9,190,788	186,771	-	118,043
GSE-Heli	4,966,007	-	-	4,966,007	221,770	-	438,349
Tools & LLP - Heli	15,508,909	-	-	15,508,909	875,236	-	866,741
Capital work in progress	1,819,626	3,933,549	-	5,753,175	-	-	5,753,175
<b>Total of PPE</b>	<b>13,837,183,396</b>	<b>916,897,761</b>	<b>(55,882,550)</b>	<b>14,698,198,606</b>	<b>827,480,152</b>	<b>(49,205,583)</b>	<b>6,830,878,630</b>



**Note 4: Intangible Asset**

(Amount in Nu.)

Particulars	December 31, 2024	December 31, 2023
Opening balance 1 January	32,686,281	32,157,218
Additions	2,295,685	529,062
Closing Balance 31 December	34,981,965	32,686,281
Opening Accumulated Amortization	(13,119,218)	(11,835,861)
Additions	(4,462,962)	(1,283,357)
Closing Accumulated Amortization	(17,582,180)	(13,119,218)
Net Carrying Value	17,399,785	19,567,063

**Note 5: Lease  
Right of use assets**

(Amount in Nu.)

Particulars	Land	Building
<b>Cost</b>		
Balance as of January 1, 2024	11,515,749	63,726,094
Disposals/adjustment	188,002	(7,732,751)
Modification of leases	-	-
Disposals/adjustment	-	7,386,964
<b>Balance as of December 31, 2024</b>	<b>11,703,751</b>	<b>63,380,307</b>
<b>Depreciation/Amortization</b>		
Balance as at January 1, 2024	1,403,427	15,335,766
addition	808,781	10,901,714
Modification of leases	-	-
Disposals/adjustment	-	-
<b>Balance as at December 31, 2024</b>	<b>2,212,209</b>	<b>26,237,481</b>
<b>Net Book Value</b>	<b>9,491,543</b>	<b>37,142,827</b>





Other liabilities include the following lease liabilities:

(Amount in Nu.)

Particulars	Land	Building
Opening Balance as of January 1, 2024	10,950,161	50,779,743
addition	-	7,386,964
Repayment	459,349	(5,137,969)
Interest Expenses	(772,363)	(4,628,207)
Disposals/adjustment	193,816	(7,559,119)
Closing Balance as of December 31, 2024	10,830,963	40,841,413

(Amount in Nu.)

Particulars	Land	Building
Current	301,301	10,529,662
Non-current	10,529,662	30,311,750
Total	10,830,963	40,841,413

Note 6: Trade & other receivables

(Amount in Nu.)

Particulars	December 31, 2024	December 31, 2023
<b>Non-Current</b>		
Trade debtors	1,534,415	2,462,619
Less: Provision for doubtful debts	(394,955)	(394,955)
<b>Total</b>	<b>1,139,460</b>	<b>2,067,663</b>
<b>Current</b>		
Trade debtors	234,402,580	133,583,091
Security deposit paid	90,976,169	76,387,255
Accrued income	1,829,445	1,324,792
Insurance claim receivable	-	-
RGoB subsidy receivable	22,661,011	40,244,920
<b>Total</b>	<b>349,869,205</b>	<b>251,540,058</b>

Note 7: Investments

(Amount in Nu.)

Particulars	December 31, 2024	December 31, 2023
<b>Non-Current</b>		
Term Deposit	6,265,253	99,644,138
Accrued interest	14,233,560	6,339,740
<b>Total</b>	<b>20,498,813</b>	<b>105,983,877</b>
<b>Current</b>		
Term Deposit	111,240,882	58,712,246
Accrued interest	-	4,843,606
<b>Total</b>	<b>111,240,882</b>	<b>63,555,851</b>



**Note 8: Deferred tax asset and liability**

(Amount in Nu.)

Particulars	December 31, 2024	December 31, 2023
Deferred Tax Asset	268,163,421	571,106,472
<b>Total</b>	<b>268,163,421</b>	<b>571,106,472</b>

Refer to Note 29 (c) for details on deferred tax

**Note 9: Capital advance**

(Amount in Nu.)

Particulars	December 31, 2024	December 31, 2023
Capital Advances	748,566,643	-
<b>Total</b>	<b>748,566,643</b>	<b>-</b>

**Note 10: Inventories**

(Amount in Nu.)

Particulars	December 31, 2024	December 31, 2023
In-flight catering & duty-free stocks	82,657,471	96,517,065
Stock of tickets	662,811	716,927
Gift stocks	9,828,736	803,464
Aircraft maintenance consumables	83,169,484	89,361,370
Uniform stocks	5,891,621	2,645,468
Other stock	2,414,646	2,473,055
<b>Total</b>	<b>184,624,769</b>	<b>192,517,349</b>

**Note 11: Cash and cash equivalents**

(Amount in Nu.)

Particulars	December 31, 2024	December 31, 2023
Cash and cheques in hand	1,606,380	971,753
In current account with banks	441,855,857	779,185,296
<b>Total</b>	<b>443,462,236</b>	<b>780,157,048</b>

**Note 12: Loans and advances**

(Amount in Nu.)

Particulars	December 31, 2024	December 31, 2023
Advance to parties	247,316,653	503,311,036
Advance to employee	7,130,374	5,221,784
Prepaid expenses	61,321,705	48,279,600
Advance tax paid	52,634,051	30,319,880
<b>Total</b>	<b>368,402,783</b>	<b>587,132,300</b>



### Note 13: Share capital

(Amount in Nu.)

Particulars	December 31, 2024	December 31, 2023
Authorized 50,000,000 equity shares of Nu 100 each	5,000,000,000	5,000,000,000
Issued, subscribed, and fully paid up 43,086,239 Equity shares of Nu 100 each, fully paid in cash	4,308,623,900	4,308,623,900
<b>Total</b>	<b>4,308,623,900</b>	<b>4,308,623,900</b>

**Note 13.1:** All ordinary shares are ranked equally. Fully paid shares carry one vote per share and the right to dividends. There are no restrictions on the transfer of shares in the Company or on voting rights between holders of shares. Entire share capital is held by the Holding Company, DHI.

### Note 13.2 Reconciliation of Share capital

(Amount in Nu.)

Particulars	December 31, 2024	December 31, 2023
<b>At the beginning of the year</b>		
- Number of shares	43,086,239	43,086,239
- Amount (in Nu.)	4,308,623,900	4,308,623,900
<b>Add: issued during the year</b>		
- Number of shares	-	-
- Amount (in. Nu)	-	-
<b>Less: Redeemed during the year</b>		
- Number of shares		
- Amount (in Nu)		
<b>At the end of the year</b>		
- Number of shares	43,086,239	43,086,239
- Amount (in. Nu)	4,308,623,900	4,308,623,900



**Note 14: Secured Borrowings**

(Amount in Nu.)

Particulars	December 31, 2024	December 31, 2023
<b>Non-Current</b>		
Drukair Bonds from the National Pension and Provident Fund	407,998,052.96	624,341,406
Interest-free loan from RGOB	33,810,667	59,168,668
Loan from the National Pension and Provident Fund	2,185,836,972	2,399,073,474
SDF Loan	486,777,778	592,222,222
COVID relief measure loan from BOB	247,710,402	379,802,251
Overdraft loan from BOB	-	1,393,024
<b>Total</b>	<b>3,362,133,872</b>	<b>4,056,001,045</b>
<b>Current</b>		
Drukair Bonds from the National Pension and Provident Fund	216,343,353	216,343,353
Interest-free loan from RGOB	33,810,667	33,810,667
Loan from the National Pension and Provident Fund	213,324,471	198,718,275
SDF Loan	121,694,444	118,444,444
Inter-group Borrowing	1,634,000,000	1,235,000,000
COVID relief measure loan from BOB	147,599,319	127,927,517
Accrued interest but not due on Bonds	40,949,375	55,220,103
Accrued interest but not due on NPPF loan	345,011,859	431,759,421
Accrued interest but not due for SDF Loan	12,874,579.07	14,319,885
Accrued interest but not due OD & IC Loan	22,958,615	2,260,274
<b>Total</b>	<b>2,788,566,683</b>	<b>2,433,803,940</b>
<b>Total Loan Outstanding</b>	<b>6,150,700,555</b>	<b>6,489,804,985</b>

**Nature of Security, Interest Rate, and terms of repayments**

**Note 14.1 Bonds**

The following series of Bonds were issued to NPPF for the purchase of aircraft – JSW. These bonds are secured on the same aircraft. The coupon for these bonds was paid by MoF and the same has been treated as a government revenue grant. The coupon expense amounting to Nu. 18,244,238 has been treated as interest subsidy as shown under non-operating revenue Note 20.

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

**Note 14.2 Royal Government of Bhutan - Interest-free loan**

Interest-free loan of Nu.507,160,012.12 was obtained for the purchase of aircraft BAE-146 and is repayable within 15 years in 60 quarterly equal installments.

**Note 14.3 National Pension and Provident Fund**

A term loan was availed amounting to Nu.2,709,754,345 equivalent to USD37,375,922 at an interest rate of 7.15% p.a. repayable within 10 years in 40 quarterly equal installments for the purchase of A320 Neo (JKW). The loan is secured against the sovereign guarantee provided by the Ministry of Finance (MoF).





#### Note 14.4 SAARC Development Fund

A term loan was availed amounting to Nu.942,500,000 equivalent of USD13,000,000 at an interest rate of USD 6 months LIBOR rate + 2% p.a. repayable within 10 years semi-annually for the purchase of ATR 42-600 aircraft. This loan is secured against the sovereign guarantee provided by the Ministry of Finance (MoF) and the applicable interest on the loan thereon amounting to Nu.47,615,525 was paid by the MoF. The same has been treated as government revenue grant which is reflected as interest subsidy under non-operating income under Note. 20.

#### Note 14.5 Bank of Bhutan

##### i) COVID relief measure loan

The term loan was availed amounting to Nu.459,600,000 at an interest rate of 5% p.a. repayable within four years in 48 monthly installments to meet the working capital of the Company.

##### ii) Overdraft loan

The overdraft loan amounting to Nu.1 billion at an interest rate of 7.02% p.a. was availed in 2020. The same has been renewed in 2024.

#### Note 14.6 Druk Holding & Investment Inter-group borrowing

DHI borrowing of Nu.769,000,000 is outstanding as of 31 December 2024 interest rate is applicable as per the DHI inter-group policy.

#### Note 14.7 Druk Green Power Corporation (DGPC)

Intercompany borrowing of Nu. 950,000,000 at 3.5% p.a. was availed from DGPC during the year and the same amount is outstanding as of 31 December 2024.

#### Note 15: Provision

(Amount in Nu.)

Particulars	December 31, 2024	December 31, 2023
<b>Non-Current</b>		
Provisions for gratuity	98,564,796	93,198,013
Provision For Travel Allowance	3,439,492	1,536,103
Provision For Transfer Grant	3,439,492	1,536,103
Liability for frequent flyer program	3,642,901	1,891,962
<b>Total</b>	<b>109,086,681</b>	<b>98,162,180</b>
<b>Current</b>		
Corporate income tax liability	8,422,055	6,349,942
Provisions for gratuity	25,705,807	25,012,266
Provisions for leave encashment	-	3,844,870
Provision For Travel Allowance	1,635,985	3,291,070
Provision For Transfer Grant	1,635,985	3,291,070
Liability for frequent flyer program	7,285,801	3,783,924
<b>Total</b>	<b>44,685,634</b>	<b>45,573,142</b>



Provision for retirement benefits and frequent flyer program are based on the actuarial valuation. The details are reflected in Note 36. Reconciliation of corporate tax liability is as shown below.

(Amount in Nu.)

Particulars	December 31, 2024	December 31, 2023
<b>Balance as at 1 January</b>	6,349,942	122,084,866
Income tax outside Bhutan	11,885,106	8,905,323
Earlier year Tax	9,725,114	2,076,294
Paid during the year	(19,538,107)	(126,716,542)
<b>Balance at 31 December</b>	<b>8,422,055</b>	<b>6,349,942</b>

#### Note 16: Trade and other payables

(Amount in Nu.)

Particulars	December 31, 2024	December 31, 2023
<b>Current</b>		
Trade creditors	159,631,984	151,898,637
Accrued expenses	95,579,021	77,337,222
Deposits received	177,048,179	199,369,005
Employee's payables	1,908,191	38,735,734
<b>Total</b>	<b>434,167,376</b>	<b>467,340,597</b>

#### Note 17: Other liabilities

(Amount in Nu.)

Particulars	December 31, 2024	December 31, 2023
<b>Non-Current</b>		
Deferred liability for credit memo	79,473,658	86,595,190
Deferred Government Grant for Domestic Operations	2,328,690	3,083,940
<b>Total</b>	<b>81,802,348</b>	<b>89,679,130</b>
<b>Current</b>		
Deferred revenue on sale of tickets	652,349,529	516,582,837
Deferred liability for credit memo	5,757,109	5,757,109
Liability for stale cheques	799,900	3,600,646
Taxes and duties payable	149,497,119	81,574,528
Deferred Government Grant for Domestic Operations	755,250	755,250
<b>Total</b>	<b>809,158,907</b>	<b>608,270,369</b>



**Note 18: Traffic revenue**

(Amount in Nu.)

Particulars	December 31, 2024	December 31, 2023
Passenger revenue	3,840,828,910	3,051,284,036
Insurance & Fuel Surcharge	758,430,850	621,713,718
Helicopter services revenue	184,890,035	113,560,603
Excess Baggage	42,544,139	39,134,262
Cargo	125,995,912	147,702,571
Chartered sales	331,768,650	470,966,461
Administrative fee	15,532,855	9,763,778
No show charges	-	-
Cancellation charges	46,138,738	37,534,294
<b>Total</b>	<b>5,346,130,089</b>	<b>4,491,659,722</b>

**Note 19: Other operating revenue**

(Amount in Nu.)

Particulars	December 31, 2024	December 31, 2023
Duty-free sales	27,336,163	27,967,466
Commission earned	865,365	754,074
B3 Catering sales	17,337,018	8,081,932
Drukair holidays sales	5,292,736	-
Cargo Transshipment and handling charges	2,743,089	2,454,287
<b>Total</b>	<b>53,574,372</b>	<b>39,257,759</b>

**Note 20: Non-operating revenue**

(Amount in Nu.)

Particulars	December 31, 2024	December 31, 2023
Liability Written back	4,494,309	-
Subsidy on Interest Expense	65,859,762	92,542,042
Interest income	10,597,088	8,728,633
Gain on sale of property, plant, and equipment	310,550.53	137,624,824
Rent Recovery	451,737	278,229
Miscellaneous Revenue	8,719,614	50,275,107
Amortization on credit memorandum	7,121,531	7,121,531
Amortization of deferred government grant	755,250	1,285,774
<b>Total</b>	<b>98,309,843</b>	<b>297,856,140</b>



**Note 21: Flight operation cost**

(Amount in Nu.)

Particulars	December 31, 2024	December 31, 2023
Aircraft fuel and oil	1,145,590,640	1,043,812,509
Aircraft overflying and navigation charges	157,953,130	147,858,492
Aircraft landing and parking fees	99,222,412	89,430,328
Aircraft ground handling and security charges	318,066,694	315,186,319
Simulator expenses	23,031,247	21,441,772
Chartered Expenses	183,850,418	234,094,844
Crew meal and outstation expenses	68,050,276	68,604,195
Quarantine Expenses	-	-
<b>Total</b>	<b>1,995,764,816</b>	<b>1,920,428,458</b>

**Note 22: Other operation cost**

(Amount in Nu.)

Particulars	December 31, 2024	December 31, 2023
In-flight catering expenses	192,372,563	148,680,076
Drukair Holidays Expenses	4,986,674	-
Disrupted flight expenses	8,366,800	3,188,366
Loss baggage claim/Deportees	245,533	109,215
Purchase of duty-free items	17,121,752	17,272,609
Service charges	15,066,030	9,415,259
Cargo transport & handling charges	5,722,850	1,130,704
<b>Total</b>	<b>243,882,203</b>	<b>179,796,229</b>

- i. Hotel Expense: 4,692,140.00
- ii. Travel & Guide Expense: 242,994.00
- iii. SDF & Other Fees: 51,540.00
- iv. Total - 4,986,674

**Note 23: Aircraft maintenance cost**

(Amount in Nu.)

Particulars	December 31, 2024	December 31, 2023
Consumption stores and spares	41,367,711	23,595,149
Aircraft maintenance	219,421,400	207,245,276
Less: Credit Memorandum Utilized	(581,905)	(3,839,034)
Freight charges	18,447,542	14,473,820
Stores & scrap written off	4,843,874	9,833,449
<b>Total</b>	<b>283,498,624</b>	<b>251,308,659</b>





Reconciliation of credit memorandum (Amount in USD)

(Amount in USD.)

Particulars	CFM	B/E Aerospace	ATR	Saint Gobain Sully	Airbus	Total
Balance as on 1 January 2024	231,258	9,445	-	2,849	603	244,154
add credits received	22,810		71		2,330	25,211
less credits utilized	(1,858)	(2,176)			(2,858)	(6,893)
<b>Balance as on 31 December 2024</b>	<b>252,209</b>	<b>7,268</b>	<b>71</b>	<b>2,849</b>	<b>75</b>	<b>262,472</b>

- The credit memorandum from CFM was received for the purchase engine of A320 neo (JKW) in 2020. During the year additional credit of USD 22,810 was received and USD 1,858 was utilised for the maintenance of aircraft equipment.
- B/E Aerospace has provided Credit Memorandum against the purchase of equipment for airbus A319 (JSW) and A32 Neo. During the year USD 2,176 was utilised for the maintenance of aircraft equipment.
- USD 2,849 credit with Saint Gobain was received for the replacement of the windshield. This same amount is being carried forward.
- In 2023, credit of USD 14,973 was received from Airbus for the RGF cabin refurbishment. Additional credit of USD 2,330 was received during the year and USD 2,858 was utilized during the year against aircraft maintenance.

Note 24: Other maintenance cost

(Amount in Nu.)

Particulars	December 31, 2024	December 31, 2023
Ground transport maintenance	1,326,629	1,223,411
Maintenance of ground transport equipment	5,763,864	3,981,259
Maintenance of hanger and workshop	803,604	537,415
Other maintenance	8,242,603	9,396,939
<b>Total</b>	<b>16,136,700</b>	<b>15,139,025</b>



**Note 25: Employee Cost**

(Amount in Nu.)

Particulars	December 31, 2024	December 31, 2023
Pay and allowances	564,150,993	492,520,722
Leave travel allowance	6,438,380	7,229,115
Productivity Allowance	17,074,628	15,446,702
Bonus and variable pay	53,033,978	46,752,707
Overtime	1,283,230	779,334
Uniform/make-up expenses	20,320,122	14,306,676
Medical expenses	1,684,934	1,076,332
Staff welfare	256,575	269,795
Staff training and development	38,673,308	22,294,142
Leave encashment	5,524,997	18,123,083
Provident fund contribution	19,724,010	15,400,921
Retirement benefits	19,655,675	17,014,496
Transfer grant	496,482	1,673,430
<b>Total</b>	<b>748,317,312</b>	<b>652,887,456</b>

**Note 26: Marketing and sales promotion**

(Amount in Nu.)

Particulars	December 31, 2024	December 31, 2023
Marketing sales promotion	8,589,763	4,292,203
Agent Commission	96,929,969	67,343,382
Advertisement & souvenir	2,469,131	360,690
<b>Total</b>	<b>107,988,863</b>	<b>71,996,274</b>



**Note 27: Other cost**

(Amount in Nu.)

Particulars	December 31, 2024	December 31, 2023
Board meeting expenses	892,223	951,485
Fee & subscriptions	32,312,346	22,840,431
Printing and stationery	6,782,339	6,675,672
Office Tea expenses	1,461,091	1,378,849
Lease rent (non-aircraft)	9,513,373	1,611,477
Interest Expense for Lease Liability	5,400,570	4,043,087
Traveling expenses	27,047,120	11,406,624
Transportation expenses	4,511,455	3,566,660
Rates and taxes	(1,325,929)	1,824,101
Insurance	80,714,900	72,069,024
In-flight magazine	1,826,115	1,360,023
Communication expenses	37,815,417	30,473,647
Security Services	1,334,158	1,304,853
Electricity charges	1,022,394	1,105,127
Brand Management Fee	14,710,887	1,795,469
Entertainment expenses	1,797,175	101,721
Books & periodicals	252,529	-
Corporate Social Responsibility	1,079,834	-
Employee Engagement & religious expenses	2,501,429	3,379,878
Consulting fees	2,615,177	2,399,697
Audit fees	1,424,640	1,287,753
Forex loss	65,355,056	25,284,055
other write off	40,826,569	-
Interline expenses	1,112,845	-
<b>Total</b>	<b>340,983,715</b>	<b>194,859,632</b>

**Note 28: Finance cost**

(Amount in Nu.)

Particulars	December 31, 2024	December 31, 2023
Bank charges	41,254,060	28,921,797
Interest on borrowing & others	375,361,456	402,830,803
<b>Total</b>	<b>416,615,516</b>	<b>431,752,600</b>



**Note 29: Taxes**

**i. Tax (charge)/ (credit) in the income statement**

(Amount in Nu.)

Particulars	December 31, 2024	December 31, 2023
<b>Income tax expense</b>		
Current tax on profit for the year	(231,011,906)	(195,950,083)
Earlier year Tax	(9,725,114)	
Tax for operations outside	(11,885,106)	(8,905,323)
<b>Total current tax</b>	<b>(252,622,125)</b>	<b>(204,855,406)</b>
<b>Deferred tax</b>		
Deferred tax expense /(income) for the year	(71,931,145)	(149,293,112)
<b>Total deferred tax</b>	<b>(71,931,145)</b>	<b>(149,293,112)</b>
<b>Total Tax expense</b>	<b>(324,553,270)</b>	<b>(354,148,518)</b>

**ii. Current tax liability**

(Amount in Nu.)

Particulars	December 31, 2024	December 31, 2023
<b>Balance as at 1 January</b>	<b>6,349,942</b>	<b>122,084,866</b>
Income tax outside Bhutan	11,885,106	8,905,323
Earlier year Tax	9,725,114	2,076,294
Paid during the year	(19,538,107)	(126,716,542)
<b>Balance at 31 December</b>	<b>8,422,055</b>	<b>6,349,942</b>

**iii. Deferred tax**

(Amount in Nu.)

Particulars	December 31, 2024	December 31, 2023
<b>Balance as at 1 January</b>	<b>571,106,472</b>	<b>914,273,372.63</b>
add: Deferred tax expense 2024	(302,943,051)	195,950,083
Adjustment of deferred tax liability of RBHSL	-	(539,116,984)
<b>Balance at 31 December</b>	<b>268,163,421</b>	<b>571,106,472</b>

**iv. Reconciliation of total tax charged in the income statement**

(Amount in Nu.)

Particulars	December 31, 2024	December 31, 2023
<b>Accounting (loss)/profit before tax</b>	<b>502,388,274</b>	<b>291,343,725</b>
Tax calculated at the standard rate of corporate tax in Bhutan	(150,716,482)	(87,403,117)
Non-deductible expense	(80,295,424)	(108,546,966)
Earlier year Tax	(9,725,114)	
Tax paid outside Bhutan	(11,885,106)	(8,905,323)
Deferred tax expense for the year	(71,931,145)	(149,293,112)
<b>Balance at 31 December</b>	<b>(324,553,270)</b>	<b>(354,148,518)</b>





### Note 30: Earnings Per Share (EPS)

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

(Amount in Nu.)

Basic EPS attributable ordinary shares	December 31, 2024	December 31, 2023
<b>Net profit/loss attributable to the owners of the company</b>	<b>177,835,004</b>	<b>(62,804,794)</b>
Issued and outstanding ordinary shares at the beginning of the year	43,086,239	43,086,239
Share allotted to DHI during the year	-	-
Outstanding ordinary shares at the end of the year	43,086,239	43,086,239
Weighted average number of ordinary shares	43,086,239	43,086,239
<b>Basic and Diluted EPS attributable to ordinary shares</b>	<b>4.13</b>	<b>(1.46)</b>

### Note 31: Fair value measurement Financial instrument by category

(Amount in Nu.)

Particulars	December 31, 2024			December 31, 2023		
	FVPL	FVOCI	Amortized Cost	FVPL	FVOCI	Amortized Cost
<i>Financial assets</i>						
Security deposit paid	-	-	90,976,169	-	-	76,387,255
Cash and cash equivalents	-	-	443,462,236	-	-	780,157,048
Trade receivables	-	-	235,542,040	-	-	135,650,754
Other receivables	-	-	1,829,445	-	-	1,324,792
<b>Total financial assets</b>	-	-	<b>771,809,890</b>	-	-	<b>993,519,850</b>
<i>Financial liabilities</i>						
Borrowing	-	-	6,150,700,555	-	-	6,489,804,985
Trade payables	-	-	159,631,984	-	-	151,898,637
Security deposit received	-	-	177,048,179	-	-	199,369,005
Other payables	-	-	1,908,191	-	-	38,735,734
<b>Total financial liabilities</b>	-	-	<b>6,489,288,910</b>	-	-	<b>6,879,808,360</b>

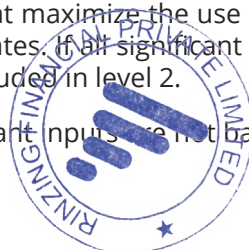
#### i. Fair value hierarchy

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

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

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

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



## ii. Valuation techniques used to determine fair value

Specific valuation techniques used to value financial instruments include the fair value of the financial instruments as determined using discounted cash flow analysis.

## iii. Fair value of financial assets and liabilities measured at amortized cost

(Amount in Nu.)

Particulars	December 31, 2024		December 31, 2023	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
Trade receivables	235,542,040	235,542,040	135,650,754	135,650,754
<b>Total Financial Asset</b>	<b>235,542,040</b>	<b>235,542,040</b>	<b>135,650,754</b>	<b>135,650,754</b>
<b>Financial liabilities</b>				
Borrowing	6,150,700,555	6,131,539,412	6,489,804,985	6,464,937,036
<b>Total financial liabilities</b>	<b>6,150,700,555</b>	<b>6,131,539,412</b>	<b>6,489,804,985</b>	<b>6,464,937,036</b>

- The carrying amounts of current sundry debtor, cash and cash equivalents, current investment, interest accrued, other receivables, security deposit given and paid, trade payables and other payables are considered to be the same as their fair values, due to their short-term nature.
- The fair values for financial instruments were calculated based on cash flows discounted using current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs including counterparty credit risk. The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Company uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

## Note 32: Capital management Risk management

The Company is formed as a wholly owned subsidiary of Druk Holding & Investments Limited (DHI).

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

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



### Note 33: 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 to which the entity is exposed how the entity manages the risk and the impact of it on the financial statements.

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

#### A. Market risk

##### i) Foreign currency risk

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

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

#### Foreign currency risk exposure

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

Particulars	December 31, 2024		December 31, 2023	
	USD	SGD	USD	SGD
Financial assets	104,308,525	11,088,046	25,801,829	59,635,159
Financial liabilities	(37,138,072)	(512,757)	(18,559,422)	(42,634,795)
<b>Net exposure to foreign currency risk</b>	<b>67,170,453</b>	<b>10,575,289</b>	<b>7,242,407</b>	<b>17,000,364</b>

Particulars	December 31, 2024		December 31, 2023	
	Thai Baht	NPR	Thai Baht	NPR
Financial assets	2,776,112	25,908,302	24,417,676	82,902,966
Financial liabilities	(15,280,366)	(11,266,348)	(17,667,961)	(17,495,643)
<b>Net exposure to foreign currency risk</b>	<b>(12,504,254)</b>	<b>14,641,954</b>	<b>6,749,715</b>	<b>65,407,324</b>



Particulars	December 31, 2024		December 31, 2023	
	Taka	INR	Taka	INR
Financial assets	497,782	21,927,523	6,219,230	111,498,609
Financial liabilities	(10,772,679)	(21,176,511)	(14,409,613)	(45,305,161)
<b>Net exposure to foreign currency risk</b>	<b>(10,274,897)</b>	<b>751,012</b>	<b>(8,190,383)</b>	<b>66,193,448</b>

### Sensitivity

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

Particulars	Impact on profit before tax	
	December 31, 2024	December 31, 2023
<i>SGD sensitivity</i>		
Nu. depreciate by 5%	528,764	850,018
Nu. appreciate by 5%	(528,764)	(850,018)
<i>USD sensitivity</i>		
Nu. depreciate by 5%	3,358,523	362,120
Nu. appreciate by 5%	(3,358,523)	(362,120)
<i>NPR sensitivity</i>		
Nu. depreciate by 5%	732,098	3,270,366
Nu. appreciate by 5%	(732,098)	(3,270,366)
<i>Thai Baht sensitivity</i>		
Nu. depreciate by 5%	(625,213)	337,486
Nu. appreciate by 5%	625,213	(337,486)
<i>Taka sensitivity</i>		
Nu. depreciate by 5%	(513,745)	(409,519)
Nu. appreciate by 5%	513,745	409,519

Holding all other variables constant. As the value of INR is equivalent to Nu. historically, the company is not exposed to foreign exchange risk arising from foreign currency transactions in INR.

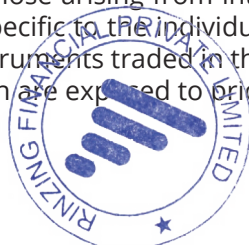
### ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates.

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

### iii) Price Risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or by factors affecting all similar financial instruments traded in the market. As the company does not have any investment in listed securities which are exposed to price risk, company is not exposed to significant price risk.



## B. Liquidity risk

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

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

### Maturities of financial liabilities

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

2024

(Amount in Nu.)

Contractual maturities of financial assets 31 December 2024	Less than 1 year	More than 1 year	Total
Trade and Other Payables	467,340,597	-	467,340,597
Borrowings	1,930,244,257	4,056,001,045	5,986,245,301
Interest	503,559,684	-	503,559,684
<b>Total financial liabilities</b>	<b>2,901,144,538</b>	<b>4,056,001,045</b>	<b>6,957,145,582</b>

2023

(Amount in Nu.)

Contractual maturities of financial assets 31 December 2023	Less than 1 year	More than 1 years	Total
Trade and Other Payables	467,340,597	-	467,340,597
Borrowings	1,930,244,257	4,056,001,045	5,986,245,301
Interest	503,559,684	-	503,559,684
<b>Total financial liabilities</b>	<b>2,901,144,538</b>	<b>4,056,001,045</b>	<b>6,957,145,582</b>

## C. Credit risk

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

### i) Trade receivables

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

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

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





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

The requirement for impairment is analyzed at each reporting date. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 31.

(Amount in Nu.)

Particulars	Less than six months	More than six months less than 3 years	More than 3 years	Total
Trade receivable as of 31 December 2024 (Gross)	234,402,580	-	1,534,415	235,936,995
Less: Provision for impairment loss	-	-	(394,955)	(394,955)
<b>Trade receivable as on 31 December 2024 (Net)</b>	<b>234,402,580</b>	<b>-</b>	<b>1,139,460</b>	<b>235,542,040</b>

## ii) Financial instruments and cash deposits

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

## Note 34: Related party transactions

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



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

Name of related party	Relationship	Nature of transaction with related party	Amount in Nu.
Druk Holding & Investment	Holding company	a) Consideration for the issue of equity shares	-
		b) Intergroup Non-trade payable	1,272,946.31
		c) Sale of air tickets	3,260,404.49
		d) Intergroup trade payable	8,819.00
		e) intergroup Brand management fee and CG	13,114,405.10
		f) Intragroup Borrowing	634,000,000.00
		g) Interest on borrowing	18,941,748.63
		h) Rental	5,570,200.65
		i) Trade receivable	94,809.00
Bank of Bhutan Limited	Fellow Subsidiary	a) Sale of air tickets	5,481,941.00
		b) Bank Charges	3,295,532.08
		c) Loans	247,710,401.93
		d) intergroup (non-current portion of loan (OD)	2,295,144.74
		e) Intergroup borrowing- current	147,599,318.94
		f) Interest on borrowing	65,373,582.24
		g) Borrowing	507,729,767.28
		h) Trade receivable	43,750.00
Bhutan Power Corporation Limited	Fellow Subsidiary	a) Sale of air tickets	3,337,719.00
		b) Electricity Charges	829,773.00
Bhutan Telecom Limited	Fellow Subsidiary	a) Sale of air tickets	5,334,139.00
		b) Telephone and Internet Charges	1,942,913.16
		c) Trade receivable	283,734.00
		d) trade payable	83113.69
Druk Green Power Corporation Limited	Fellow Subsidiary	a) Sale of air tickets	3,278,301.00
		b) Borrowing	950,000,000.00
		c) interest on borrowing	5,429,644.81
		d) Trade receivable	326,667.00
State Trading Corporation Limited	Fellow Subsidiary	a) Sale of air tickets	1,498,981.00
		c) Purchase of services	30,494.96
Thimphu Tech Park Limited	Fellow Subsidiary	a) Sale of air tickets	146,359.00
		b) Purchase of services	2,032,443.09
		b) intergroup trade payable	94,907.94
Construction Development private Limited	Fellow Subsidiary	a) Sale of Air Ticket	272,226.00
		b) Intergroup trade payable	1,025.00
		c) Intergroup trade receivable	59,628.00
Crawfish Himalayan Limited	Fellow Subsidiary	a) Sale of air tickets	1,083,055.00
Natural Resources Development Corporation Limited	Fellow Subsidiary	a) Sale of air tickets	232,857.00
		b) intergroup trade receivable	25,889.00



### Key management personnel ('KMP')

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

For the year ended	December 31, 2024 (Amount in Nu.)	December 31, 2023 (Amount in Nu.)
Basic Salary, Allowances, PF and leave encashment	4,713,413	3,697,979
Sitting Fees	120,000	112,000
Leave Travel Concession	15,000	15,000
<b>Total</b>	<b>4,848,413</b>	<b>3,824,979</b>

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

### Note 35: Contingent liabilities

- On behalf of Air India, the Embassy of India has sent a reminder vide letter No THI/Adm/551/1/2015 dated 07.12.2015 to settle outstanding due payable to Air India at the earliest possible. This outstanding amount of Rs.21.70 million is purported to be the pax compensation on the 5th freedom sector under commercial agreement which was applicable up to 11.09.2006. The Liabilities against this claim has not been provided in the current year accounts in light of the matter being appealed at the highest level of both governments.
- Starting from the Fiscal Year 2014-2015 till 2019-2020, Nepal Tax Department has raised total tax demand amounting to NPR 97.63 m till date, of which NPR 37.72 m (NPR 26.65m paid to the Tax Department and NPR 11.07 m paid to the Tribunal Court) has been paid as security deposits. The balance payable tax amount is NPR 58.92 m. This tax dispute is being taken up at the Supreme Court in Kathmandu, Nepal.
- A show cause cum demand notice dated 31.12.2020 for Rs.11,738,403.00 on account of service tax (including cess) for the period 2014-15 to 2017-18 was raised by Additional Commissioner, CGST & CX, Kolkata, Audit-I Commissionerate. This was raised based on the assumption that all passengers travelled by "business class". The case is being pursued at the First Appellate Authority, Kolkata, India. To process the case, a refundable fee of 10%, amounting to Rs. 1,173,840 was deposited to the Government of India.

### Note 36: Employee Benefits

#### i) Gratuity Defined Benefit Plans

Valuation in respect of Gratuity has been carried out by an independent actuary, Druk Infinity Consulting Firm, Bhutan. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit (PUC) Method.

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



**A. Liability recognized in the statement of financial position**

(Amount in Nu.)

For the year ended	December 31, 2024	December 31, 2023
Present value of define benefit obligation	124,270,603	118,210,279
Fair value of plan assets	-	-
Funded status - surplus/(deficit)	(124,270,603)	(118,210,279)
Effect of asset ceiling	-	-
<b>Net defined benefit asset/(liability)</b>	<b>124,270,603</b>	<b>(118,210,279)</b>

**B. Composition of defined benefit cost**

(Amount in Nu.)

For the year ended	December 31, 2024	December 31, 2023
Expense recognised in profit or loss	17,827,340	17,014,496
Expense recognised in other comprehensive income	(3,344,050)	2,150,272
<b>Defined benefit cost</b>	<b>14,483,290</b>	<b>19,164,768</b>

**C. Expense recognised in statement of profit or loss**

(Amount in Nu.)

For the year ended	December 31, 2024	December 31, 2023
Current service cost	9,277,430	8,809,523
Past service cost	-	-
Loss/(Gain) on settlement	-	-
Interest on DBO	8,549,910	8,204,973
Less: Expected interest on plan asset	-	-
<b>Expenses recognised in profit or loss</b>	<b>17,827,340</b>	<b>17,014,496</b>

**D. Amount recognised as other comprehensive income**

(Amount in Nu.)

For the year ended	December 31, 2024	December 31, 2023
Actuarial (gain) or loss due to experience adjustments	(3,344,050)	2,150,272
Actuarial (gain) or loss due to changes in financial assumptions	-	-
Actuarial (gain) or loss due to changes in demographic assumptions	-	-
Return on plan assets (greater) or less than discount rate	-	-
<b>Expenses recognised as OCI</b>	<b>(3,344,050)</b>	<b>2,150,272</b>



**E. Reconciliation of changes in present value of defined benefit obligation**

(Amount in Nu.)

For the year ended	December 31, 2024	December 31, 2023
DBO at the beginning of period	118,210,279	119,753,769
Add: Current service cost	9,277,430	8,809,523
Add: Past service cost	-	-
Add: Interest cost	8,549,910	8,204,973
Less: Benefits paid by the plan	-	-
Less: Benefits paid by the employer	(8,422,966)	(20,708,258)
Actuarial (gain) or losses due to experience adjustment	(3,344,050)	2,150,272
Actuarial (gain) or losses due to change in financial assumptions	-	-
Actuarial (gain) or losses due to change in demographic assumptions	-	-
<b>DBO at the end of period</b>	<b>124,270,603</b>	<b>118,210,279</b>

**F. Bifurcation between current & non-current liability**

(Amount in Nu.)

For the year ended	December 31, 2024	December 31, 2023
Current liability	257,058,087	25,012,266
Non-current liability	98,564,796	93,198,013
<b>Net Liability</b>	<b>118,210,279</b>	<b>119,753,769</b>

**G. Actuarial assumptions**  
**Financial assumptions**

Parameter	December 31, 2024	December 31, 2023
Discount rate	7.50%	7.50%
Salary growth rate	7.00%	7.00%

**Demographic assumptions**

Parameter	December 31, 2024	December 31, 2023
Mortality rate	100% of IALM (2012-14)	
Employee turnover rate	5.00%	5.00%





ii) **Travel allowances**

This has been determined by actuarial method at Nu. 5,075,478 the following is the summary of travel allowance as per the actuary valuation report:

The table below shows a summary of the key results for the year ending 31 December 2024:

**A. Liability recognised in the statement of financial position**

(Amount in Nu.)

For the year ended	December 31, 2024	December 31, 2023
Present value of define benefit obligation	5,075,478	4,827,173
Fair value of plan assets	-	-
Funded status - surplus/(deficit)	(5,075,478)	(4,827,173)
Effect of asset ceiling	-	-
<b>Net defined benefit asset/(liability)</b>	<b>(5,075,478)</b>	<b>(4,827,173)</b>

**B. Composition of defined benefit cost**

(Amount in Nu.)

For the year ended	December 31, 2024	December 31, 2023
Expense recognised in profit or loss	916,555	836,582
Expense recognised in other comprehensive income	(75,109)	992,118
<b>Defined benefit cost</b>	<b>841,446</b>	<b>1,828,700</b>

**C. Expense recognised in statement of profit or loss**

(Amount in Nu.)

For the year ended	December 31, 2024	December 31, 2023
Current service cost	576,760	535,999
Past service cost	-	-
Loss/(Gain) on settlement	-	-
Interest on DBO	339,795	300,583
Less: Expected interest on plan asset	-	-
<b>Expenses recognised in profit or loss</b>	<b>916,555</b>	<b>836,582</b>

**D. Amount recognised as other comprehensive income**

(Amount in Nu.)

For the year ended	December 31, 2024	December 31, 2023
Actuarial (gain) or loss due to experience adjustments	75,109	992,118
Actuarial (gain) or loss due to changes in financial assumptions	-	-
Actuarial (gain) or loss due to changes in demographic assumptions	-	-
Return on plan assets (greater) or less than discount rate	-	-
<b>Expenses recognised as OCI</b>	<b>75,109</b>	<b>992,118</b>



**E. Reconciliation of changes in present value of defined benefit obligation**

(Amount in Nu.)

For the year ended	December 31, 2024	December 31, 2023
DBO at the beginning of period	4,827,173	5,017,072
Add: Current service cost	576,760	535,999
Add: Past service cost	-	-
Add: Interest cost	339,795	300,583
Less: Benefits paid by the plan	-	-
Less: Benefits paid by the employer	(593,141)	(2,018,599)
Actuarial (gain) or losses due to experience adjustment	(75,109)	992,118
Actuarial (gain) or losses due to change in financial assumptions	-	-
Actuarial (gain) or losses due to change in demographic assumptions	-	-
<b>DBO at the end of period</b>	<b>5,075,478</b>	<b>4,827,173</b>

**F. Bifurcation between current & non-current liability**

(Amount in Nu.)

For the year ended	December 31, 2024	December 31, 2023
Current liability	1,635,985	1,536,103
Non-current liability	3,439,492	3,291,070
<b>Net Liability</b>	<b>5,075,478</b>	<b>4,827,173</b>

**G. Actuarial assumptions**

**Financial assumptions**

Parameter	December 31, 2024	December 31, 2023
Discount rate	7.50%	7.50%
Salary growth rate	7.00%	7.00%

**Demographic assumptions**

Parameter	December 31, 2024	December 31, 2023
Mortality rate	100% of IALM (2012-14)	
Employee turnover rate	5.00%	5.00%



iii) **Transfer grant**

This has been determined by actuarial method at Nu. 5,075,478 the following is the summary of travel allowance as per the actuary valuation report:

The table below shows a summary of the key results for the year ending 31 December 2024:

a) **Liability recognised in the statement of financial position**

(Amount in Nu.)

For the year ended	December 31, 2024	December 31, 2023
Present value of define benefit obligation	5,075,478	4,827,173
Fair value of plan assets	-	-
Funded status - surplus/(deficit)	(5,075,478)	(4,827,173)
Effect of asset ceiling	-	-
<b>Net defined benefit asset/(liability)</b>	<b>(5,075,478)</b>	<b>(4,827,173)</b>

b) **Composition of defined benefit cost**

(Amount in Nu.)

For the year ended	December 31, 2024	December 31, 2023
Expense recognised in profit or loss	911,781	836,848
Expense recognised in other comprehensive income	56,967	984,752
<b>Defined benefit cost</b>	<b>968,748</b>	<b>1,821,600</b>

c) **Expense recognised in statement of profit or loss**

(Amount in Nu.)

For the year ended	December 31, 2024	December 31, 2023
Current service cost	576,760	535,999
Past service cost	-	-
Loss/(Gain) on settlement	-	-
Interest on DBO	335,021	300,849
Less: Expected interest on plan asset	-	-
<b>Expenses recognised in profit or loss</b>	<b>911,781</b>	<b>836,848</b>

d) **Amount recognised as other comprehensive income**

(Amount in Nu.)

For the year ended	December 31, 2024	December 31, 2023
Actuarial (gain) or loss due to experience adjustments	56,967	984,752
Actuarial (gain) or loss due to changes in financial assumptions	-	-
Actuarial (gain) or loss due to changes in demographic assumptions	-	-
Return on plan assets (greater) or less than discount rate	-	-
<b>Expenses recognised as OCI</b>	<b>56,967</b>	<b>984,752</b>



**e) Reconciliation of changes in present value of defined benefit obligation**

(Amount in Nu.)

For the year ended	December 31, 2024	December 31, 2023
DBO at the beginning of period	4,837,173	5,017,072
Add: Current service cost	576,760	535,999
Add: Past service cost	-	-
Add: Interest cost	335,021	300,849
Less: Benefits paid by the plan	-	-
Less: Benefits paid by the employer	(730,443)	(2,011,499)
Actuarial (gain) or losses due to experience adjustment	56,967	984,752
Actuarial (gain) or losses due to change in financial assumptions	-	-
Actuarial (gain) or losses due to change in demographic assumptions	-	-
<b>DBO at the end of period</b>	<b>5,075,478</b>	<b>4,827,173</b>

**f) Bifurcation between current & non-current liability**

(Amount in Nu.)

For the year ended	December 31, 2024	December 31, 2023
Current liability	1,635,985	1,536,103
Non-current liability	3,439,492	3,291,070
<b>Net Liability</b>	<b>5,075,478</b>	<b>4,827,173</b>

**g) Actuarial assumptions**

**Financial assumptions**

Parameter	December 31, 2024	December 31, 2023
Discount rate	7.50%	7.50%
Salary growth rate	7.00%	7.00%

**Demographic assumptions**

Parameter	December 31, 2024	December 31, 2023
Mortality rate	100% of IALM (2012-14)	
Employee turnover rate	5.00%	5.00%

**Note 37: Additional Disclosure**

**i. Liability for Frequent Flyer Programme**

This has been determined by actuarial method at Nu. 10,928,702 (Previous Year 5,675,886).  
The following Actuarial estimates were used to determine the Actuarial Liability in 2024:

- a) Redemption Rate - 40%
- b) Loyalty Points accrued - 16,977,391
- c) Cost Per mile - 1.73



## ii. Segment Information

For management purposes, the company has only one operating segment viz. transport of people and cargo by air, mainly from Bhutan to neighbouring countries. The company also transports people and cargo from India to third countries and also domestically within Bhutan, but these activities are part of the main activity. Therefore, the company's profit and loss account and balance sheet represent the results of this sole segment. During the year 2024, the company carried 234,945 number of revenue passengers, 573,694 kg of cargo (PY: 201,979 no. revenue passengers and 547,888 kg of cargo) and helicopter flight hour 1,067 (PY: 763 flight hours).

## iii. Government grants

Grants from RGoB and other organisations relating to costs are recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate. During the year the Company recognised revenue grant of Nu. 65,859,762 (Nu. 47,615,525 for subsidy on interest expense and Nu. 18,244,237 for coupon on Bond).

## iv. Benefit of interest free loan

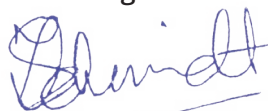
There is an interest free loan outstanding of Nu.67.62 million (PY Nu.101million) as on 31 December 2024. The estimated interest expenses of this loan have not been accounted for in the books of the Company. If the interest is considered at 9% p.a., the expenses on account of this interest for the year 2021 would be Nu 9.13 million (PY Nu.9.88 million).

## v. Helicopter accident legal liability

Drukair is currently involved in an ongoing legal proceeding related to a helicopter accident. The Plaintiff has filed a claim of USD 8.84 million, while the insurance company has assessed the liability at USD 20,000. Legal counsel, appointed by the insurance company, is representing Drukair in the case. As of the reporting date, no financial provision has been recognized in the financial statements, as the liability is expected to be fully covered by the insurance company.

Signatures for note "1 to 37" of the financial statements for and on behalf of the Board of Directors.

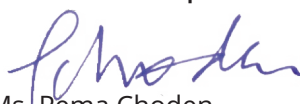
### For Rinzing Financial Private Limited:



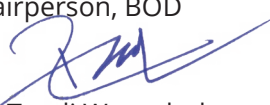
Ms. Tashi Rinzing Schmidt, CPA  
Audit Partner  
CPA License No. 34762  
Date:  
Place: Thimphu, Bhutan



### For Drukair Corporation Limited:



Ms. Pema Choden  
Chairperson, BOD



Mr. Tandi Wangchuk  
Chief Executive Officer



Ms. Dechen Peldon  
General Manager, FCSD






# RATIO ANALYSIS

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### Ratio Analysis

Sl no	Particulars	31.12.2024	31.12.2023
<b>A. Ratios for assessing financial health (In numbers)</b>			
I	Current Ratio	0.36	0.53
II	Debt equity Ratio	3.60	4.27
III	Liquid Ratio	0.22	0.24
IV	Fixed Assets to Equity	4.03	4.49
V	Fixed Assets Turnover	0.78	0.66
<b>B. Ratios of assessing profitability (In percentage)</b>			
I	Return on equity (%)	10.40%	-4.13%
II	Return on Capital employed (%)	6.39%	3.64%
III	Operation and Maintenance expenses to Traffic Revenue	5.60%	5.93%
IV	Earnings Per Share	4.13	1.46
<b>C. Ratios for assessing cashflow efficiency (In numbers)</b>			
I	Cash flow turnover	0.36	0.24
II	Operation Index	10.89	17.23

For Rinzing Financial Private Limited:



Ms. Tashi Rinzing Schmidt, CPA  
Audit Partner  
CPA License No. 34762  
Date:  
Place: Thimphu, Bhutan





# COMPLIANCE CALENDER AND CHECKLIST

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**Compliance Calendar and Check List for Compliance to Provision of the Companies Act of Bhutan, 2016**

No.	Ss.	INCORPORATION OF A COMPANY & SECURITIES	YES	NO	NA	REMARKS
1	28	Changes to Articles/Approval		√		
2	47	Change of name/Approval		√		
3	123	Increase or consolidation of share capital		√		
4	124	Reduction of share capital		√		
5	82	License Copy and Share Certificate filing	√			Renewed from April 16, 2024- April 16, 2025
6	107	Public offer of shares & Debentures-ROC Approval			√	
		MANAGEMENT & ADMINISTRATION				
7	217	Registered Office of Company (Postal Address & Contact Number)	√			PO 1219, Paro 12001, Bhutan 00975-08-271856
8	221	Publication of name by Company (Letter Head, Seals and Sign Board)	√			
9	241	Financial Year of Companies as of 31st Dec	√			
	242	Extension up to 15 months - ROC approval			√	
	243	Extension up to 18 months - Authority's approval			√	
10	245	Financial Statements to follow BAS	√			
11	267	Annual Return Submission On/before 31st May for listed; others 31st July	√			Submitted on 30 <sup>th</sup> May, 2024
12	177	Annual General Meeting (Minutes)	√			Held on 1 <sup>st</sup> April 2024- 33 <sup>rd</sup> Annual General Meeting
13	180	Extraordinary General Meeting (Minutes)				
14	185	Notice for calling general meeting	√			
15	187	listed Co. - written as well as in media Public Co/Private Co. - Written Notice			√	Notice sent on March 1, 2024
16	190	Chairman of meeting (CEO cannot chair)	√			Mrs. Pema Choden, Secretary, MoFAET
17	192	Representation of corporations at meetings (Appointed by Board Directors)			√	
18	193	Ordinary and special resolutions (Minutes)	√			
19	195	Minutes of Annual General Meeting and Board Meetings (maintained ss.195-198)	√			
20	199	Declaration and payment of dividend (199-209)		√		
21	232	Books of account to be kept by company (location & time)	√			Head Quarters
22		Board's report (signed by Chairman)	√			
23	252	Appointment and removal of Auditors Need to re-appoint annually (251-259)	√			Auditors have been duly appointed by RAA
24	260	Resignation of Auditors from office (Annual Resignation)			√	
25	266	Auditing standards				Internal Standards of Auditing (ISA)



		(Audit using Auditing Standards issued by AASBB)				
26	133	Number of directors				7 including the CEO
27	134	One third of all Public Companies shall be independent	✓			Five independent Board members out of Seven
28	138	(Minimum No. & retirement on rotation)	✓			
29	139	Additional directors		✓		Mr. Dorji Dhradul replaced by Ms. Carissa Nimah
30	140	Consent to act as directors	✓			
31	141	Certain persons not to be appointed as Directors			✓	
32	142	Resignation by a director		✓		Mr. Dorji Dhradul replaced by Ms. Carissa Nimah
33	143	Removal of directors		✓		
34	146	Board meetings	✓			5 Board Meetings ✓ 175 <sup>th</sup> Jan 24, 2024 ✓ 176 <sup>th</sup> March 20, 2024 ✓ 177 <sup>th</sup> April 25, 2024 ✓ 178 <sup>th</sup> July 31, 2024 ✓ 179 <sup>th</sup> Nov 25, 2024
		(4 Meetings for Public Cos & 2 Meetings for Pvt)				
35	152	General powers of the board	✓			Properly adhered
36	156	Restriction on powers of Board	✓			
37	210	Appointment of Chief Executive Officer (Max 5 years terms & 2 consecutive terms only)			NA	Appointment made by DHI. Extension of CEO's term for another 3 years with effect from 1 <sup>st</sup> Jan, 2024
38	213	Company Secretary required in all Public Companies	✓			Ms. Sonam Choden EMP 2116 was appointed as CS 16 <sup>th</sup> August 2024
39	414	Appointment of selling or buying agents	✓			Appointment of GSAs/PSAs/LSAs)
		(govt. Approval obtained or not)				
40	157	No loans to directors (only for Public Co.)		✓		No loans were given to the Directors
41	53	Inter-corporate investments	✓			✓ BOBL FD Principal Amount- BTN 60,460,754.5 ✓ BOBL FD Interest- BTN 3,217,721.02
		(Investments to be disclosed) apply old rule				
42	158	Conflict of Interest Transactions by Board		✓		
43	161	Standard of care required by directors	✓			
		(Reckless decision)				
		STATUTORY RECORD AND INSPECTION				
44	228	Statutory record and inspection				
	(a)	Register of buy-back of shares		✓		
	(b)	Register of transfers		✓		
	(c)	Register of charges		✓		





	(d)	Register of inter-corporate loans	✓			Inter Corporate Loan ✓ DHI Loan- BTN 634,000,000 ✓ DHI Accrued Interest- BTN 14,729,726.77 ✓ DGPC Loan- BTN 950,000,000 ✓ DGPC Accrued Interest- BTN 4814890.71 ✓ BAEL Loan- BTN 50,000,000 ✓ BAEL Accrued Interest- BTN 1,118,852.46 ✓ BOBL- FEIF- BTN 49,843,090.15 ✓ BOBL Loan- BTN 345,466,630.72 ✓ BOB OD- BTN 2295,144.74
	(e)	Register of inter-corporate investments	✓			
	(f)	Register of contracts in which directors are interested		✓		
	(g)	Register of directors	✓			
	(h)	Register of directors' shareholding	✓			





# MANAGEMENT APRAISAL REPORT PART I

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## 1. Non-Compliance with Service Manual 2017 (5.2.6 & 5.2.38)

The service manual of Drukair Corporation Limited, specifically section “5.11 Salary Advance,” states that Salary advance may be paid to an employee in case of emergencies at the recommendation of the Heads of Divisions and approval of Directors up to an amount not exceeding one months’ net pay. The full amount shall be recovered in the same financial year and a second advance shall not be made unless the previous advance is cleared.

However, it has come to our attention that one employee received salary advances totaling two months’ net pay, which exceeds the allowable limit stated in the manual. Moreover, as of December 31, 2024, two employees have an outstanding balance of Nu. 62,444, where the advance was not recovered in the same financial year. The policy states salary advances should be cleared within the same financial year. Upon further investigation, it was found that the outstanding balance remains because the salary advance was issued after the salary payment, meaning recovery will occur in the following financial year.

Therefore, we recommend that management align with the company’s applicable rules and regulations (Drukair Service Manual 2017).

### **Management Responses:**

*The CEO approved an advance of two months’ net salary to Mr. Mindu Dorji, AME in the month of February 2024 on special grounds, even though the company service manual allows only one month’s net salary. The full recovery of the advance was made in the following month of March and April 2024.*

*Regarding the outstanding salary of Nu. 62,444 as of December 31, 2024, the salary advance was paid to Ms. Kinley Dem against the financial year 2025, and the recovery was executed accordingly. The pay and allowances for December were generated on December 11 due to the early remittance of loans and PF. The advance would not have occurred under normal circumstances.*

*Similarly, the salary advances of Nu.9064 paid to Mr. Sonam was paid in December 2024 and was intended for January 2025. The recovery is done accordingly.*

*However, as recommended by the auditor, we will restrict the salary advance for the subsequent financial year, which contradicts the provision of the service manual.*

### **Auditor’s further comment:**

We acknowledge the management’s response regarding salary advances and the explanations provided for each instance. While the advance was granted on special grounds and fully recovered within two months, it was in deviation from the company’s service manual. To maintain consistency and avoid precedents that may lead to similar requests, we recommend strict adherence to the policy in the future. As for the outstanding salary of salary advance paid in December, we emphasize the need for a clear policy on handling such advances, especially concerning cut-off periods, to avoid accounting and reporting inconsistencies.

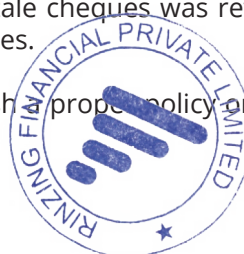
We appreciate management’s commitment to restricting salary advances in alignment with the service manual. Moving forward, we urge the company to strengthen internal controls and ensure compliance with established policies to mitigate such occurrences.

## 2. Liability for stale cheques (1.2.73)

It was noted that there are cheques that have been issued to vendors amounting to Nu. 760,179.11 which was not encashed for more than six months. Therefore, these amounts have been moved to liability because of the cheque’s validity of six months.

However, upon reviewing the financial records, it is noted that these liabilities have remained unchanged over an extended period and no vendor-wise breakdown could be obtained. Furthermore, Nu 3,089,997.57 from the total liabilities related to stale cheques was reversed during the financial year as income without any formal guidelines or policies.

Therefore, we recommend that management establish a proper policy or guidelines to derecognize these liabilities.



### **Management Responses:**

The amount recorded in the stale cheque account relates to payments made to parties but not yet claimed. The accumulated stale cheque amounting to Nu. 3,089,997.57 was written off to the income during the year 2024 based on the recommendation passed by the statutory auditor. Outstanding cheques amounting to Nu. 760,179.11, which were outstanding for more than six months was transferred to the stale cheque account in compliance to the company's Financial and Budget manual.

As proposed by the Statutory Audit, the company will adopt a policy for writing off stale cheques. The Public Finance Act of Bhutan 2007 provides for writing off unclaimed payments that have remained for more than three years. Detail of stale cheques is attached for your kind reference.

### **Auditor's further comment:**

We acknowledge the management's response. While this has been pointed out in the previous audit as a recommendation, it was implied that there are long-term liabilities (stale cheque) in the balance sheet, which needed to be addressed. Our recommendation was to establish a well-defined policy for writing off these liabilities. In the absence of such a policy, there remains uncertainty regarding the appropriate timeline and criteria for their removal from the accounts.

To ensure consistency and compliance with financial best practices, we strongly urge management to implement a formal policy that governs the write-off process for stale cheques.

### **3. Negative balance for BOBL A/C 100891810 (QJC) incoming**

It was noted that the timing of recognizing one of the transactions was incorrectly made in January 2025 instead of December 2024.

The details of the transactions are as follows:

Date	Account Head	Debit	Credit
31-Dec-24	BOBL A/C 100891810 (QJC) Main	201,531.00	
	BOBL A/C 100891810 (QJC) Incoming		201,531.00
03-Jan-25	BOBL A/C 100891810 (QJC) Incoming	201,531.00	
	Nob Travel Associates-Customer		201,531.00

The correct transaction is as follows:

Date	Account Head	Debit	Credit
31-Dec-24	BOBL A/C 100891810 (QJC) Incoming	201,531.00	
	Nob Travel Associates-Customer		201,531.00
31-Dec-24	BOBL A/C 100891810 (QJC) Main	201,531.00	
	BOBL A/C 100891810 (QJC) Incoming		201,531.00

The first and the last transactions were made on the correct date. However, the second transaction was made on the {Insert Date} instead of {Insert Date}. Therefore, this error has led to an understatement of the bank balance- which is inclusive of main, incoming, and outgoing- and overstatement of accounts receivable as of December 31, 2024, by Nu. 201,531.

This occurs because the incoming bank account is credited, and the main bank account is debited when the amount is received, but the account officer did not settle the accounts receivable in the same financial year 2024. Instead, the receivable was settled in the following financial year 2025. As a result, the incoming bank account for 2024 shows a negative balance.

Therefore, we recommend that management ensure all entries are recorded in the correct financial period to maintain accurate financial reporting.



**Management Responses:**

Rectification entry for the above has been passed and adjusted within FY2024 with voucher number 100008241.

**Auditor's further comment:**

The correction has been reviewed, and this observation has been moved to MAR I. Compliance with similar observations will be assessed during next year's audit.

**4. Overstatement of Aircraft Fuel Inventory**

During the audit, it was noted that the aircraft fuel inventory recorded on the balance sheet was materially overstated by approximately Nu. 24,303,702.64. The balance sheet reflected an inventory value of Nu. 31,974,557 for aircraft fuel; however, records indicate that only usable fuel in the aircraft is maintained.

The estimated total usable fuel capacity across the fleet is 101,343 liters, distributed as follows:

- RGF – 23,860 Liters
- RGG – 23,860 Liters
- JSW – 24,167 Liters
- JKW – 23,724 Liters
- JNW – 5,732 Liters

Based on Bhutan Oil Corporation's (BOC) revised fuel rate of Nu. 75,692.27 per kiloliter (or Nu. 75.692 per liter), the total value of the usable fuel is only Nu. 7,670,854.36. This discrepancy indicates that the aircraft fuel inventory has been significantly overstated, potentially impacting the financial statement accuracy. It is recommended that appropriate adjustments be made to reflect the correct inventory valuation.

**Management Responses:**

We have learned that the total fuel uplift was not consumed in line with the total flight operational block time. ATF consumption was based on the flight time from chokes off to touchdown at the destination. Therefore, the flight time before and after landing, including APU run and any delays or disruptions, was not accounted for.

As a result of this experience, periodic fuel inventory closing will be carried out, and the inventory balance will be capped at the maximum capacity of the aircrafts.

A rectification for the overstatement of ATF inventory, amounting to Nu. 24,303,702.64, has been passed under document number 2500009829/30.

**Auditor's further comment:**

The correction has been reviewed, and this observation has been moved to MAR I. Compliance with similar observations will be assessed during next year's audit.

**5. Overstatement of Heli- Fuel Inventory**

During the audit, it was noted that the heli fuel inventory recorded on the balance sheet was materially overstated by approximately Nu. 2,968,946.36. The balance sheet reflected an inventory value of Nu. 3,293,665.04 for aircraft fuel; however, records indicate that the capacity of fuel storage is only 4,290 liters with a value of Nu. 324,718- Nu. 75.692 per liters per Bhutan Oil Corporation's (BOC) revised fuel rate of Nu. 75,692.27 per kiloliter. The estimated total fuel capacity across the fleet is 4,290 liters, distributed as follows:

- 6 Barrels at GLU (200 Ltrs each)- 1,200 Liters
- Tanker 1 KL- 1000 Liters
- Tanker 1 KL- 500 Liters
- 1 Chopper- 1,590 Liters





This discrepancy indicates that the aircraft fuel inventory has been significantly overstated, potentially impacting the financial statement accuracy. It is recommended that appropriate adjustments be made to reflect the correct inventory valuation.

**Management Responses:**

*The ATF inventory balance for helicopters has been overstated in the draft financial statement. Helicopters uplift ATF directly from the supplier's fuel bowser, from company tankers, and from barrels. Fuel uplifted directly from the supplier's bowser is immediately booked as an expense, whereas fuel uplifted from external tankers is expensed based on the periodic consumption statement.*

*The overstatement of the ATF balance occurred because the direct supply of ATF was incorrectly recorded as inventory instead of being expensed. Therefore, the necessary correction has been made under document number 10008232*

**Auditor's further comment:**

The correction has been reviewed, and this observation has been moved to MAR I. Compliance with similar observations will be assessed during next year's audit.

**6. Missing Verification Reports**

During the audit, it was observed that verification reports were not available for certain inventory items, which raises concerns regarding the adequacy of documentation supporting their existence and valuation. The missing verification reports pertain to the following items:

- PPE Kits for COVID-19: BTN 11,677.92
- Uniform Stock – Heli: BTN 364,973.12

The absence of these reports hinders the ability to substantiate the physical existence and condition of these items, potentially affecting the reliability of the inventory records.

It is recommended that management either locate the missing verification reports or, if they are not available, implement alternative procedures to verify the inventory counts and ensure appropriate documentation is maintained.

**Management Responses:**

*Missing physical verification report. Stock related to PPE kits and Heli uniform stock remained obsolete, therefore no physical verification was carried out at year-end. However, to further authenticate the process, a joint physical verification is being carried out in the presence of the internal audit manager and accounts personnel. As a result, the inventory items stated in the report match the physical quantity. The joint report will be also submitted to the management committee meeting scheduled for 11th February 2025 for the directives on how to utilize the idle stock.*

*As per the audit recommendation, physical verification will be carried out at the year-end regardless of the inventory status.*

**Auditor's further comment:**

We have reviewed the physical verification report submitted on Feb 11, 2025 and this will be dropped to MAR 1. However, we have noted a minor discrepancy in the "Heli Uniform" of about Nu. 9 between the physical verification report and inventory record. We request the management to properly account for this discrepancy. This observation will be reviewed in the next audit.



## 7. Discrepancies in Inventory Records

During the audit, discrepancies were identified between the inventory figures reported in the Inventory Verification Report and those recorded in SAP for Inventory. The following differences were noted:

Aircraft maintenance consumables	Inventory Verification Record	SAP	Difference
Stores & Spares (AIRBUS)	44,213,534.24	44,245,746.29	(32,212.05)
Stores & Spares (ATR)	12,330,025.17	12,288,419.90	41,605.27
Stock-GSE Tools and Spares	1,099,483.02	1,291,763.77	192,280.75
Stores & Spares-Heli	18,991,112.75	18,839,867.65	151,245.10
<b>Total</b>	<b>76,634,155.18</b>	<b>76,665,797.61</b>	<b>352,919.07</b>

These discrepancies may indicate potential errors in data recording or reconciliation issues between the systems. It is recommended that management investigate the cause of these variances, ensure proper reconciliation between the Inventory at hand and SAP, and implement necessary corrective actions to enhance the accuracy and reliability of the inventory records.

### Management Responses:

*Regarding the observation on the aircraft spares and parts inventory discrepancies, we would like to clarify the differences categorically based on the memo statement.*

i.

Aircraft maintenance consumables	Inventory Verification Record	SAP	Difference
Stores & Spares (AIRBUS)	44,213,534.24	44,245,746.29	(32,212.05)
Stores & Spares (ATR)	12,330,025.17	12,288,419.90	41,605.27
<b>Net difference</b>	<b>56,543,559.51</b>	<b>56,534,166.19</b>	<b>9,393,32</b>

*As per the explanation provided by the engineering stores, aircraft inventory is maintained in stand-alone system, ADS (Aviation Dedicated Software), and periodic report from the ADS are uploaded to SAP.*

*The inventory closing difference in ATR and Airbus resulted from an error in location selection while uploading the batch in the SAP system. The system has restriction for changing the location, however the ADS system reflects the correction location A net difference of Nu. 9,393.32 resulted from technical issues related to digit rounding. While the report is generated from the ADS system with figures rounded to three decimal places, SAP takes only two decimal places. Therefore, we have limited options to integrate with the ADS system; however, necessary corrections will be made when the net difference amount is substantial*

ii.

Aircraft maintenance consumables	Inventory Verification Record	SAP	Difference
Stock-GSE Tools and Spares	1,099,483.02	1,291,763.77	192,280.75



GSE Tools and Spares comprises of tools and spares maintained under engineering division and the ground operation. We have missed out the closing the report of GSE tools and spares maintained under the ground operation. We have obtained the closing inventory report duly verified the GSE Head as stated below:

iii.

Aircraft maintenance consumables	Inventory Verification Record	SAP	Difference
Stock-GSE Tools and Spares -Engineering	1,019,416.55	1,291,763.77	272,347.22
Stock-GSE Tools and Spares – Ground Operation	272,347.22		
<b>Total</b>	<b>1,291,763.77</b>	<b>1,291,763.77</b>	<b>Nil</b>

After taking the inventory closing of GSE – Under Ground Operation the closing balance matches with the SAP. However, inventory closing report of GSE engineering submitted to the auditor was generated from the ADS system but four items consumed in December 2024 were not updated in ADS system. Therefore, the revised closing value submitted by GSE Engineering stands Nu. 1,019,416.55. Difference of Nu. 80,145.52 will be manually updated in the ADS. Details of missing items attached for kind reference.

iv.

Aircraft maintenance consumables	Inventory Verification Record	SAP	Difference
Stores & Spares-Heli	18,991,112.75	18,839,867.65	151,245.10

The mismatch between the Heli inventory closing balance and SAP primarily resulted from exchange rate differences. Heli inventory is maintained in ADS but is not integrated with SAP; it is manually updated in the SAP system. The exchange rate for goods entry was based on fixed rates, while payments for the goods were made using monthly SAP system rates. We have consolidated the exchange rate differences for adjustment in the subsequent financial year. Moving forward, we will ensure that a uniform exchange rate is maintained to avoid such discrepancies. Working of exchange details attached for your kind reference and adjustment entry passed in subsequent year doc ref :100001085.

**Auditor's further comment:**

We acknowledge the management's response, and this will be dropped to MAR 1. While the difference in inventory for aircraft maintenance is not material, we urge the management to rectify these errors in the following year. Additionally, after reviewing the adjustments for the heli-store and spare, we have identified a discrepancy of Nu. 252. We request the management to account for this difference accordingly.





# MANAGEMENT APPRAISAL REPORT PART II

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## 1. Missing Lease

During the review of lease agreements, it was identified that the following active lease arrangement has not been recognized or disclosed in the financial records:

### Lease Details:

- **Location:** BCAA Ground Floor
- **Type:** Catering Store
- **Lessor/Lessee:** Contract signed with BCAA
- **Contract Dates:** 01-Feb-2024 to 31-Jan-2026
- **Payment Terms:** Monthly payment of Nu. 7,780.00 (Yearly total: Nu. 93,360.00)

The above lease agreement, which creates a financial obligation, was omitted from the accounting records. This omission may result in an understatement of lease liabilities, related expenses, and incomplete disclosure in the financial statements.

Failure to account for this lease could lead to misstatements in financial reporting and non-compliance with applicable accounting standards (BFRS 16).

### Management Responses:

We acknowledge the observation regarding the omission of the active lease agreement in the draft financial statement. Due to a change in the official handling the lease contracts, we inadvertently missed including the lease agreement. However, the missing lease arrangement has been recognized in the final financial statement. Moving forward, due diligence in handling lease agreements will be maintained.

### Auditor's further comment:

The correction has been reviewed, and this observation has been moved to MAR II.

## 2. Material Misstatements in Lease Liability Recognition

Discrepancies were identified in the financial recording of lease payments for the following agreements, resulting in misstated lease liabilities:

Particulars	Amount Booked (Nu.) Monthly rent	Amount Recalculated (Nu.)	Difference (Nu.)
Paro Airport 12 (Catering Land)-over-statement	140,125.00	11,677.08	128,447.92
Paro Town-DHI- understatement	443,214.00	487,535.40	44,321.40
<b>Total</b>	<b>583,339.00</b>	<b>499,212.48</b>	<b>172,769.32</b>

### Implications:

The errors have resulted in:

1. Misstatement of lease liabilities:  
Overstatement for Paro Airport 12 distorts financial obligations.  
Understatement for Paro Town-DHI masks actual liabilities.
2. Inaccurate expense recognition, affecting profit/loss and key financial ratios.
3. Non-compliance with BFRS 16, which mandates accurate measurement and disclosure of lease obligations.

### Recommendations:

1. Adjust financial records to reflect the correct contractual amounts:  
Paro Airport 12: Reduce the liability by Nu. 128,447.92 (to Nu. 11,677.08).  
Paro Town-DHI: Increase the liability by Nu. 44,321.40 (to Nu. 487,535.40).
2. Conduct a root-cause analysis (e.g., review data entry processes, contract interpretation, or system configuration).
3. Implement controls to validate lease terms against contractual agreements before posting.
4. Reconcile all lease agreements to ensure compliance with BFRS 16.





**Management Responses:**

We acknowledge the misstatement of the lease calculation as mentioned above. The necessary corrections have been made in the final financial statement. We will ensure that the recommendations provided are incorporated in the future

**Auditor's further comment:**

The correction has been reviewed, and this observation has been moved to MAR II.

**3. Misstatement in Right-of-Use (ROU) Assets and Lease Liabilities**

A material discrepancy was identified between the reported closing balances of Right-of-Use (ROU) Assets and Lease Liabilities (LL) as of December 31, 2024, and the recalculated amounts based on contractual lease terms and BFRS 16 requirements. This indicates errors in the recognition, measurement, or amortization of lease-related balances.

**Details of Discrepancies**

Particulars	Per GL (SAP)-(Nu)	Amount Recalculated (Nu.)	Delta (Nu.)
Closing Balance of ROU Assets	44,963,119.72	46,634,369.50	(1,671,249.78)
Closing Balance of Lease Liabilities	52,994,200.27	51,672,375.97	1,321,824.30
<b>Total</b>	<b>97,957,319.99</b>	<b>98,306,745.47</b>	<b>(349,425.48)</b>

**Implications:**

- Financial Statement Misstatements:  
ROU Assets are understated by Nu. 1.67 million, distorting the value of non-current assets.  
Lease Liabilities are overstated by Nu. 1.32 million, inflating financial obligations.
- Impact on Key Metrics:  
Incorrect debt-to-equity and asset turnover ratios, affecting stakeholder decision-making.
- Non-Compliance with BFRS 16:  
Failure to accurately measure and present ROU assets and lease liabilities violates the standard's requirements.

**Recommendations:**

- Recalculate and Adjust Balances:  
Recompute ROU asset amortization and lease liability interest expenses using validated lease terms and discount rates.  
Post adjusting entries to correct the ROU asset (increase by Nu. 1.67 million) and lease liability (decrease by Nu. 1.32 million).
- Reconcile Lease Portfolios:  
Perform a lease-by-lease review to identify and resolve discrepancies (e.g., missing modifications or incorrect terms).
- Strengthen Documentation:  
Maintain audit trails for lease calculations, including assumptions for discount rates and amortization schedules.

**Management Responses:**

We acknowledge the misstatement of the lease calculation as mentioned above. The necessary corrections have been made in the final financial statement. We will ensure that the recommendations provided are incorporated in the future. We will adopt the same methodology and worksheet that were used for the financial year 2024.

**Auditor's further comment:**

The correction has been reviewed, and this observation has been moved to MAR II.

**4. Difference in share capital**

DrukAir Corporation Limited was incorporated with the Companies Register on August 23, 2010, and after the merger of Heli-copter, it was incorporated again on April 25, 2023. We have noted that the share capital reported in the financial statement is Nu. 308,623,900 as of December 31, 2024.



However, according to the Articles of Incorporation, the subscribed paid-up share capital is Nu. 4,308,632,900 and there is a discrepancy of Nu. 9,000.

Therefore, we recommend that the management discuss this with the Corporate Regulatory Authority (CRA) to initiate correct amendments to the paid-up share capital.

**Management Responses:**

*Share capital of Nu. 4,308,623,900 reflected in the financial statement is deemed correct based on the number of shares (43,086,239) at a share price of Nu. 100 each. The share certificate also reflects the same number of shares. However, while filing the AoA with the company registrar, the numbers of shares was incorrectly quoted as 43,086,329, resulting in an error of Nu. 9000 in the share value. The company secretary has initiated the correction in number of shares in the AoA and obtained amendment copy as attached.*

**Auditor's further comment:**

We acknowledge the management's response regarding the discrepancy in the number of shares recorded in the Articles of Incorporation (AoI) and appreciate the corrective action taken.

We note that the company secretary has initiated and obtained the necessary amendment to correct the share count in the AoI. However, we recommend that stronger internal review mechanisms be put in place to prevent such discrepancies in regulatory filings in the future. Ensuring accuracy in legal and financial records is critical for compliance.

Since the necessary adjustments are made, this observation will be dropped to MAR 2.





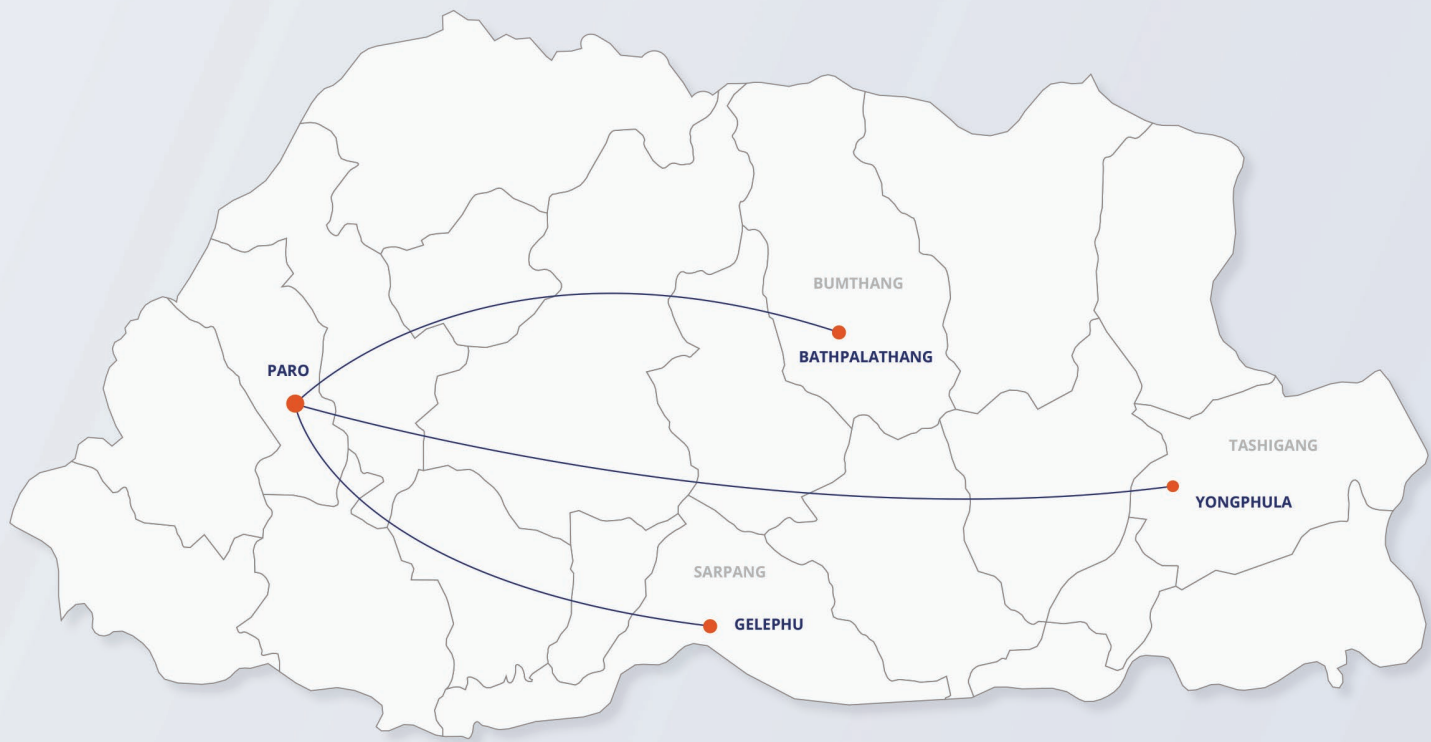
# PRIOR YEAR AUDIT FOLLOW-UP REPORT

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## Drukair Corporation Limited

### Summary of Follow-up Report for Statutory Audit for the year 2023 and prior years

Accounting Year	Total No. of recommendation provided/ pending for implementation	No. of recommendation implemented	Balance recommendations to be implemented
2023	0	0	0



## Domestic Route Map

— Operational



## International Route Map

— Operational  
- - - Seasonal



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