Drukair
Royal Bhutan Airlines
A dhi Company

ANNUAL REPORT 2025


Drukair

The Year In Review

The year 2025 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 2025, Drukair fixed wing operated a total of 4,819 flights, an increase of 9% from 4,435 flights in 2024. This expansion in flight operations resulted in the airline carrying 261,866 passengers, compared to 234,845 passengers in 2024. On the rotary wing side Drukair recorded 1309 revenue flight hours, reflecting a 23% increase from 1067 hours in 2024. Overall, this operational growth underscores sustained demand recovery, improved route optimization, and enhanced fleet utilization. Most importantly, it highlights continued passenger confidence in Drukair's reliability, reinforced by its strong safety standards and high service quality.

In 2025, Drukair achieved a historic milestone by recording its highest-ever revenue of Nu. 6.8 billion, representing a 27% increase over Nu. 5.5 billion in 2024. This strong performance was accompanied by a Profit Before Tax (PBT) of Nu. 1,154 million and a Profit After Tax (PAT) of Nu. 812 million, compared to Nu. 178 million in 2024—an increase of Nu. 634 million or 356%. These results mark a historic achievement and the strongest financial performance ever recorded in Drukair's history. Passenger revenue increased from Nu. 3,840 million in 2024 to Nu. 5,117 million in 2025. Likewise, revenue from chartered flights also increased from Nu. 332 million to Nu. 430 million. The helicopter services also experienced growth, with revenue increasing from Nu. 185 million in 2024 to Nu. 194 million in 2025. To further support future expansion Drukair has strengthened its sales and distribution strategy by enhancing global market access through the successful migration to the HITIT Crane Passenger System. The Company also implemented key distribution initiatives including the Airline Promotion group (APG) codeshare arrangement, interline partnership with Thai Airways, Turkish Airlines, Air India and Emirates. New strategic partnership with Worldpay for global payment getway was also successful. These collaborations have significantly improved international distribution and interline e-ticketing capabilities, thereby expanding Drukair's global reach while enhancing customer convenience and satisfaction.

As part of Drukair's commitment to Corporate Social Responsibility (CSR), the Tongsa Penlop Inspire Program (TPIP), founded by Yab Dasho Dhondhup Gyaltshen, restarted on 18th December 2025 with 47 student participants from 20 Dzongkhags. In addition, Drukair recruited six national Commercial Pilot License (CPL) holders on a temporary basis, providing them with valuable flying hours and a fixed monthly salary to support their professional development and career advancement within the aviation industry. During the year, the Company also supported various national events of social importance through complimentary and concessional air tickets for public benefits.

Drukair achieved a compact score of 98.58 % for 2025, resulting in full Performance Based Variable Payout (PBVP) for employees. Looking ahead, the company has set challenging targets for 2026, including total revenue targets of Nu. 7.34 billion, PBT of Nu. 851.31 million, and PAT of Nu. 655.46 million.

To enhance international connectivity and foster opportunities for tourism, trade, and cultural exchange, the Company launched its first international service from Gelephu to Kolkata with a twice weekly frequency. The launch reflects Drukair's commitment to expanding its network and supporting national development priorities, including the visionary Gelephu Mindfulness City project.

The 35th Annual General Meeting, held on 18th March 2026, acknowledged that Drukair achieved a historic milestone by recording its highest-ever revenue of Nu. 6.8 billion. During the year, the Company also attained a Customer Satisfaction Index (CSI) score of 4.19 for 2025—the highest ever recorded by Drukair—ranking it the top performer among all DHI companies.

Future plans include achieving the International Air Transport Association (IATA) Operational Safety Audit (IOSA) certification within 2026, which will enable interline agreements and code-sharing opportunities with other IATA member airlines. The Company will also work progressively for the acquisition of five new aircraft, the leasing of Airbus A320neo and the corporate jet conversion project to support operations for the Gelephu Mindfulness City initiative. With the induction of the Pilatus PC-24 into Drukair's fleet, the Company remains committed to strengthening and expanding its charter service portfolio. The joint venture glider project will also continue to progress.

Drukair extends gratitude to His Majesty The King, the Royal Family, 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 2025. The achievements and milestones of 2025 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

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 Southeast 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, one PC-24 and three Airbus H130 helicopters for rotary services as of December 2025.

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, external sling load operations 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

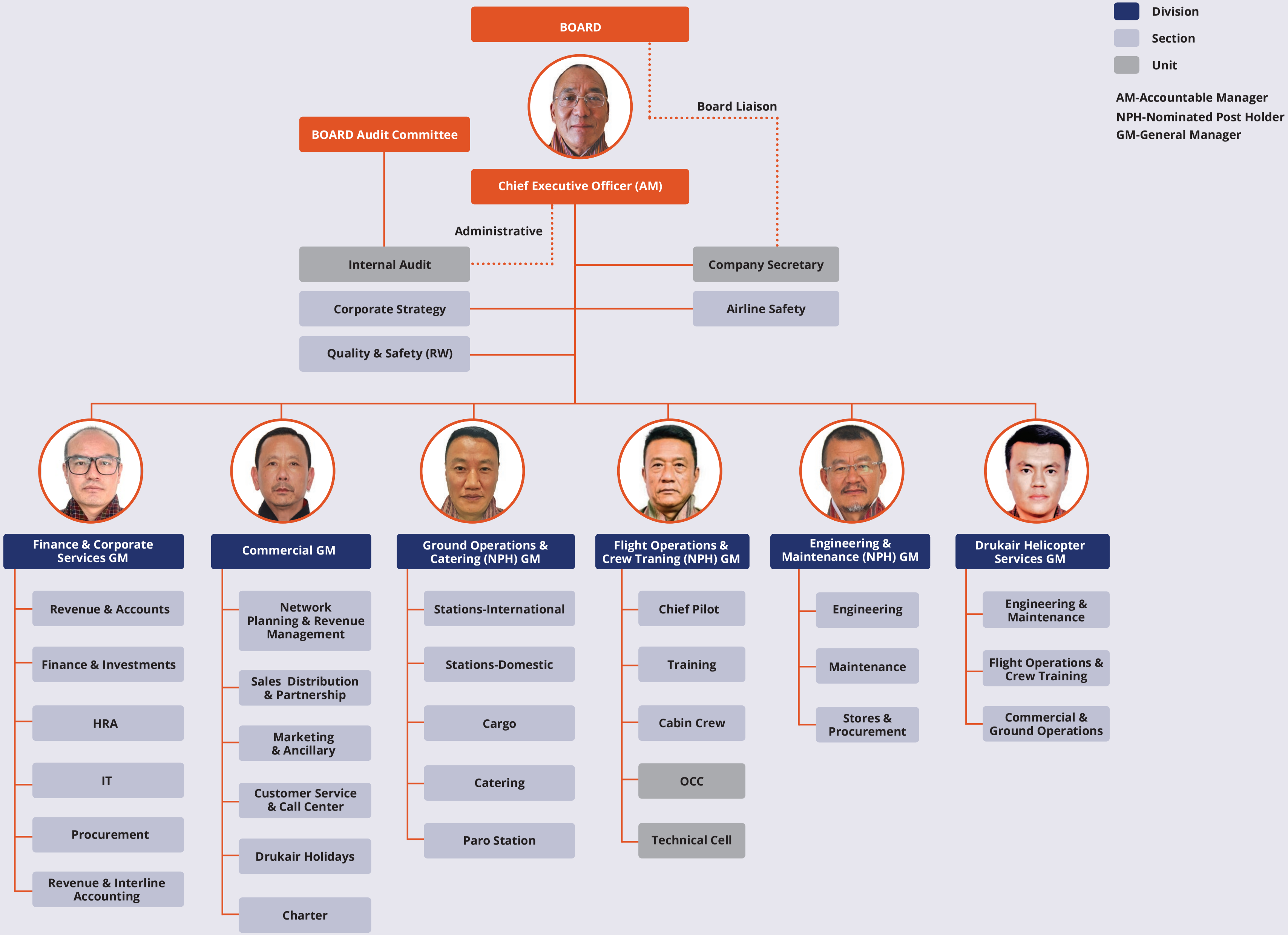
CORE VALUES

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 Wangchuk, Board Director

Mr. Karma Wangchuk is the Secretary of 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. Karma Lotey, Board Director

Mr. Karma Lotey is the President of Yangphel Adventure Travel, one of Bhutan's leading tour operators and has been on the top since its inception in 1988. Mr. Lotey has been with Yangphel 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. Dorji Nima, Board Director

Mr. Dorji Nima is the Chief Operating Officer of 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, marketeer, 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. Norbu Wangchuk, Board Director

Mr. Norbu Wangchuk is the Dzongdag of the Paro District Administration and has over 25 years of professional experience. He holds a master's degree in international political economy and is a recipient of the Joint Japan/World Bank Scholarship. He previously served as Director of Technical Education and Director of Workforce Planning under the Ministry of Labour and Human Resources.

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

Captain Sonam Choeda,
General Manager, Flight Operations
and Crew Training Division

Mr. Ugen Tashi,
General Manager,
Ground Operations Division

Mr. Thrimchong Wangdi,
General Manager, Engineering
and Maintenance Division

Mr. Wangchuk Tshering,
General Manager,
Commercial Division

Mr. Nima Wangchuk,
General Manager,
Finance & Corporate
Services Division

Mr. Gem Dorji Tshering,
General Manager,
Helicopter Services division

DIRECTORS' REPORT 2025

INTRODUCTION

The Board is pleased to report on the Company's performance for the period 1st January 2025 to 31st December 2025.

The financial year 2025 will be remembered as a defining year in the history of Drukair Corporation Limited.

For the first time since its establishment, Drukair has achieved both record-breaking revenue and profit after tax in a single financial year. Operating revenue reached Nu. 6,880 million, while profit after tax increased to Nu. 812 million, representing a 356 percent growth compared to the previous year. These results reflect disciplined strategy execution, operational efficiency, and the continued strengthening of the Company's financial position.

Drukair also maintained high standards of service delivery, achieving a Customer Satisfaction Index (CSI) score of 4.19, the highest among all companies within the DHI Group. This achievement reflects the dedication of the Company's employees to safety, reliability, and service excellence.

During the year, Drukair advanced several key strategic initiatives, including the expansion of its fleet strategy, the induction of the Pilatus PC-24 aircraft, and the launch of its first international service from Gelephu. These developments position the Company to support Bhutan's growing aviation sector and align with His Majesty's vision for the Gelephu Mindfulness City.

1. OPERATIONAL HIGHLIGHTS

1.1. Fixed Wing Operations

In 2025, Drukair's fixed wing fleet operated a total of 4,819 flights, representing a 9% increase over the 4,435 flights operated in 2024. This growth reflects sustained demand recovery, improved route optimization, and enhanced fleet utilization.

The total number of passengers carried, including charter operations, increased by 12%, reaching 261,866 passengers compared to 234,845 in 2024. Scheduled passenger numbers alone increased by 9%, rising from 227,149 in 2024 to 247,270 in 2025. This steady growth demonstrates continued passenger confidence in Drukair's reliability, safety standards, and service quality.

Cargo volumes also increased from 574 metric tons (MT) in 2024 to 630 MT in 2025, reflecting growth in trade-related movements and strengthened logistics connectivity.

A major milestone during the year was the launch of Drukair's first international service from Gelephu on the Gelephu–Kolkata–Gelephu sector, operating twice weekly. This historic step signifies Drukair's active role in positioning Gelephu as Bhutan's future international aviation gateway in alignment with the Gelephu Mindfulness City development plans.

Across all competitive routes, Drukair achieved an average market share of 79%, reinforcing its dominant position in the Bhutan aviation market.

1.2. Rotary Wing Operations

Drukair Heli Services recorded 1,309 revenue flight hours in 2025, reflecting a 23% increase from 1,067 hours in 2024. The increase was primarily driven by higher demand for Tourist Helicopter Charters and Helicopter Emergency Medical Services (HEMS).

With a fleet of three helicopters, Drukair further strengthened connectivity to remote and far-flung regions of the country. The expansion of rotary wing services has enhanced the Company's ability to respond to medical evacuations, search and rescue missions, and national priority operations, thereby combining commercial growth with public service responsibilities.

2. FINANCIAL HIGHLIGHTS

2.1. Financial Position Strengthening

Total assets increased significantly from Nu. 9,390 million in 2024 to Nu. 11,142 million in 2025, representing an increase of Nu. 1,752 million.

Non-current assets increased by 7%, rising from Nu. 7,933 million in 2024 to Nu. 8,463 million in 2025. This increase was primarily due to pre-delivery payments made for the acquisition of two Airbus A321XLR aircraft and three Airbus A320neo aircraft, advance payments related to aircraft acquisition and maintenance arrangements, and the acquisition of the Pilatus PC-24 aircraft during the year.

Current assets increased from Nu. 1,458 million in 2024 to Nu. 2,680 million in 2025. This growth was mainly attributable to a Nu. 1,184 million (321%) increase in loans and advances, largely on account of payments related to the corporate jet conversion project.

During 2025, Drukair received additional share capital amounting to Nu. 1,166 million, bringing the total share capital to Nu. 5,475 million. Furthermore, Nu. 812 million was transferred from retained earnings. As a result, shareholders' funds increased by Nu. 2,046 million, representing a 120% increase from Nu. 1,709 million in 2024 to Nu. 3,755 million in 2025. This substantial strengthening of equity reflects improved profitability and enhanced financial stability.

Total non-current liabilities increased by Nu. 461 million (13%), rising from Nu. 3,596 million in 2024 to Nu. 4,057 million in 2025, mainly due to the deferred grant received for the PC-24 aircraft from GMCA.

Conversely, current liabilities decreased by Nu. 755 million (18%), falling from Nu. 4,085 million in 2024 to Nu. 3,330 million in 2025. This reduction was primarily due to loan repayments and a significant decrease in unflown ticket liabilities amounting to Nu. 420 million (65%), reflecting improved operational stability and better liability management.

2.2. Income – Record Breaking Revenue Performance

3. The summary of financial performance for the year 2025 (in million Nu.) is shown in the table below:

Particular	2025	2024	Variance in Nu.	Variance in %
Operating Revenue	6,880	5,400	1,480	27 %
Operating Expenditure	5,420	4,579	841	18 %
Operating Profit/(Loss)	1,460	821	639	78 %
Non-Operating Revenue	79	98	-19	-19%
Non-Operating Expenses	385	417	-32	-8 %
Profit/(Loss) before tax	1,154	502	652	130 %
Tax Expenditure	342	325	17	5 %
Profit/(Loss) after tax	812	178	634	356 %

Drukair's operating revenue reached Nu. 6,880 million in 2025, representing a 27% increase over Nu. 5,400 million recorded in 2024. This marks the highest operating revenue in the Company's history.

Passenger revenue increased by Nu. 1,276 million, rising from Nu. 3,840 million in 2024 to Nu. 5,117 million in 2025. Charter flight revenue increased by Nu. 98 million, from Nu. 332 million to Nu. 430 million. Revenue from helicopter services increased by Nu. 8.79 million, from Nu. 185 million in 2024 to Nu. 194 million in 2025.

Non-operating revenue declined modestly by Nu. 19 million (19%), decreasing from Nu. 98 million in 2024 to Nu. 79 million in 2025. This reduction was mainly due to a Nu. 24 million decrease in interest subsidies received from the Royal Government of Bhutan and lower interest income, along with a decline in miscellaneous income.

Despite the reduction in non-operating income, strong growth in operating revenue significantly enhanced overall profitability.

3.1. Expenditure Discipline and Cost Efficiency

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

Particular	2025	2024	Variance in Nu.	Variance in %
Flight operation cost	2,402	1,996	406	20%
Other operation cost	344	244	100	41%
Aircraft maintenance cost	551	283	267	95%
Other maintenance cost	21	16	5	31%
Employee cost	815	748	67	9%
Marketing and Sales cost	111	108	3	3%
Other Administration cost	291	341	-50	-15%
Depreciation	885	842	43	5%
Total operating expenditure	5,420	4,579	841	18%
Finance cost	385	417	-31	-8.%

Total operating expenditure increased by Nu. 841 million (18%), rising from Nu. 4,579 million in 2024 to Nu. 5,420 million in 2025.

Flight operation costs increased by Nu. 406 million (20%) due to the 9% increase in flight operations. Aircraft maintenance costs rose significantly by 95%, increasing from Nu. 283 million to Nu. 551 million, primarily driven by engine repair and major maintenance requirements.

Employee costs increased by 9%, rising from Nu. 748 million to Nu. 815 million, as the workforce expanded from 537 employees in 2024 to 554 employees as of 31 December 2025 to support operational growth.

Marketing and sales costs increased marginally by 3%, while administrative costs decreased by 15%, reflecting improved cost discipline compared to the previous year, which had included one-time write-offs and foreign exchange losses.

Finance costs declined by 8%, from Nu. 417 million in 2024 to Nu. 385 million in 2025, due to prudent debt management and loan repayments.

Importantly, revenue growth outpaced expenditure growth, resulting in strong operating leverage.

4.1. Profitability – Historic Bottom Line Performance

Profit before tax rose to Nu. 1,154 million in 2025, compared to Nu. 502 million in 2024, representing an increase of Nu. 652 million or 130%.

Tax expenses amounted to Nu. 342 million, comprising current tax of Nu.107.35 million and deferred tax expense of Nu. 234.55 million.

Profit after tax reached Nu. 812 million, compared to Nu. 178 million in 2024, representing a remarkable increase of Nu. 634 million or 356%. This represents the strongest bottom-line performance in Drukair's history.

3. CUSTOMER CARE – HIGHEST CSI IN THE GROUP

The Customer Satisfaction Index (CSI) for 2025 reached 4.19, the highest score ever recorded by Drukair. This reflects a meaningful improvement of 0.12 points over the 2024 score of 4.07.

Importantly, the 2025 CSI score of 4.19 is the highest among all DHI Group companies, underscoring Drukair's leadership in service delivery across the Group.

This achievement demonstrates that the Company's record financial performance was matched by exceptional customer experience and service quality.

4. FLEET MANAGEMENT – STRATEGIC MODERNISATION AND FUTURE READINESS

Fleet strategy in 2025 was guided by two key imperatives: operational resilience and long-term national alignment.

In alignment with the development plans of the Gelephu Mindfulness City (GMC), the acquisition program for three Airbus A320neo aircraft and two Airbus A321XLR aircraft remains on track. These aircraft will replace aging A319 units and expand the Company's network capability beyond traditional regional routes. The A321XLR aircraft, in particular, will enable longer-haul operations, opening new market opportunities and enhancing Bhutan's global connectivity.

Pursuant to the strategic decision to convert aircraft A319 (A5-JSW) into a corporate jet configuration, the General Terms Agreement (GTA) was executed with AAR Engineering Services in Singapore. This initiative will create a high-value aviation asset capable of supporting premium corporate travel, national priority missions, and GMC-related engagements.

To maintain fleet flexibility and capacity optimization during this transition period, Drukair entered into a lease agreement with SMBC Aviation Capital for one A320neo aircraft, with delivery scheduled for the first quarter of 2027.

A major milestone during the year was the induction of the Pilatus PC-24 aircraft on 27th November 2025. The PC-24 significantly enhances the Company's operational versatility. It will support corporate travel associated with GMC development, medical evacuation missions, charter services, and selected domestic connectivity requirements. The induction of this aircraft represents both a strategic and operational strengthening of Drukair's asset base.

The successful launch of the Gelephu–Kolkata international service further reinforces Drukair's positioning as the primary aviation anchor for the future Gelephu International Airport.

5. HUMAN RESOURCE DEVELOPMENT AND ORGANISATIONAL STRENGTHENING

As of 31st December 2025, Drukair employed 554 personnel, comprising 475 regular staff, 75 contract employees, three temporary staff, and one daily wage employee.

During the year, 47 new employees were appointed while 33 employees separated from the Company, resulting in an attrition rate of 6.12%. The workforce composition stands at 64.40% male and 35.60% female employees.

The increase in manpower was strategically aligned with operational expansion, fleet growth, and enhanced service delivery standards. Recruitment was focused on strengthening technical, operational, and management capacities to support higher flight frequencies and expanded service offerings.

Drukair continues to invest in training, skill enhancement, and leadership development to ensure operational excellence, safety compliance, and succession planning. The Company recognizes that sustained performance is fundamentally driven by the capability and commitment of its people.

6. CORPORATE GOVERNANCE

Drukair maintained full compliance with the Corporate Governance Code issued by DHI throughout 2025.

During the year, seven Board Meetings and one Annual General Meeting were held, with quorum duly met at all meetings. The average attendance for Board Meetings stood at 87.76%, reflecting continued active engagement and oversight by the Directors.

As of 31st December 2025, the Board comprised seven Directors, including the Chairperson and the Chief Executive Officer. The Board continued to provide strategic direction, risk oversight, and performance monitoring in accordance with statutory and governance requirements.

Quarterly Risk Management Meetings were conducted to review and update the Company's Risk Register and Risk Treatment Action Plan (RTAP). These were endorsed by the Board and submitted to DHI in line with governance protocols.

Board transitions during the year were managed smoothly, ensuring continuity and stability in strategic leadership.

7. CORPORATE SOCIAL RESPONSIBILITY

Drukair continues to uphold its responsibility as a national institution committed to community upliftment and social development. CSR initiatives are guided by the Corporate Social Responsibility Guidelines (2013) issued by DHI.

The third edition of the Tongsa Penlop Inspire Program (TPIP) returned on 18th December 2025, with 47 students from 20 Dzongkhags sponsored for a one-week educational and cultural exposure visit to Thailand. This initiative, founded by Yab Dasho Dhondup Gyaltshen, remains one of Drukair's flagship CSR program, aimed at empowering youth from across Bhutan.

The Company also supported various national events of social importance through complimentary and concessional air tickets for public benefit.

Recognizing the employment challenges faced by Bhutanese Commercial Pilot License (CPL) holders, Drukair temporarily recruited six national CPL holders under a CSR initiative. This enabled them to accumulate essential flying hours while remaining compliant with regulatory requirements, thereby contributing to national human capital development in aviation.

Customary Rimdos, Soekha, Rewsangchoe, and prayer ceremonies were conducted at the Headquarters and all four domestic airports for the well-being and safety of employees and passengers.

8. STATUTORY AUDIT REPORT

The statutory audit for FY2025 was conducted by M/s. Tshechu & Associates, marking their first year as statutory auditors for Drukair as appointed by the Royal Audit Authority.

The audit commenced on 20th January 2026 and concluded on 6th February 2026. The auditors issued an unqualified audit opinion for FY2025 and confirmed that the Company complied with all requirements of the Companies Act of Bhutan, 2016. There are no pending observations from previous financial years.

This clean audit opinion reinforces the Company's commitment to transparency, financial discipline, and sound governance.

9. WAY FORWARD – CONSOLIDATING STRENGTH, SCALING GROWTH

As Drukair enters 2026, the Company does so from a position of financial strength and strategic clarity.

The immediate priority remains to support and align with His Majesty's vision for the Gelephu Mindfulness City. Drukair will continue to position itself as the primary aviation enabler for GMC's development by expanding international connectivity, enhancing fleet capability, and strengthening operational readiness.

The Company is targeting IATA Operational Safety Audit (IOSA) certification within 2026. IOSA certification will enhance global credibility, enable broader interline and codeshare partnerships, and elevate Drukair's international standing.

Following the signing of the interline agreement with Thai Airways in October 2025, Drukair will pursue additional interline passenger partnerships with major international carriers. These agreements will enable seamless multi-carrier travel under a single ticket, significantly extending Drukair's global reach beyond its existing network.

The Company also intends to strengthen cargo operations through interline cargo partnerships, enabling end-to-end transshipment under a single airway bill, thereby improving service reliability and generating new revenue streams.

With the establishment of a dedicated Charter Services Section and expansion of Drukair Holidays, the Company aims to diversify tourism offerings while optimizing fleet utilization.

Drukair's strategy for 2026 and beyond is clear: disciplined expansion, sustained profitability, strengthened governance, and continued alignment with national priorities.

10. ACKNOWLEDGEMENTS

On behalf of the Board of Directors, the Management, and all employees of Drukair, I convey our profound gratitude to His Majesty The King for His visionary leadership and unwavering dedication to the people of Bhutan.

We would like to express our sincere gratitude to Chairman, Board and Management of DHI for their continued guidance and support extended to Drukair.

We extend our sincere appreciation to the Royal Government of Bhutan, the Gelephu Mindfulness City Authority, Bhutan Civil Aviation Authority, Department of Air Transport, Department of Tourism, and all relevant Ministries and stakeholders whose continued support and collaboration have been instrumental in achieving the Company's strategic objectives.

Finally, the Board expresses its deepest appreciation to the management and employees of Drukair for their professionalism, discipline, and commitment, which made this historic year possible. We also thank our valued customers for their continued trust and loyalty.

The year 2025 will be remembered as a milestone in Drukair's journey, a year of record performance, strengthened foundations, and renewed strategic confidence.

Thank you,

For and on behalf of the Board,

[Mr. Karma Wangchuk]
CHAIRMAN

CORPORATE GOVERNANCE REPORT

The company complied with the Corporate Governance (CG) Code issued by DHI. The company's Board held seven Board Meetings, six Board Audit Committee meetings, six Board HR Committee meetings and four Board committees for fleet expansion.

CEO and Board Remuneration

For the year 2025, the Board of Directors received a fixed amount as a sitting fees. As such the remuneration is not based on commission or percentage of profits or turnover. Each Director was paid a sitting fee of Nu. 10000(Ngultrum ten thousand) per sitting for every board meeting and Nu.5000(Ngultrum five thousand)per sitting for Board committee respectively.

The remunerations paid to the Directors including the Chairman were Nu. 608,000 (Ngultrum six hundred eight thousand) and ID tickets as entitled. The remuneration paid to the CEO was Nu.5,000,629 (Ngultrum Five Million Six Hundred Twenty-Nine Only), and ID tickets as per contract.

Annual General Meeting

The 35th Annual General Meeting of Drukair Corporation Limited for the FY 2024 was held on 18th March 2026 at the DHI Board Room, Thimphu.

The AGM Resolved that:

The Directors' report, Audited Accounts and the Auditor's Report for the financial year ended 31st December 2025 as presented by the Board of Directors are adopted.

No dividend is declared for the financial year 2025.

The retirement, appointment, and reappointment of the Directors for a term of two (2) years are endorsed.

The Appointment and Remuneration of Statutory Auditors are approved.

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

The PBVP is approved based on the Compact Score of 98.58% for the year 2025.

Risk Management System

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 2025, 13 risks have been documented in the register spanning HR, Finance, Engineering, Ground Operations, Airline Safety, and Rotary Operations. Of these, three are classified as Tier 1 (high-risk) areas, nine as Tier 2, and one as Tier 3 on an inherent basis. The two most significant risk areas are outlined below.

Financial Risk — Aircraft Funding and Currency Depreciation

Sourcing funds for the acquisition of five aircraft and the depreciation of the Ngultrum against the US dollar are both rated Tier 1 for inherent and residual impact, reflecting their critical financial significance. To manage these risks, Drukair has adopted robust financial planning, hedging strategies, and cash flow management practices. Additionally, poor aircraft utilization has been identified as a combined financial and operational risk, addressed through:

- Close monitoring of operational efficiency
- Optimisation of flight schedules and proactive scheduling
- Expansion of charter operations to enhance aircraft productivity

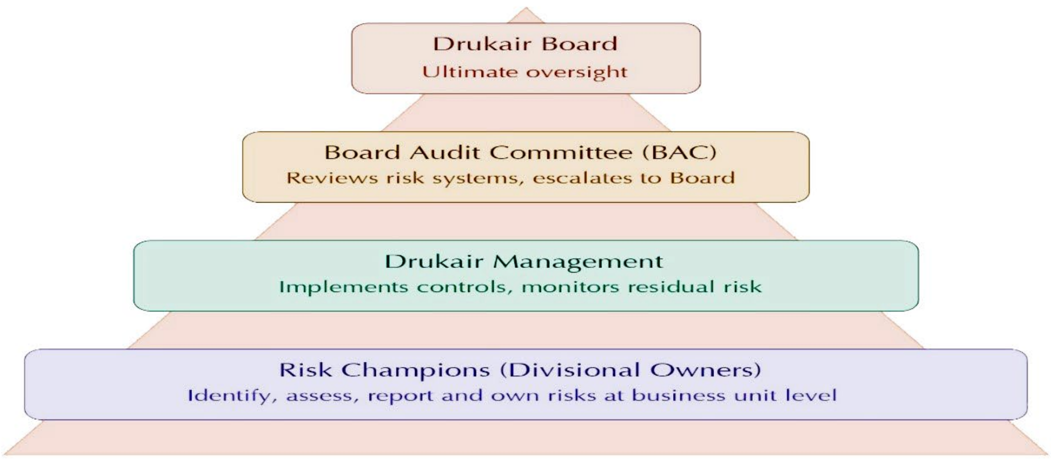
Operational and Safety Risk Management

Operational risks across Engineering and Ground Operations — including human error in aircraft maintenance, technical issues at outstations, and flight delays — are assessed at Tier 3–4 in residual terms. Drukair continuously evaluates maintenance procedures, technical readiness, and operational protocols to minimise disruptions.

Airline safety risks such as bird strikes, Controlled Flight Into Terrain (CFIT), and adverse weather are carefully managed through safety management programmes, rigorous pilot training, and strict adherence to standard operating procedures, with residual risk levels maintained between Tier 2 and Tier 3.

In Rotary Operations, risks including pilot incapacitation, engine failure, and high-tension electrical wire hazards are all maintained at residual Tier 2, through regular pilot training, pre-flight hazard assessments, and systematic safety checks.

Drukair Risk Reporting Structure



Risk escalates upward - Accountability flows downwards

Drukair's risk governance operates through four tiers, as illustrated above. Risk Champions within each division identify, assess, and report risks. Drukair Management implements controls and monitors residual exposure. The Board Audit Committee (BAC) provides oversight and escalates significant matters to the Drukair Board, which holds ultimate accountability for risk governance.

By maintaining this structured system, Drukair proactively identifies and mitigates risks, safeguarding its operational and financial stability in line with global aviation standards.

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.

The third edition of the Tongsa Penlop Inspire Program (TPIP) returned on 18th December 2025, with 47 students from 20 Dzongkhags sponsored for a one-week educational and cultural exposure visit to Thailand. This initiative, founded by Yab Dasho Dhondup Gyaltshen, remains one of Drukair's flagship CSR program, aimed at empowering youth from across Bhutan. The Company also supported various national events of social importance through complimentary and concessional air tickets for public benefit.

Recognizing the employment challenges faced by Bhutanese Commercial Pilot License (CPL) holders, Drukair temporarily recruited six national CPL holders under a CSR initiative. This enabled them to accumulate essential flying hours while remaining compliant with regulatory requirements, thereby contributing to national human capital development in aviation.

Customary Rimdos, Soekha, Rewsangchoe, and prayer ceremonies were conducted at the Headquarters and all four domestic airports for the well-being and safety of employees and passengers.

Policies and Practices of CEO and Board Evaluation

The evaluation of Board Directors and CEO has been carried out for FY 2025 as per the existing policies and practices of DHI for DHI owned companies.

INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

TITLE SHEET	
1. Title	Audit Report on the financial statements of Drukair Corporation Limited
2. AIN	
3. Head of the Agency	Mr. Tandi Wangchuk, Chief Executive Officer CID No. 11005000529
4. Name of Accounts Personnel	1. Nima Wangchuk, GM CID No. 11508004215 2. Janardan PD Poudel, Associate Accounts Officer (Kathmandu Station), CID No. 2005 3. Kuenzang Lhamo, In-Charge (Thimphu Account Unit), CID No.10806000032 4. Samten Wangchuk, Associate Accounts Officer (Delhi Station), CID No.10705000307 5. Sonam Zangpo, Account Assistant (Bangkok Station), CID No. 10705003600 6. Debasree Paul Chowdhury, Accounts Officer (Kolkata Station), PP No. M2464755 7. Md Alamgır Hossain, Account Assistant (Dhaka Station) CID No.2803084926 8. Firoj Alam, Sr. Accounts Assistant (Bagdogra Station), PP No. U6270302
5. Period Audited	1 January 2025 31 December 2025
6. Schedule of Audit	20/01/2026 to 06/02/2026
7. Auditor Team	**Team Leader:** Damcho Tshering CID No. (11003000576) **Team Member** Damber Singh Mongar, Audit Associate CID No.(10311003198) Tashi Pelden, Audit Associate CID No.(11704001872) Dawa, Audit Associate
8. Supervising Officer	Tshechu, FCPA (Aust.), Managing Partner, (CID No. 11216003250), Email: tshechu.associates@gmail.com
9. Overall Supervising Officer	Tshechu, FCPA (Aust.), Managing Partner, (CID No. 11216003250), Email: tshechu.associates@gmail.com
10. Engagement Letter:	RFPL/ENL/25/001
11. Focal Person	Tshechu, FCPA (Aust.), Managing Partner, (CID No. 11216003250), Email: tshechu.associates@gmail.com
12. Date of Audit Exit Conference:	13 February 2026

ACRONYMS	
AAG	Assistant Auditor General
AIN	Audit Identification Number
AR	Audit Report
BAS	Bhutanese Accounting Standards
CID	Citizenship Identity Number
EID	Employee Identity Number
GCD	Governance Cluster Division
IAS	International Accounting Standards
IFRS	International Financial Reporting Framework
ISA	International Standards on Auditing
RAA	Royal Audit Authority
RGoB	Royal Government of Bhutan

To,
The Shareholders
Drukair Corporation Limited
Bhutan

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Drukair Corporation Limited (the Company)**,which comprises the Statement of Financial Position as at 31 December 2025, 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 respects, the financial position of the Company as at 31 December 2025, and of its financial performance and its Cash Flows for the year then ended in accordance with Bhutanese Accounting Standards (BAS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements 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.

Emphasis of Matter

We draw attention to Audit Findings and Recommendations included at the end of this Audit Report, which describes the Company's capitalization of Nu. 42,550,376 as intangible assets relating to the acquisition of application services from Hitit Solutions.

As disclosed by management, the Company has capitalised the costs incurred in relation to the HITIT application services pending clarification from the Accounting

TSHECHU ASSOCIATES CERTIFIED PRACTISING ACCOUNTANT and Auditing Standards Board of Bhutan (AASBB) regarding the appropriate accounting treatment.

Based on our review of the underlying Agreement, Hitit Solutions remains the sole owner of the software and retains full intellectual property rights. The Agreement provides Hitit with the authority to suspend or cease all or part of the services in the event of non-payment. The backup of HITIT Crane Software is also maintained by the vendor based in Turkey. Accordingly, the Company does not obtain control over the software or the underlying intellectual property.

In our view, the arrangement represents a Software-as-a-Service (SaaS) arrangement rather than the acquisition of an identifiable intangible asset. Consequently, the related application service fees do not meet the recognition criteria under BAS 38 – Intangible Assets and should be recognised as expenses when incurred. The matter remains subject to further review pending clarification and interpretation from the Accounting and Auditing Standards Board of Bhutan regarding the capitalisation of expenditures of this nature as intangible assets.

Our opinion is not modified in respect of this matter.

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 31 December 2025. 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

Management is responsible for the 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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

a. We have obtained all 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 Tshechu & Associates
Certified Practising Accountants
Firm Empanelment No.: BH - 07

Tshechu, FCPA (Aust.)
(Membership No.: 9798359
Managing Partner
Place: Thimphu
Dated: 07/04/2026

TSHECHU & ASSOCIATES CERTIFIED PRACTISING ACCOUNTANT

MIMINUM AUDIT EXAMINATION AND REPORTING REQUIREMENTS

Appendix – I

MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENTS DRUKAIR CORPORATION LIMITED FOR THE YEAR ENDED 31 DECEMBER 2025

As required by Section 266 of the Companies Act of Bhutan, 2016, and on the basis of such checks and test verification of accounts and records as we considered appropriate, and according to the information and explanations given to us, we report, to the extent applicable, that:

1. The Company has maintained proper records showing full details, including quantitative details and the location of fixed assets for the Head Office and all stations. Physical verification of fixed assets was not carried out during the year under audit.
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. According to the information and explanations provided, and based on the physical verification report conducted by the management, a discrepancy of Nu. 69,811.02 was identified between the physical inventory and the book records. However, this variance has not been adjusted or recorded in the books of accounts.
6. The Company has maintained a reasonable system of recording receipts, issues, and consumption of Inflight Catering & duty-free stocks, stock of tickets, Gift stocks, aircraft maintenance supplies, and Uniform stores. and the cost thereof is charged to the respective expenses. Considering the size and nature of the Company's business, the recording and consumption of stores is adequate.
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. Based on the information provided by the management, no obsolete, damaged, slow-moving, or surplus goods/inventories were identified or determined during the year under audit.

Appendix – I

9. The Company, during the year, has written off prior-year obsolete and unserviceable inventories amounting to Nu. 2,497,040.94.
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.
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.
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

TSHERING & ASSOCIATES CERTIFIED PRACTISING ACCOUNTANT

Appendix – I

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. As per the information and explanations provided to us, there were no unserviceable or damaged stores during the year under audit.
21. *The said clause is not applicable in view of the nature of business.*
22. *The said clause is not applicable in view of the nature of business.*
23. *The said clause is not applicable in view of the nature of business.*
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 the financial year.
26. *The said clause is not applicable in view of the nature of business.*
27. 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 a proper costing system for the purpose of fixation of tariff rates.
28. 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.
29. 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.
30. In our opinion and according to the information and explanations given to us, the Company has a 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.
31. In our opinion and according to the information and explanations given to us, the management of liquid resources particularly cash/bank and short-term

TSHECHU & ASSOCIATES CERTIFIED PRACTISING ACCOUNTANT

Appendix – I

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.

32. 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.
33. 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.
34. In our opinion and according to the information and explanations given to us, the Company has established an effective budgetary control system.
35. 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.
36. 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.
37. 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.
38. 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 is not made publicly available, unauthorized to their relatives / friends/ associates or close persons which would directly or indirectly benefit themselves. We have however relied on the management assertion on the same and cannot independently verify the same.
39. In our opinion and according to the information and explanations given to us, proper records are kept for inter unit transactions/services and arrangements for services made with other agencies engaged in similar activities.
40. In our opinion and according to the information and explanations given to us, the Company has executed agreements properly and the terms and conditions of leases are reasonable.

TSHECHU & ASSOCIATES CERTIFIED PRACTISING ACCOUNTANT

Appendix - I

Computerized Accounting Environment

1. In our opinion and according to the information and explanations given to us, the Company has a centralized and simple IT environment. Adequate IT controls, including user access controls and periodic data backups, are in place. These controls are considered adequate having regard to the size and nature of the Company's computer installations.
2. In our opinion, based on the information and explanations provided to us, the Company has implemented adequate safeguard measures and backup arrangements. The SAP accounting system backup is on the BT Server located in Phuentsholing. The backup of HITIT Crane software is currently maintained by the vendor based in Turkey.
3. In our opinion and according to the information and explanations given to us, there are backup facilities for 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.

Going Concern

Based on the attached Financial Statements for the year ended 31 December 2025, 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.

Ratio Analysis

Relevant ratio analysis has been carried out and the details are highlighted under ***Appendix - II***.

Compliance with the Companies Act of Bhutan 2016

We have checked the Company's compliances under the Companies Act of Bhutan, 2016 and our observations are highlighted in ***Appendix - III A & III B***.

TSHERING & ASSOCIATES CERTIFIED PRACTISING ACCOUNTANT

Appendix – I

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.

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37. 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.
38. 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 is not made publicly available, unauthorized to their relatives / friends/ associates or close persons which would directly or indirectly benefit themselves. We have however relied on the management assertion on the same and cannot independently verify the same.
39. In our opinion and according to the information and explanations given to us, proper records are kept for inter unit transactions/services and arrangements for services made with other agencies engaged in similar activities.
40. In our opinion and according to the information and explanations given to us, the Company has executed agreements properly and the terms and conditions of leases are reasonable.

CERTIFIED PRACTISING ACCOUNTANT

Appendix – I

Computerized Accounting Environment

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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.

Going Concern

Based on the attached Financial Statements for the year ended 31 December 2025, 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.

Ratio Analysis

Relevant ratio analysis has been carried out and the details are highlighted under *Appendix - II*.

Compliance with the Companies Act of Bhutan 2016

We have checked the Company's compliances under the Companies Act of Bhutan, 2016 and our observations are highlighted in *Appendix - III A & III B*.

TSHECHU ASSOCIATES CERTIFIED PRACTISING ACCOUNTANT

Appendix – I

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 Tshechu & Associates
Certified Practising Accountants
Firm Empanelment No.: BH - 07

Tshechu, FCPA (Aust.)
(Membership No.: 9798359)
Managing Partner
Place: **Thimphu**
Dated: 07/04/2026

TSHECHU ASSOCIATES * CERTIFIED PRACTISING ACCOUNTANT *

FINANCIAL STATEMENTS -
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2025

DRUKAIR CORPORATION LIMITED
STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2025

(Amount in Nu.)

Particulars	Related Note	31 December 2025	31 December 2024
Non-current assets			
Property, plant and equipment	3	7,223,725,718	6,830,878,630
Intangible assets	4	54,439,285	17,399,785
Right of use Assets	5	49,425,575	46,634,370
Trade and other receivables	6	2,367,525	1,139,460
Investment	7	30,403,542	20,498,813
Deferred tax asset	8	33,609,385	268,163,421
Capital Advances	9	1,068,756,515	748,566,643
Total		**8,462,727,546**	**7,933,281,121**
Current assets			
Trade and other receivables	6	339,214,633	349,869,205
Investment	7	103,082,478	111,240,882
Inventories	10	218,037,528	184,624,769
Cash and cash equivalents	11	467,241,270	443,462,236
Loan and advances	12	1,552,331,214	368,402,783
Total		**2,679,907,123**	**1,457,599,876**
Total assets		**11,142,634,669**	**9,390,880,997**
Equity attributable to owners of the parent			
Share capital	13	5,475,169,500	4,308,623,900
Other Capital Contribution	13	85,869,342	88,246,391
Reserves	13	107,332,347	37,614,917
Retained Earnings	13	(1,912,584,821)	(2,724,878,087)
Total		**3,755,786,368**	**1,709,607,121**
Non-current liabilities			
Borrowing	14	2,793,103,254	3,362,133,872
Provisions	15	112,956,496	109,086,681
lease liability	5	44,709,148	43,058,442
Other liabilities	17	1,106,433,070	81,802,348
Total		**4,057,201,968**	**3,596,081,343**
Current liabilities			
Borrowing	14	2,047,889,298	2,788,566,683
Provisions	15	180,527,303	44,685,634
Trade and other payables	16	589,580,250	434,167,376
lease liability	5	10,658,152	8,613,934
Other liabilities	17	500,991,330	809,158,907
Total		**3,329,646,333**	**4,085,192,534**
Total equity and liabilities		**11,142,634,669**	**9,390,880,997**

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

For Tshechu & Associates
Certified Practising Accountants
Firm Empanelment No.: BH - 07

Tshechu, FCPA (Aust.)
(Membership No: 9798359)
Managing Partner
Place : Thimphu
Date: 07/04/2026

TSHECHU & ASSOCIATES CERTIFIED PRACTISING ACCOUNTANT

For Drukair Corporation Limited:

Mr. Karma Wangchuk.
Chairman, BOD

Mr. Tandi Wangchuk
Chief Executive Officer

Mr. Nima Wangchuk
General Manager, FCSD

DRUKAIR CORPORATION LIMITED
STATEMENT OF COMPREHENSIVE INCOME FOR THR YEAR ENDED DECEMBER 31, 2025

(Amount in Nu.)

Particulars	Note	December 31, 2025	December 31, 2024
Operating revenue			
Traffic revenue	18	6,776,852,502	5,346,130,089
Other operating revenue	19	103,502,827	53,574,372
Total operating revenue		**6,880,355,330**	**5,399,704,461**
Operating expenditure			
Flight operation cost	21	2,401,774,092	1,995,764,816
Other operation cost	22	344,263,946	243,882,203
Aircraft maintenance cost	23	550,778,837	283,498,624
Other maintenance cost	24	21,662,345	16,136,700
Employee cost	25	814,982,881	748,317,312
Marketing and Sales cost	26	111,301,002	107,988,863
Other administration cost	27	290,738,120	340,983,715
Depreciation and amortization expenses	3,4 & 5	884,782,700	842,438,280
Total operating expenditure		**5,420,283,923**	**4,579,010,514**
Operating profit/(loss)		**1,460,071,407**	**820,693,947**
Non-operating items			
Non-operating revenue	20	79,312,794	98,309,843
Finance cost	28	(385,199,675)	(416,615,516)
Profit/(loss) before tax		**1,154,184,526**	**502,388,274**
Tax			
Tax Income/(Expense)	29	(341,910,333)	(324,553,270)
Profit/(loss) after tax		**812,274,193**	**177,835,004**
Other Comprehensive Income			
Currency translation differences (Non-taxable)		69,717,430	3,151,918
Actuarial gains/(losses)		19,073	3,362,191
Total other comprehensive income for the year		**69,736,503**	**6,514,109**
Total comprehensive income for the year		**882,010,696**	**184,349,113**

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

For Tshechu & Associates
Certified Practising Accountants
Firm Empanelment No.: BH - 07

Tshechu, FCPA (Aust.)
(Membership No: 9798359)
Managing Partner
Place : Thimphu
Date: 07/04/2026

For Drukair Corporation Limited:

Mr. Karma Wangchuk.
Chairman, BOD

Mr. Tandi Wangchuk
Chief Executive Officer

Mr. Nima Wangchuk
General Manager, FCSD

TSHECHU & ASSOCIATES CERTIFIED PRACTISING ACCOUNTANT

DRUKAIR CORPORATION LIMITED
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2025

(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**
Balance as at January 1, 2025	4,308,623,900	37,417,568	88,246,391	(2,724,878,087)	1,709,607,121
Capital Contribution	1,166,545,600	-	(2,377,049)	-	1,164,168,551
Prior period expenses	-	-	-	-	-
Profit/(Loss) for the year	-	-	-	812,274,193	812,274,193
Other Comprehensive Income/loss	-	-	-	-	-
Translation Loss		69,717,430			69,717,430
Actuarial gains/loss				19,073	19,073
Balance at 31 December 2025	**5,475,169,500**	**107,332,347**	**85,869,342**	**(1,912,584,821)**	**3,755,786,368**

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

For Tshechu & Associates
Certified Practising Accountants
Firm Empanelment No.: BH - 07

Tshechu, FCPA (Aust.)
(Membership No: 9798359)
Managing Partner
Place : Thimphu
Date: 07/04/2026

For Drukair Corporation Limited:

Mr. Karma Wangchuk.
Chairman, BOD

Mr. Tandi Wangchuk
Chief Executive Officer

Mr. Nima Wangchuk
General Manager, FCSD

DRUKAIR CORPORATION LIMITED
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2025

(Amount in Nu.)

Particulars	31 December 2025	31 December 2024
Cash flow from operating activities (A)		
Profit before income tax expense	1,154,203,599	505,750,465
Depreciation, amortisation and impairment	884,782,700	842,438,280
Gain/Loss on sale of PPE		-
Interest Income	(50,250,951)	(76,456,851)
Interest Expense	339,844,579	375,361,456
Gain/Loss on forex rates	-	-
Stores and Spares written off	-	40,826,569
Operating profit before working capital changes	**2,328,579,927**	**1,687,919,919**
Current asset and liability changes		
Movement in Trade and other Liabilities	875,570,943	149,781,005
Movement in Provisions	23,263,870	(10,822,595)
Movement in Inventory	(33,412,759)	(32,933,990)
Movement in Trade and other receivables	9,426,506	(97,400,943)
Movement in other current asset	(1,183,928,431)	218,729,517
Movement in deposits receivable	4,606,357	40,850,248
	(304,473,514)	**268,203,243**
Taxes paid	25,330,470	(19,538,107)
	(279,143,044)	**248,665,136**
Total cash flow from operating activities	**2,049,436,883**	**1,936,585,055**
Cash flow from investing activities (B)		
Purchase of PPE and intangible assets	(1,637,650,366)	(1,659,710,551)
Sale Proceeds from PPE		-
Interest income	2,185,458	7,546,874
Total cash flow from investing activities	**(1,635,464,908)**	**(1,652,163,677)**
Cash flow from financing activities (C)		
Repayment of Bond	(216,343,353)	(216,343,353)
Interest free loan	(33,810,667)	(25,358,001)
NPPF loan	(213,399,249)	(198,630,306)
Repayment of SDF loan	(97,427,778)	(102,194,444)
COVID 19 relief loan from BOB	(129,918,526)	(112,420,046)
OD loan from BOB	131,908,009	(1,393,024)
Inter-group borrowing	(634,000,000)	399,000,000
Interest expense paid	(417,225,256)	(385,716,408)
Issue of shares	1,166,545,600	-
Total cash flow from financing activities	**(443,671,220)**	**(643,055,583)**
Changes in Cash and cash equivalents (A)+(B)+(C)	(29,699,244)	(358,634,205)
Cash and cash equivalents at beginning of year	443,462,236	780,157,048
	413,762,992	421,522,843
Effects of change in foreign exchange rate on cash and	53,478,278	21,939,393
Cash and cash equivalents as of 31 December 2025	**467,241,269**	**443,462,236**

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

For Tshechu & Associates
Certified Practising Accountants
Firm Empanelment No.: BH - 07

Tshechu, FCPA (Aust.)
(Membership No: 9798359)
Managing Partner
Place : Thimphu
Date: 07/04/2026

TSHECHU & ASSOCIATES CERTIFIED PRACTISING ACCOUNTANT

For Drukair Corporation Limited:

Mr. Karma Wangchuk.
Chairman, BOD

Mr. Tandi Wangchuk
Chief Executive Officer

Mr. Nima Wangchuk
General Manager, FCSD

ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

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 as well as to the United Arab Emirates (Dubia).

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, 2025.

The financial statements of the Company for the year ended December 31, 2025, were authorized for issue in accordance with the resolution of the Board of Directors dated March 05, 2026.

Note 2: Significant Accounting Policies for the Financial Year ended December 31, 2025.

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 Q.

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.

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.

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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 3 years to 16 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 ii. PC-24	 16 years 15 years
Aircraft fleet – renewable: iii. Engine iv. APU v. APU LLP vi. Landing gear vii. 6-year check vii. 12-year check	 12 years 5 years 6 years 10 years 6 years 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 has land and building on a lease. 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 Company 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 Company 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.

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 assets 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.

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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

CERTIFIED PRACTISING ACCOUNTANT

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 EIR 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 feeis 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).

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.

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). 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.

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, it carrying amount is the present value of those cash flows.

M. Expected Credit Loss(ECL)

BFRS 9 introduces a forward-looking Expected Credit Loss (ECL) model for recognizing impairment on financial assets such as trade receivables. Unlike the previous incurred loss model, ECL requires recognition of potential future losses, even if no default has occurred. Entities must assess whether credit risk has increased significantly since initial recognition: if not, a 12-month. ECL is recorded (Stage 1); if yes, a lifetime ECL is recognized (Stage 2); and for credit-impaired assets, lifetime ECL continues (Stage 3). A simplified lifetime ECL approach is allowed for trade receivables and lease receivables. The model incorporates probability of default, exposure at default, and macroeconomic forecasts, requiring judgment, robust credit risk assessment, and detailed disclosures.

For Drukair the Credit sales are extended to General Sales Agents (GSA), Passenger Sales Agents (PSA), tour agents, ticketing agents, corporate offices, and government agencies. Credit sales to agents are generally secured through advance deposits, security deposits, or bank guarantees.

Credit sales to corporate offices and government agencies are mostly granted based on Memoranda of Understanding (MoU). Based on historical records, the risk of default in these categories has been limited.

Based on this, the debtors are of short term and does not qualify for ECL assessment.

N. Employee benefit liabilities

Contribution to Provident Fund (PF) administered by NPPF 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 is 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, Annual Bonus Payout, and earned leave encashment are 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.

O. 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.

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 trans-ship 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.

P. 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.

Q. 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 2 (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 deferred revenue as revenue only when the entity has fulfilled its obligations on the granting of rewards or when the period for converting the mileage to rewards has expired. The liability for frequent flyer 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. In line with BFRS, Drukair applies Level 2 fair value measurement for its 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 1 January 2025	Additions for the year	Disposal during the year	Balance as at 31 December 2025	Balance as at 1 January 2025	Charge for the year	Disposal for the year	Balance as at 31 December 2025	31st December 2025
Aircraft - Fixed Wing	13,037,255,250	101,768,527		13,139,023,776	7,328,330,617	749,278,660	-	8,077,609,276	5,061,414,500
Aircraft - Helicopter	1,067,526,245			1,067,526,245	159,237,456	80,700,560	-	239,938,016	827,588,229
Furniture & Fixture	26,899,980	1,296,509	(25,608)	28,170,881	14,193,383	2,227,749	(23,518)	16,397,614	11,773,267
Office Equipment	50,390,632	4,976,903	(1,072,727)	54,294,808	27,022,925	4,369,071	(940,264)	30,451,732	23,843,076
Electrical Fitting & Equipment	16,441,963	1,679,602	(292,090)	17,829,475	9,101,468	1,515,232	(282,233)	10,334,466	7,495,008
Ramp Equipment	75,010,538	20,637,627	-	95,648,165	39,675,303	4,701,750	-	44,377,052	51,271,113
Engineering Equipment	23,823,145	-	-	23,823,145	22,890,807	220,099	-	23,110,906	712,239
Building	61,686,646	-	-	61,686,646	16,040,480	1,850,284	-	17,890,765	43,795,881
Motor Vehicle	70,599,598	10,316,074	-	80,915,672	61,628,346	4,675,935	-	66,304,281	14,611,391
Miscellaneous Asset	27,211,269	924,001	(43,300)	28,091,970	12,504,348	2,531,241	(35,717)	14,999,871	13,092,132
Catering Equipment	7,835,791	-	-	7,835,791	3,289,057	677,840	-	3,966,897	3,868,894
Tools & Spares	198,098,672	3,097,081	(3,518,566)	197,677,187	145,163,216	7,398,942	(1,742,420)	150,819,737	46,857,450
AFT Equipment - Heli	9,190,788	-	-	9,190,788	9,072,745	75,760	-	9,148,505	42,283
GSE-Heli	4,966,007	-	-	4,966,007	4,527,658	162,798	-	4,690,456	275,551
Tools & LLP - Heli	15,508,909	-	-	15,508,909	14,642,168	421,839	-	15,064,007	444,902
Aircraft PC-24		1,118,040,876	-	1,118,040,876	-	6,330,460	-	6,330,460	1,111,710,416
Capital work in progress	5,753,175	24,749,816	(25,573,605)	4,929,386	-	-	-	-	4,929,386
Total of PPE	**14,698,198,606**	**1,287,487,017**	**(30,525,896)**	**15,955,159,727**	**7,867,319,976**	**867,138,219**	**(3,024,153)**	**8,731,434,042**	**7,223,725,718**

CERTIFIED PRACTISING ACCOUNTANT

Note 4: Intangible Asset

(Amount in Nu.)

Particulars	December 31, 2025	December 31, 2024
Opening balance 1 January	34,981,965	32,686,281
Additions	40,134,526	2,295,685
Closing Balance 31 December	**75,116,491**	**34,981,965**
Opening Accumulated Amortization	(17,582,180)	(13,119,218)
Additions	(3,095,026)	(4,462,962)
Closing Accumulated Amortization	**(20,677,206)**	**(17,582,180)**
Net Carrying Value	**54,439,285**	**17,399,785**

Note 5: Right of Use Assets

(Amount in Nu.)

Particulars	Land	Building
Cost		
Balance as at 1 January 2025	11,703,751	63,380,307
Disposals/adjustment	198,274	5,423,071
Addition	-	11,718,654
Balance as at 31 December, 2025	**11,902,026**	**80,522,032**
Depreciation/Amortization		
Balance as at 1 January 2025	2,212,209	26,237,481
addition	724,720	13,824,074
Balance as at 31 December, 2025	**2,936,929**	**40,061,554**
Net Book Value	**8,965,097**	**40,460,478**

Other liabilities include the following lease liabilities:

(Amount in Nu.)

Particulars	Land	Building
Opening Balance as at 1 January 2025	10,830,963	40,841,413
addition	-	11,718,654
Repayment	466,473	(9,181,338)
Interest Expenses	(747,134)	(3,091,789)
Disposals/adjustment	107,849	4,422,208
Closing Balance as at 31 December 2025	**10,658,152**	**44,709,148**

(Amount in Nu.)

Particulars	Land	Building
Current	425,020	10,233,131
Non current	10,233,131	34,476,016
Total	**10,658,152**	**44,709,148**

CERTIFIED PRACTISING ACCOUNTANT

Note 6: Trade & other receivables

(Amount in Nu.)

Particulars	December 31, 2025	December 31, 2024
Non-Current		
Trade debtors	2,762,480	1,534,415
Less: Provision for doubtful debts	(394,955)	(394,955)
Total	**2,367,525**	**1,139,460**
Current		
Trade debtors	227,470,287	234,402,580
Security deposit paid	98,811,514	90,976,169
Accrued income	3,308,241	1,829,445
Insurance claim receivable	-	-
RGoB subsidy receivable	9,624,591	22,661,011
Total	**339,214,633**	**349,869,205**

Note 7: Investments

(Amount in Nu.)

Particulars	December 31, 2025	December 31, 2024
Non-Current		
Term Deposit	9,891,742	6,265,253
Accrued interest	20,511,800	14,233,560
Total	**30,403,542**	**20,498,813**
Current		
Term Deposit	103,008,037	111,240,882
Accrued interest	74,441	-
Total	**103,082,478**	**111,240,882**

Note 8: Deferred tax asset and liability

(Amount in Nu.)

Particulars	December 31, 2025	December 31, 2024
Deferred Tax Asset	(33,609,385)	268,163,421
Total	**(33,609,385)**	**268,163,421**

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

Note 9: Capital advance

(Amount in Nu.)

Particulars	December 31, 2025	December 31, 2024
Capital Advances	1,068,756,515	748,566,643
Total	**1,068,756,515**	**748,566,643**

CERTIFIED PRACTISING ACCOUNTANT

Note 10: Inventories

(Amount in Nu.)

Particulars	December 31, 2025	December 31, 2024
In-flight catering & duty-free stocks	108,015,415	82,657,471
Stock of tickets	-	662,811
Gift stocks	7,952,797	9,828,736
Aircraft maintenance consumables	91,438,747	83,169,484
Uniform stocks	7,080,665	5,891,621
Other stock	3,549,905	2,414,646
Total	**218,037,528**	**184,624,769**

Note 11: Cash and cash equivalents

(Amount in Nu.)

Particulars	December 31, 2025	December 31, 2024
Cash and cheques in hand	1,881,724	1,606,380
In current account with banks	465,359,546	441,855,857
Total	**467,241,270**	**443,462,236**

Note 12: Loans and advances

(Amount in Nu.)

Particulars	December 31, 2025	December 31, 2024
Advance to parties	1,392,456,639	247,316,653
Advance to employee	11,367,375	7,130,374
Prepaid expenses	78,375,909	61,321,705
Advance tax paid	70,131,292	52,634,051
Total	**1,552,331,214**	**368,402,783**

Note 13: Share capital

(Amount in Nu.)

Particulars	December 31, 2025	December 31, 2024
Authorized 100,000,000 equity shares of Nu 100 each	10,000,000,000	5,000,000,000
Issued, subscribed and fully paid up 54,751,695 Equity shares of Nu 100 each, fully paid in cash	5,475,169,500	4,308,623,900
Total	**5,475,169,500**	**4,308,623,900**

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.

CERTIFIED PRACTISING ACCOUNTANT

Note 13.2 Reconciliation of Share capital

(Amount in Nu.)

Particulars	December 31, 2025	December 31, 2024
At the beginning of the year		
- Number of shares	43,086,239	43,086,239
- Amount (in Nu.)	4,308,623,900	4,308,623,900
Add: issued during the year		
- Number of shares	11,665,456	-
- Amount (in. Nu)	1,166,545,600	-
Less: Redeemed during the year		
- Number of shares	-	-
- Amount (in Nu)	-	-
At the end of the year		
- Number of shares	**54,751,695**	**43,086,239**
- Amount (in. Nu)	**5,475,169,500**	**4,308,623,900**

Note 14: Secured Borrowings

(Amount in Nu.)

Particulars	December 31, 2025	December 31, 2024
Non-Current		
Drukair Bonds from the National Pension and Provident Fund	191,654,700	407,998,052.96
Interest-free loan from RGOB	-	33,810,667
Loan from the National Pension and Provident Fund	1,956,773,516	2,185,836,972
SDF Loan	383,283,333	486,777,778
COVID relief measure loan from BOB	129,483,695	247,710,402
Overdraft loan from BOB	131,908,009	-
Total	**2,793,103,254**	**3,362,133,872**
Current		
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	228,988,678	213,324,471
SDF Loan	127,761,111	121,694,444
Inter-group Borrowing	1,000,000,000	1,634,000,000
COVID relief measure loan from BOB	135,907,500	147,599,319
Accrued interest but not due on Bonds	26,678,647	40,949,375
Accrued interest but not due on NPPF loan	258,161,053	345,011,859
Accrued interest but not due for SDF Loan	9,624,591	12,874,579.07
Accrued interest but not due OD&IC Loan	10,613,699	22,958,615
Total	**2,047,889,298**	**2,788,566,683**
Total Loan Outstanding	**4,840,992,552**	**6,150,700,555**

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. 13,859,318.00 has been treated as interest subsidy as shown under non-operating revenue Note 20.

i) 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 28 February 2026.

ii) Drukair Bond series II 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 2027.

iii) Drukair Bond series III 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 2027.

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. 2,692,590,289.72 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.942,500,000.00 equivalent to USD 13,000,000.00 at an interest rate of USD 6 months SOFR 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.42,670,593.94 was paid by the MoF during the year. 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 9.99% p.a. was availed in 2020. The same has been renewed in 2025.

Note 14.6 Druk Green Power Corporation (DGPC)

Intercompany borrowing of Nu. 950,000,000.00 and Nu. 50,000,000.00 at 3.5% p.a. and 6.5% p.a. respectively were availed from DGPC during the year and the same amount is outstanding as of 31 December 2025.

Note 15: Provision

(Amount in Nu.)

Particulars	December 31, 2025	December 31, 2024
Non-Current		
Provisions for gratuity	102,960,890	98,564,796
Provision For Travel Allowance	3,490,523	3,439,492
Provision For Transfer Grant	3,490,523	3,439,492
Liability for frequent flyer program	3,014,560	3,642,901
Total	**112,956,496**	**109,086,681**
Current		
Corporate income tax liability	141,833,377	8,422,055
Provisions for gratuity	29,477,618	25,705,807
Provisions for leave encashment	-	-
Provision For Travel Allowance	1,955,872	1,635,985
Provision For Transfer Grant	1,955,872	1,635,985
Liability for frequent flyer program	6,029,119	7,285,801
Total	**181,251,859**	**44,685,634**

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, 2025	December 31, 2024
Balance as at 1 January	8,422,055	6,349,942
Income tax outside Bhutan	9,910,494	11,885,106
Earlier year Tax	-	9,725,114
Paid during the year	25,330,469	(19,538,107)
Payable during the year	97,445,804	-
Balance at 31 December	**141,108,821**	**8,422,055**

Note 16: Trade and other payables

(Amount in Nu.)

Particulars	December 31, 2025	December 31, 2024
<u>Current</u>		
Trade creditors	267,506,854	159,631,984
Accrued expenses	168,403,190	95,579,021
Deposits received	150,047,885	177,048,179
Employees payables	3,622,322	1,908,191
Total	**589,580,250**	**434,167,375**

CERTIFIED PRACTISING ACCOUNTANT

Note 17: Other liabilities

(Amount in Nu.)

Particulars	December 31, 2025	December 31, 2024
Non-Current		
Deferred liability for credit memo	72,352,127	79,473,658
Deferred Government Grant for Domestic Operations	1,034,080,943	2,328,690
Total	**1,106,433,070**	**81,802,348**
Current		
Deferred revenue on sale of tickets	231,025,130	652,349,529
Deferred liability for credit memo	5,757,109	5,757,109
Liability for stale cheque	942,535	799,900
Taxes and duties payable	188,369,415	149,497,119
Deferred Government Grant for Domestic Operations	74,897,142	755,250
Total	**500,991,330**	**809,158,907**

Note 18: Traffic revenue

(Amount in Nu.)

Particulars	December 31, 2025	December 31, 2024
Passenger revenue	5,116,837,828	3,840,828,910
Insurance & Fuel Surcharge	807,731,758	758,430,850
Helicopter services revenue	193,675,039	184,890,035
Excess Baggage	43,105,457	42,544,139
Cargo	116,086,392	125,995,912
Chartered sales	429,840,870	331,768,650
Administrative fee	56,832,698	15,532,855
No show charges	460,386	-
Cancellation charges	12,282,075	46,138,738
Total	**6,776,852,502**	**5,346,130,089**

Note 19: Other operating revenue

(Amount in Nu.)

Particulars	December 31, 2025	December 31, 2024
Duty free sales	42,472,079	27,336,163
Commission earned	583,188	865,365
B3 Catering sales	18,000,055	17,337,018
Drukair holidays sales	41,504,551	5292735.7
Cargo Transshipment and handling charges	942,955	2,743,089
Total	**103,502,827**	**53,574,372**

Note 20: Non-operating revenue

(Amount in Nu.)

Particulars	December 31, 2025	December 31, 2024
Liability Written back	9,788,793	4494309
Subsidy on Interest Expense	41,712,811	65,859,762
Interest income	8,538,140	10,597,088
Gain on sale of property, plant and equipment	-	310,551
Rent Recovery	492,206	451,737
Miscellaneous Revenue	5,425,078	8,719,614
Amortization on credit memorandum	7,121,531	7,121,531
Amortization of deferred government grant	6,234,235	755,250
Total	**79,312,794**	**98,309,843**

Note 21: Flight operation cost

(Amount in Nu.)

Particulars	December 31, 2025	December 31, 2024
Aircraft fuel and oil	1,242,254,514	1,145,590,640
Aircraft overflying and navigation charges	201,065,295	157,953,130
Aircraft landing and parking fees	151,513,953	99,222,412
Aircraft ground handling and security charges	396,713,837	318,066,694
Simulator expenses	21,420,517	23,031,247
Chartered Expenses	256,041,908	183,850,418
Crew meal and outstation expenses	96,950,014	68,050,276
Quarantine Expenses	21,428	-
Passenger Boarding fees	24,520,016	-
Inaugural Flight expense	522,388	-
PC-24 Expenses	10,750,223	-
Total	**2,401,774,092**	**1,995,764,816**

Note 22: Other operation cost

(Amount in Nu.)

Particulars	December 31, 2025	December 31, 2024
In- flight catering expenses	247,802,704	192,372,563
Drukair Holidays Expenses	33,424,920	4986674.3
Disrupted flight expenses	11,693,468	8,366,800
Loss baggage claim/Deportees	193,080	245,533
Purchase of duty free items	25,600,914	17,121,752
Service charges	18,775,045	15,066,030
Cargo transport & handling charges	6,773,815	5,722,850
Total	**344,263,946**	**243,882,203**

Note 23: Aircraft maintenance cost

(Amount in Nu.)

Particulars	December 31, 2025	December 31, 2024
Consumption stores and spares	28,644,099	41,367,711
Aircraft maintenance	501,394,632	218,839,496
Less: Credit Memorandum Utilised	-	-
Freight charges	18,243,735	18,447,542
Stores & scrap written off	2,496,372	4,843,874
Total	**550,778,837**	**283,498,624**

Reconciliation of credit memorandum (Amount in USD)

(Amount in USD.)

Particulars	CFM	B/E Aerospace	ATR	Saint Gobain Sully	Airbus	Safran Nacelles	Total
Balance as on 1 January 2025	252,209	7,268	71	2,849	75		**262,472**
Add credits received	-		-		926	2,726	**3,652**
Less credits utilized	(3,960)	(3,486)	(57)		(54)		**(7,557)**
Balance as on 31 December 2025	**248,250**	**3,782**	**14**	**2,849**	**947**	**2,726**	**258,567**

i. The credit memorandum from CFM was received for the purchase engine of A320 neo (JKW) in 2020. During the year USD 3,960 was utilized for the maintenance of aircraft equipment.

ii. B/E Aerospace has provided Credit Memorandum against the purchase of equipment for airbus A319 (JSW) and A32 Neo. During the year USD 3,486 was utilized for the maintenance of aircraft equipment.

iii. USD 2,849 credit with Saint Gobain was received for the replacement of the windshield. This amount will be utilized for maintenance and purchase of windshield related items.

iv. In 2023, credit of USD 14,973 was received from Airbus for the RGF cabin refurbishment and utilized over the year. Additional credit of USD 926 was received against the man hour for evaluation of service bulletin during the year and USD 54 was utilized during the year against aircraft maintenance.

v. USD 2,726 was credit note received from Safran Nacelles against inspection of engine components/cowl and engine inlet. This credit will be utilized for any expenses related to engine components and inlets.

Note 24: Other maintenance cost

(Amount in Nu.)

Particulars	December 31, 2025	December 31, 2024
Ground transport maintenance	1,790,625	1,326,629
Maintenance of ground transport equipment	8,159,335	5,763,864
Maintenance of hanger and workshop	2,001,325	803,604
Other maintenance	9,711,060	8,242,603
Total	**21,662,345**	**16,136,700**

Note 25: Employee Cost

(Amount in Nu.)

Particulars	December 31, 2025	December 31, 2024
Pay and allowances	593,257,034	564,150,993
Leave travel allowance	7,189,030	6,438,380
Productivity Allowance	23,793,492	17,074,628
Bonus and variable pay	54,121,601	53,033,978
Overtime	1,559,702	1,283,230
Uniform/ make up expenses	25,209,418	20,320,122
Medical expenses	2,309,441	1,684,934
Staff welfare	280,897	256,575
Staff training and development	54,479,456	38,673,308
Leave encashment	10,144,075	5,524,997
Provident fund contribution	21,700,263	19,724,010
Retirement benefits	-	1,828,336
Gratuity	18,977,604	17,827,340
Transfer grant	1,960,869	496,482
Total	**814,982,881**	**748,317,312**

Note 26: Marketing and sales promotion

(Amount in Nu.)

Particulars	December 31, 2025	December 31, 2024
Marketing sales promotion	6,864,966	8,589,763
Agent Commission	101,149,067	96,929,969
Advertisement & souvenir	3,286,969	2,469,131
Total	**111,301,002**	**107,988,863**

CERTIFIED PRACTISING ACCOUNTANT

Note 27: Other cost

(Amount in Nu.)

Particulars	December 31, 2025	December 31, 2024
Board meeting expenses	1,031,543	892,223
Fee & subscriptions	85,572,617	32,312,346
Printing and stationery	7,230,275	6,782,339
Office Tea expenses	1,584,078	1,461,091
Lease rent (non aircraft)	12,149,101	9,513,373
Interest Expense for Lease Liability	3,838,923	5,400,570
Travelling expenses	35,001,633	27,047,120
Transportation expenses	5,699,920	4,511,455
Rates and taxes	1,131,500	(1,325,929)
Insurance	88,763,752	80,714,900
In-flight magazine	1,740,686	1,826,115
Communication expenses	4,385,556	37,815,417
Security Services	818,440	1,334,158
Electricity charges	1,095,741	1,022,394
Brand Management Fee	16,132,729	14,710,887
Entertainment expenses	1,541,150	1,797,175
Books & periodicals	600	252,529
Corporate Social Responsibility	5,306,001	1,079,834
Employee Engagement & religious expenses	4,208,292	2,501,429
Consulting fees	2,076,131	2,615,177
Audit fees	1,574,959	1,424,640
Forex loss	6,671,221	65,355,056
Loss of sale of PPE	39,679	-
Other write off	-	40,826,569
Interline expenses	3,082,573	1,112,845
Miscellaneous Expenses	61,018	-
Total	**290,738,120**	**340,983,715**

Note 28: Finance cost

(Amount in Nu.)

Particulars	December 31, 2025	December 31, 2024
Bank charges	45,355,095	41,254,060
Interest on borrowing & others	339,844,579	375,361,456
Total	**385,199,675**	**416,615,516**

CERTIFIED PRACTISING ACCOUNTANT

Note 29: Taxes

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

(Amount in Nu.)

Particulars	December 31, 2025	December 31, 2024
Income tax expense		
Current tax on profit for the year	(365,609,225)	(231,011,906)
Earlier year Tax	268,163,421	(9,725,114)
Tax for operations outside	(9,910,494)	(11,885,106)
Total current tax	**(107,356,297)**	**(252,622,125)**
Deferred tax		
Deferred tax expense /(income)for the year	(234,554,036)	(71,931,145)
Total deferred tax	(234,554,036)	**(71,931,145)**
Total Tax expense	**(341,910,333)**	**(324,553,270)**

ii. Current tax liability

(Amount in Nu.)

Particulars	December 31, 2025	December 31, 2024
Balance as at 1 January	8,422,055	6,349,942
Income tax outside Bhutan	9,910,493	11,885,106
Earlier year Tax	-	9,725,114
Paid during the year	25,330,470	(19,538,107)
Payable during the year	97,445,804	-
Balance at 31 December	**141,108,821**	**8,422,055**

iii. Deferred tax

(Amount in Nu.)

Particulars	December 31, 2025	December 31, 2025
Balance as at 1 January	268,163,421	571,106,472
Deferred tax expense/Income(Movement)	(234,554,036)	(302,943,051)
Balance at 31 December	**33,609,385**	**268,163,421**

iv. Reconciliation of total tax charged in the income statement

(Amount in Nu.)

Particulars	December 31, 2025	December 31, 2024
Accounting (loss)/profit before tax	1,154,184,526	502,388,274
Tax calculated at the standard rate of corporate tax in Bhutan	(346,255,358)	(150,716,482)
Non-deductible expense	(19,353,867)	(80,295,424)
Earlier year Tax	268,163,421	(9,725,114)
Tax paid outside Bhutan	(9,910,493)	(11,885,106)
Deferred tax expense for the year	(234,554,036)	(71,931,145)
Balance at 31 December	**(341,910,333)**	**(324,553,270)**

TSHERING & ASSOCIATES CERTIFIED PRACTISING ACCOUNTANT

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, 2025	December 31, 2024
Net profit/loss attributable to the owners of the company	**812,274,193**	**177,835,004**
Issued and outstanding ordinary shares at the beginning of the year	43,086,239	43,086,239
Share allotted to DHI during the year	11,665,456	-
Outstanding ordinary shares at the end of the year	54,751,695	43,086,239
Weighted average number of ordinary shares	54,751,695	43,086,239
Basic and Diluted EPS attributable to ordinary shares	**14.84**	**4.13**

Note 31: Fair value measurement
Financial instrument by category

(Amount in Nu.)

Particulars	31 December 2025			31 December 2024		
	FVPL	FVOCI	Amortized Cost	FVPL	FVOCI	Amortized Cost
Financial assets						
Security deposit paid			98,811,514			90,976,169
Cash and cash equivalents			467,241,270			443,462,236
Trade receivables			229,837,812			235,542,040
Other receivables			3,308,241			1,829,445
Total financial assets	-	-	**799,198,837**	-	-	**771,809,890**
Financial liabilities						
Borrowing			4,840,992,552			6,150,700,555
Trade payables			267,506,854			159,631,984
Security deposit received			150,047,885			177,048,179
Other payables			3,622,322			1,908,191
Total financial liabilities	-	-	**5,262,169,613**	-	-	**6,489,288,910**

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	31 December 2025		31 December 2024	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets Trade receivables	229,837,812	229,837,812	235,542,040	235,542,040
Total Financial Asset	**229,837,812**	**229,837,812**	**235,542,040**	**235,542,040**
Financial Liabilities Borrowing	4,840,992,522	4,830,001,717	6,150,700,555	6,131,539,412
Total financial liabilities	**4,840,992,522**	**4,830,001,717**	**6,150,700,555**	**6,131,539,412**

i. 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.

ii. 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, 2025		December 31, 2024	
	USD	SGD	USD	SGD
Financial assets	1,110,532	5,316	104,308,525	11,088,046
Financial liabilities	(246,502)	(14,095)	(37,138,072)	(512,757)
Net exposure to foreign currency risk	**864,030**	**(8,779)**	**67,170,453**	**10,575,289**

Particulars	December 31, 2025		December 31, 2024	
	Thai Baht	NPR	Thai Baht	NPR
Financial assets	1,688,126	(20,642,100)	2,776,112	25,908,302
Financial liabilities	(67,894,839)	2,738,880	(15,280,366)	(11,266,348)
Net exposure to foreign currency risk	**(66,206,712**	**(17,903,220)**	**(12,504,254)**	**14,641,954**

Particulars	December 31, 2025	December 31, 2024
	Taka	Taka
nancial assets	-	497,782
Financial liabilities	-	(10,772,679)
Net exposure to foreign currency risk	**-**	**(10,274,897)**

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, 2025	December 31, 2024
SGD sensitivity		
Nu. depreciate by 5%	(439)	528,764
Nu. appreciate by 5%	439	(528,764)
USD sensitivity		
Nu. depreciate by 5%	43,202	3,358,523
Nu. appreciate by 5%	(43,202)	(3,358,523)
NPR sensitivity		
Nu. depreciate by 5%	(895,161)	732,098
Nu. appreciate by 5%	895,161	(732,098)
Thai Baht sensitivity		
Nu. depreciate by 5%	(3,310,336)	(625,213)
Nu. appreciate by 5%	3,310,336	625,213
Taka sensitivity		
Nu. depreciate by 5%	-	(513,745)
Nu. appreciate by 5%	-	513,745

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.

2025

(Amount in Nu.)

Contractual maturities of financial assets 31 December 2025	Less than 1 year	More than 1 year	Total
Trade and Other Payables	589,580,250	-	589,580,250
Borrowings	1,742,811,309	2,793,103,254	4,535,914,563
Interest	305,077,989	-	305,077,989
Total financial liabilities	**2,637,469,548**	**2,793,103,254**	**5,430,572,803**

2024

(Amount in Nu.)

Contractual maturities of financial assets 31 December 2024	Less than 1 year	More than 1 years	Total
Trade and Other Payables	434,167,376	-	434,167,376
Borrowings	2,366,772,255	3,362,133,872	5,728,906,127
Interest	421,794,428	-	421,794,428
Total financial liabilities	**3,222,734,058**	**3,362,133,872**	**6,584,867,931**

C. Credit risk

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

i) Trade receivables

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

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

However, from 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 sales 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 1 year	More than 1 year	Total
Trade receivable as of 31 December 2025 (Gross)	185,007,553	2,762,480	42,462,734	230,232,767
Less: Provision for Doubtful debt	-	-	(394,955)	(394,955)
Trade receivable as on 31 December 2025 (Net)	**185,007,553**	**2,762,480**	**42,067,779**	**229,837,812**

The Company holds collateral of Nu. 181.97 million against the outstanding receivables in the form of Bank Guarantee, Security deposit and advance received.

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 issue of equity shares	5,475,169,500.00
		b) Sale of air tickets	6,558,994.00
		c) Inter group trade payable	195,133.00
		d) intergroup Brand management fee and CG	17,631,470.07
		e) Interest on borrowing	17,839,139.93
		f) Intra group Purchase of Service	5,584,496.28
		g) Intra Group Trade receivable	195,133.00
Bank of Bhutan Limited	Fellow Subsidiary	a) Sale of air tickets	6,558,842.00
		b) Borrowings from BoBL - noncurrent	103,610,203.49
		c) Intragroup – Non Current portion of Loan (OD & Working capital)	131,908,009.32
		d) Inter Group Trade Receivable	167,968.00
		e) Interest on borrowings-Intra group	58,090,815.53
		f) Intergroup borrowing-current	161,780,991.88
		g) Inter Group Purchase Of service	3,513,229.5

Name of related party	Relationship	Nature of transaction with related party	Amount in Nu.
		h) Inter Group Deposits	64,770,591.68
		i) Inter Group-Income from Landing & Deposits	4,145,730.86
		j) Inter Group Balance with BOB	76,542,384.42
Bhutan Power Corporation Limited	Fellow Subsidiary	a) Sale of air tickets	3,581,277.00
		b) Inter Company Trade payable	29,564.00
		b) Intragroup - Purchase of Services	842,015.00
Bhutan Telecom Limited	Fellow Subsidiary	a) Sale of air tickets	3,700,787.00
		b) Intragroup - Purchase of Services	2,006,681.14
		c) Trade receivable	139,800.00
		d) trade payable	87,082.96
Druk Green Power Corporation Limited	Fellow Subsidiary	a) Sale of air tickets	4,229,891.00
		b) Borrowing	1,000,000,000.00
		c) Interest accrued on deposits from group companies	10,613,698.63
		d) Interest on borrowings-Intra group	20,922,602.74
		e) Trade receivable	1,155,302.00
State Trading Corporation Limited	Fellow Subsidiary	a) Sale of air tickets	1,894,598.00
Construction Development private Limited	Fellow Subsidiary	a) Sale of Air Ticket	380,747.00
		b) Intergroup trade payable	8,388.00

Name of related party	Relationship	Nature of transaction with related party	Amount in Nu.
Dungsam Cement Corporation Limited	Fellow Subsidiary	a) Sale of air tickets	345,460.00
		b) Inter-company trade receivable	353,120.00
Thimphu Tech Park Limited	Fellow Subsidiary	a) Sale of air tickets	1,107,693.00
		b) Intragroup - Purchase of Services	1,714,066.15
Natural Resources Development Corporation Limited	Fellow Subsidiary	a) Sale of air tickets	234,387.00
		b) Intragroup - Purchase of Energy, Power & Resources	73,546.55

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.

(Amount in Nu.)

For the year ended	December 31, 2025	December 31, 2024
Basic Salary, Allowances, PF and leave encashment	4,855,629	4,713,413
Sitting Fees	130,000	120,000
Leave Travel Concession	15,000	15,000
Total	**5,000,629**	**4,848,413**

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

Note 35: Contingent liabilities

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

ii) Starting from the Fiscal Year 2014-2015 till 2019-2020, Nepal Tax Department has raised total tax demand amounting to NPR 96.64 m (NPR 54.23 m at Supreme Court, 32.51 m at Tax Department , and 9.80 m at Tribunal Court) till date, of which NPR 41.32 m (NPR 27.32 m to Supreme Court , NPR 8.15 m to the Tax Department, and NPR 6.05 m to the Tribunal Court) has been paid as security deposits. The balance payable tax amount is NPR 55.32 m. This tax dispute is being taken up at the Supreme Court in Kathmandu, Nepal.

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, 2025	December 31, 2024
Present value of define benefit obligation	132,438,508	124,270,603
Fair value of plan assets	-	-
Funded status - surplus/(deficit)	(132,438,508)	(124,270,603)
Effect of asset ceiling	-	-
Net defined benefit asset/(liability)	**132,438,508**	**124,270,603**

B. Composition of defined benefit cost

(Amount in Nu.)

For the year ended	December 31, 2025	December 31, 2024
Expense recognised in profit or loss	18,977,604	17,827,340
Expense recognised in other comprehensive income	(294,391)	(3,344,050)
Defined benefit cost	**18,683,213**	**14,483,290**

C. Expense recognised in statement of profit or loss

(Amount in Nu.)

For the year ended	December 31, 2025	December 31, 2024
Current service cost	10,051,633	9,277,430
Past service cost	-	-
Loss/(Gain) on settlement	-	-
Interest on DBO	8,925,971	8,549,910
Less: Expected interest on plan asset	-	-
Expenses recognised in profit or loss	**18,977,604**	**17,827,340**

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D. Amount recognised as other comprehensive income

(Amount in Nu.)

For the year ended	December 31, 2025	December 31, 2024
Actuarial (gain) or loss due to experience adjustments	(294,391)	(3,344,050)
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	-	-
Expenses recognised as OCI	**(294,391)**	**(3,344,050)**

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

(Amount in Nu.)

For the year ended	December 31, 2025	December 31, 2024
DBO at the beginning of period	124,270,603	118,210,279
Add: Current service cost	10,051,633	9,277,430
Add: Past service cost	-	-
Add: Interest cost	8,925,971	8,549,910
Less: Benefits paid by the plan	-	-
Less: Benefits paid by the employer	(10,515,308)	(8,422,966)
Actuarial (gain) or losses due to experience adjustment	(294,391)	(3,344,050)
Actuarial (gain) or losses due to change in financial assumptions	-	-
Actuarial (gain) or losses due to change in demographic assumptions	-	-
DBO at the end of period	**132,438,509**	**124,270,603**

F. Bifurcation between current & non-current liability

(Amount in Nu.)

For the year ended	December 31, 2025	December 31, 2024
Current liability	29,477,618	257,058,087
Non-current liability	102,960,890	98,564,796
Net Liability	**132,438,508**	**118,210,279**

G. Actuarial assumptions

Financial assumptions

Parameter	December 31, 2025	December 31, 2024
Discount rate	7.50%	7.50%
Salary growth rate	7.00%	7.00%

Demographic assumptions

Parameter	December 31, 2025	December 31, 2024
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. 5.45 million 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 2025:

A. Liability recognised in the statement of financial position

(Amount in Nu.)

For the year ended	December 31, 2025	December 31, 2024
Present value of define benefit obligation	5,446,396	5,075,478
Fair value of plan assets	-	-
Funded status - surplus/(deficit)	(5,446,396)	(5,075,478)
Effect of asset ceiling	-	-
Net defined benefit asset/(liability)	**(5,446,396)**	**(5,075,478)**

B. Composition of defined benefit cost

(Amount in Nu.)

For the year ended	December 31, 2025	December 31, 2024
Expense recognised in profit or loss	980,435	916,555
Expense recognised in other comprehensive income	137,659	(75,109)
Defined benefit cost	**1,118,094**	**841,446**

C. Expense recognised in statement of profit or loss

(Amount in Nu.)

For the year ended	December 31, 2025	December 31, 2024
Current service cost	627,793	576,760
Past service cost	-	-
Loss/(Gain) on settlement	-	-
Interest on DBO	352,642	339,795
Less: Expected interest on plan asset	-	-
Expenses recognised in profit or loss	**980,435**	**916,555**

D. Amount recognised as other comprehensive income

(Amount in Nu.)

For the year ended	December 31, 2025	December 31, 2024
Actuarial (gain) or loss due to experience adjustments	137,659	75,109
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	-	-
Expenses recognised as OCI	**137,659**	**75,109**

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

(Amount in Nu.)

For the year ended	December 31, 2025	December 31, 2024
DBO at the beginning of period	5,075,478	4,827,173
Add: Current service cost	627,793	576,760
Add: Past service cost	-	-
Add: Interest cost	352,642	339,795
Less: Benefits paid by the plan	-	-
Less: Benefits paid by the employer	(747,176)	(593,141)
Actuarial (gain) or losses due to experience adjustment	137,659	(75,109)
Actuarial (gain) or losses due to change in financial assumptions	-	-
Actuarial (gain) or losses due to change in demographic assumptions	-	-
DBO at the end of period	**5,446,396**	**5,075,478**

F. Bifurcation between current & non-current liability

(Amount in Nu.)

For the year ended	December 31, 2025	December 31, 2024
Current liability	1,955,872	1,635,985
Non-current liability	3,490,523	3,439,492
Net Liability	**5,446,396**	**5,075,478**

G. Actuarial assumptions

Financial assumptions

Parameter	December 31, 2025	December 31, 2024
Discount rate	7.50%	7.50%
Salary growth rate	7.00%	7.00%

Demographic assumptions

Parameter	December 31, 2025	December 31, 2024
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. 5.45 million 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 2025:

A. Liability recognised in the statement of financial position

(Amount in Nu.)

For the year ended	December 31, 2025	December 31, 2024
Present value of define benefit obligation	5,446,396	5,075,478
Fair value of plan assets	-	-
Funded status - surplus/(deficit)	(5,446,396)	(5,075,478)
Effect of asset ceiling	-	-
Net defined benefit asset/(liability)	**(5,446,396)**	**(5,075,478)**

B. Composition of defined benefit cost

(Amount in Nu.)

For the year ended	December 31, 2025	December 31, 2024
Expense recognised in profit or loss	980,435	911,781
Expense recognised in other comprehensive income	137,659	56,967
Defined benefit cost	**1,118,094**	**968,748**

C. Expense recognised in statement of profit or loss

(Amount in Nu.)

For the year ended	December 31, 2025	December 31, 2024
Current service cost	627,793	576,760
Past service cost	-	-
Loss/(Gain) on settlement	-	-
Interest on DBO	352,642	335,021
Less: Expected interest on plan asset	-	-
Expenses recognised in profit or loss	**980,435**	**911,781**

Amount recognised as other comprehensive income

(Amount in Nu.)

For the year ended	December 31, 2025	December 31, 2024
Actuarial (gain) or loss due to experience adjustments	137,659	56,967
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	-	-
Expenses recognised as OCI	**137,659**	**56,967**

a) Reconciliation of changes in present value of defined benefit obligation

(Amount in Nu.)

For the year ended	December 31, 2025	December 31, 2024
DBO at the beginning of period	5,075,478	4,827,173
Add: Current service cost	627,793	576,760
Add: Past service cost	-	-
Add: Interest cost	352,642	335,021
Less: Benefits paid by the plan	-	-
Less: Benefits paid by the employer	(747,176)	(720,443)
Actuarial (gain) or losses due to experience adjustment	137,659	56,967
Actuarial (gain) or losses due to change in financial assumptions	-	-
Actuarial (gain) or losses due to change in demographic assumptions	-	-
DBO at the end of period	**5,446,396**	**5,075,478**

b) Bifurcation between current & non-current liability

(Amount in Nu.)

For the year ended	December 31, 2025	December 31, 2024
Current liability	1,955,872	1,635,985
Non-current liability	3,490,523	3,439,492
Net Liability	**5,446,396**	**5,075,478**

c) Actuarial assumptions

Financial assumptions

Parameter	December 31, 2025	December 31, 2024
Discount rate	7.50%	7.50%
Salary growth rate	7.00%	7.00%

Demographic assumptions

Parameter	December 31, 2025	December 31, 2024
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. 9,043,678 (Previous Year 10,928,702). The following Actuarial estimates were used to determine the Actuarial Liability in 2025:

a) Redemption Rate- 30%
b) Loyalty Points accrued- 16,042,829
c) Cost Per mile- 2.20

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 neighboring 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 2025, the company carried 261,866 number of revenue passengers, 629,814 kg of cargo (PY: 234,845 no. revenue passengers and 573,694 kg of cargo) and helicopter revenue hour 1308.67 (PY: 1,067 revenue 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. 56.53 million (Nu. 42.67 million for subsidy on SDF interest expense and Nu. 13.86 million for coupon on Bond).

iv. GMCA grants

Drukair has received USD 12.48 million from GMCA as payment for the PC-24, an equivalent of Nu. 1,112.13 million. Accordingly, the same has been booked as a deferred grant income and during the year the Company has recognised Nu. 5.48 million as a Grant Income.

v. Benefit of interest free loan

There is an interest free loan outstanding of Nu. 33.81 million (PY Nu.67.62 million) as on 31 December 2025. 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 2025 would be Nu 6.09 million (PY Nu.9.13 million).

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vi. 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. This case is still in the high Court.

vii. The Company has implemented passenger reservation system, *"Crane Software"*, at a cost of Nu. 26.89 million during the year, which replaced the existing KIU software. Similarly, the KIU software has replaced ATI Cloud, and the SAP Accounting Software has replaced Farvision Accounting Software. The old softwares are kept in books without written-off as those softwares are still in use for retrieving data.

viii. The Company has received grant in 2017 to compensate for losses incurred from domestic flight operations. Since then, an amount of Nu. 1.57 million has been recognized in the statement of profit and loss. In addition, the Company received a credit memorandum valued at Nu. 106 million in 2016 from CFM in relation to an aircraft purchase made in 2015. An amount of Nu. 7.12 million is recognized annually against this credit memorandum.

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

For Tshechu & Associates
Certified Practising Accountants
Firm Empanelment No.: BH - 07

Tshechu, FCPA (Aust.)
(Membership No: 9798359)
Managing Partner
Place : Thimphu
Date: 07/04/2026

TSHECHU & ASSOCIATES CERTIFIED PRACTISING ACCOUNTANT

For Drukair Corporation Limited:

Mr. Karma Wangchuk.
Chairman, BOD

Mr. Tandi Wangchuk
Chief Executive Officer

Mr. Nima Wangchuk
General Manager, FCSD

RATIO ANALYSIS

Ratio Analysis

Sl no	Particulars	December 31, 2025	December 31, 2024
A. Ratios for assessing financial health (In numbers)			
I	Current Ratio	0.80	0.36
II	Debt equity Ratio	1.29	3.60
III	Liquid Ratio	0.27	0.22
IV	Fixed Assets to Equity	1.95	4.03
V	Fixed Assets Turnover	0.92	0.78
B. Ratios of assessing profitability (In percentage)			
I	Return on equity (%)	21.63%	10.40%
II	Return on Capital employed (%)	13.43%	6.39%
III	Operation and Maintenance expenses to Traffic Revenue	8.45%	5.60%
IV	Earnings Per Share	14.84	4.13
C. Ratios for assessing cashflow efficiency (In numbers)			
I	Cash flow turnover	0.30	0.36
II	Operation Index	2.52	10.89

For Tshechu & Associates
Certified Practising Accountants
Firm Empanelment No.: BH - 07

Tshechu, FCPA (Aust.)
(Membership No: 9798359)
Managing Partner
Place : Thimphu
Date: 07/04/2026

TSHECHU & ASSOCIATES * CERTIFIED PRACTISING ACCOUNTANT

For Drukair Corporation Limited:

Mr. Karma Wangchuk.
Chairman, BOD

Mr. Tandi Wangchuk
Chief Executive Officer

Mr. Nima Wangchuk
General Manager, FCSD

COMPLIANCE CHECKLIST

Appendix - III A

Drukair Corporation Limited
Compliance Calendar
For The Year Ended On 31 December 2025

Sl No.	Activity	The Companies Act of Bhutan 2016	Timeliness	Remarks
1	Submission of Annual Return	267	On or before 31st July	21-May-25
2	Annual General Meeting	177	On or Before 30th June	25-March-25
3	Notice Calling General Meeting	185	21 days before the AGM	3-Mar-25
4	Payment of Dividend	204	Within 30 days of declaration in AGM	No
5	Presentation of B/S, P&L A/c and cash flow statement at every AGM	244	-	Yes
6	Filing of documents with registrar	247	-	21-May-25
7	Appointment of Auditors	251	-	Yes
8	Consent to act as a directors	140	Within 30 days of appointment or reappointment with the registrar.	Yes
9	Board Meetings 186 Board Meeting 185 Board Meeting 184 Board Meeting 183 Board Meeting 182 Board Meeting 181 Board Meeting 181 Board Meeting	146 & 149	At least two meetings in a year	26 Nov 25 3 Nov 25 27 Aug 25 25 Jul 25 30 Apr 25 6 Mar 25 24 Jan 25
10	Appointment of CEO	210	Every 5 years	Mr.Tandi Wangchuk, CEO
11	Power of Regulatory Authority to accord approval	412	Approval of Regulatory Authority	Yes
12	Appointment of Company Secretary	213	As prescribed by MTI	Yes
13	Statutory Record and Inspection	228	All times	Yes

For Tshechu & Associates
Certified Practising Accountants
Firm Empanelment No.: BH - 07

Tshechu, FCPA (Aust.)
(Membership No: 9798359)
Managing Partner
Place : Thimphu
Date: 07/04/2026

TSHECHU & ASSOCIATES CERTIFIED PRACTISING ACCOUNTANT

For Drukair Corporation Limited:

Mr. Karma Wangchuk.
Chairman, BOD

Mr. Tandi Wangchuk
Chief Executive Officer

Mr. Nima Wangchuk
General Manager, FCSD

Appendix - III B

CHECK LIST FOR COMPLIANCE TO PROVISION OF THE COMPANIES ACT OF BHUTAN, 2016

NAME OF COMPANY: DRUKAIR CORPORATION LIMITED						
REGISTRATION No.: L20250226BHU0812						
No.	**Ss.**	**INCORPORATION OF A COMPANY & SECURITIES**	**YES**	**NO**	**NA**	**REMARKS**
1	28	Changes to Articles/Approval	√			MOICE/CRS-15/2025/1021 dt. 5 Dec 2025 of RoC
2	47	Change of name/Approval		√		
3	123	Increase or consolidation of share capital		√		MOICE/CRS-15/2025/1021 dt. 5 Dec 2025 of RoC
4	124	Reduction of share capital		√		
5	82	License Copy and Share Certificate filing	√			Renewed from April 16, 2025- April 16, 2026
6	107	Public offer of shares & Debentures-ROC Approval			√	
		MANAGEMENT & ADMINISTRATION				
7	217	Registered Office of Company	√			PO 1219, Paro 12001, Bhutan 00975-08-271856
		(Postal Address & Contact Number)				
8	221	Publication of name by Company (Letter Head, Seals and Sign Board)	√			
		(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 21 May25
12	177	Annual General Meeting (Minutes)	√			Held 34th AGM on 25 March 2025
13	180	Extraordinary General Meeting (Minutes)				1st EGM - 30 April 2025 2nd EGM - 03 Nov 2025 3rd EGM – 26 Nov 2025
14	185	Notice for calling general meeting	√			03 March 2025
15	187	listed Co. - written as well as in media			√	Notice sent on 03 March 2025
		Public Co/Private Co. - Written Notice			√	

16	190	Chairman of meeting (CEO cannot Chair)	√			Mr. Karma Wangchuk, Secretary, MoIT(Current) Ms. Pema Choden, Secretary, MoFAET (till 185th Board Meeting)
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)		√		No dividend declared for the year 2024
21	232	Books of account to be kept by company (location & time period)	√			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 (Audit using Auditing Standards issued by AASSBB)	√			Internal Standards of Auditing (ISA)
26	133	Number of directors				7 including the CEO
27	134	One third of all Public Companies shall be independent	√			
28	138	(Minimum No & Retirement on Rotation)	√			
29	139	Additional directors		√		Mr. Norbu Wangchuk, & Mr. Karma Wangchuk (New Chairperson)
30	140	Consent to act as directors	√			Yes
31	141	Certain persons not to be appointed as Directors			√	Yes
32	142	Resignation by a director		√		Mr. Karma Thinlay & Ms. Pema Choden (Chairperson)
33	143	Removal of directors		√		
34	146	Board meetings (4 Meetings for Public Cos & 2 Meetings for Pvt.)	√			7 Board Meetings ✓ 180th BM 24 Jan 2025 ✓ 181st BM 6 Marc 2025 ✓ 182nd 30 April 2025 ✓ 183rd BM 25 July 2025 ✓ 184th 27 Aug 2025

						✓ 185th BM 3 Nov 2025 ✓186th BM 26 Nov 2025
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 1st Jan, 2024
38	213	Company Secretary required in all Public Companies	√			Ms. Sonam Choden EMP 2116 was appointed as CS 16th August 2024
39	414	Appointment of selling or buying agents (govt. Approval obtained or not)	√			Appointment of GSAs/PSAs/LSAs)
40	157	No loans to directors (only for Public Co.)		√		No loans were given to the Directors
41	53	(investments to be disclosed) apply old rule	√			BOBL FD Principal amt -BTN 60,552,785.53 BOBL FD interest- BTN 3,822,274.04
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		√		✓ DGPC Loan- BTN 950,000,000 ✓ DGPC Accrued Interest- BTN 9,473,972.60 ✓ BAEL Loan- BTN 50,000,000 ✓ BAEL Accrued Interest- BTN 1,139,726.03 ✓ BOBL- FEIF- BTN 32,754,030.67 ✓ BOBL Loan- BTN 231,648,048.23 ✓BOB OD- BTN 131,908,009.32

	(e)	Register of inter-corporate investments	√			
	(f)	Register of contracts in which directors are interested		√		
	(g)	Register of directors	√			
	(h)	Register of directors' shareholding	√			

For Tshechu & Associates
Certified Practising Accountants
Firm Empanelment No.: BH - 07

Tshechu, FCPA (Aust.)

(Membership No. 9798359)

Managing Partner

Place: Thimphu

Dated: 07/04/2026

TSHECHU & ASSOCIATES ★ CERTIFIED PRACTISING ACCOUNTANT ★

COMPANY REPRESENTATIVE

MANAGEMENT APPRIASIAL REPORT
PART I

DEFICIENCIES & LAPSES

1. Capitalisation of HITIT Crane Software and Related Implementation Fees

During the audit, issues were noted regarding the capitalization, amortization, and accounting treatment of costs incurred in relation to the HITIT Passenger Service System ("Crane Software"). The matter comprises the following:

(a) Delayed Capitalization and Amortization and Recognition of Intangible Asset

The Company capitalized the Passenger Reservation System ("Crane Software") at a total cost of Nu. 42,550,376 during the year. However, the Company was unable to provide an asset-in-use order, work completion certificate, or handover/taking-over report to substantiate the date on which the software became ready for use.

Audit verification noted that the Company began incurring and paying monthly usage charges – including HITIT PSS, SSIM, APG, ERP, and PG (Crypto) monthly fees – from March 2025, indicating that certain modules of the system were operational from 1 March 2025. Nevertheless, the Company capitalized Nu. 26,897,589.32 only in December 2025 and recorded amortization of Nu. 7,369.20 for the year.

Management may reassess the stage-wise completion and actual date of usability of the software and recognize capitalization and amortization from the date the system, or its components, became available for use.

Management's Response

The HITIT software comprises the following components, and the completion of the project cannot be ascertained at a single point in time due to the numerous interlinked modules: i. ii. iii. iv. v. vi. vii. viii. Passenger Service solution (PSS) a. Reservations and Departure Controlled system Weight & Balance Cost Accounting Revenue Accounting Business Process Intelligence (BPI) Schedule Planning Cargo booking and sales OCC Crane module For instance, the PSS module was completed at an early stage, while the remaining modules could not be completed at that time. Certain modules, such as the OCC Crane module, are yet to be completed. However, the major implementation was completed in December 2025 and, accordingly, the related costs were capitalized for the year.

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Auditor's Further Comment

Upon review of the Agreement, it was noted that Hitit Solutions remains the sole owner of the software and retains full intellectual property rights. The Agreement grants Hitit the authority to suspend or cease services in the event of non-payment. Accordingly, the Company does not obtain control over the software or the underlying intellectual property.

In our view, the arrangement represents a Software-as-a-Service (SaaS) arrangement rather than the acquisition of an identifiable intangible asset. Therefore, the related costs do not meet the recognition criteria under BAS 38 – Intangible Assets and should not be capitalized.

As stated during the exit meeting, the management is advised to seek further clarification from AASBB for appropriate accounting treatment of HITIT Solutions.

(b) Inconsistent Accounting Treatment of HITIT Implementation Fees

During verification of invoices raised by Hitit, it was observed that monthly billings comprise two components:

(i) implementation fees, and
(ii) monthly recurring fees.

While the recurring monthly fees were consistently expensed from March to December 2025, implementation fees were capitalized up to November 2025 and expensed in December 2025.

Management is requested to clarify the nature and components of the monthly implementation fees, including whether these charges are recurring or one-time in nature, and to provide the rationale for capitalising the implementation fees up to November and expensing them from December.

Management's Response

The HITIT contract comprises many modules like Crane Cargo, cost accounting, Crane BPI, etc monthly recurring charges and implementation fees. The monthly recurring charges have been recognized as expenses under Fees and Subscriptions.

In addition, the Company incurs customization costs that are not covered under the original contract. Implementation fees were capitalized up to November based on actual invoices received. However, for December, the implementation cost was not capitalized as the invoice had not been received; instead, the expense was recognized based on a provision.

Going forward, such expenses will be treated as operating expenses.

Auditor's Further Comment:-

We note that implementation fees of a similar nature – including "50% Implementation Fee of OCC and Crane Crew" (USD 27,500) and "Implementation Crane WhatsApp Integration (WR14)" (USD 7,500), totaling USD 35,000 (Nu. 3,112,550.00) were expensed in December 2025, whereas similar costs had been capitalized in prior months.

This reflects inconsistent application of accounting policy during the year. Further, considering that the overall arrangement represents a SaaS service, implementation fees of this nature would generally not meet the recognition criteria under BAS 38. The accounting treatment should be applied consistently and in accordance with the applicable accounting standards.

As stated during the exit meeting, the management is advised to seek further clarification from AASBB for appropriate accounting treatment of HITIT Solutions.

MANAGEMENT APPRIASIAL REPORT
PART II

MANAGEMENT APPRAISAL REPORT-II

This section contains audit observations that have been resolved based on management's assurance to institute the necessary controls or remedial measures. It also includes issues that are recommendatory in nature and intended to enhance compliance through appropriate interventions. In addition, this section covers audit observations resolved in view of recoveries made, management replies, and the related supporting documents and evidence furnished, which are retained for future reference.

1. **Incorrect Capitalisation of Training Costs as Part of Intangible Asset – Nu. 2,415,849.38**

During the year, the Company capitalised the Passenger Reservation System, *"Crane Software"*, as an intangible asset at a total cost of Nu. 42,550,376. Audit review revealed that this amount includes staff training expenses amounting to Nu. 2,415,849.38, incurred both before and after the cut-off date.

Training costs do not meet the criteria for capitalisation, as they are not directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating as intended by management. Such expenditures represent administrative and employee capacity-building costs and should be expensed as incurred.

Management is advised to review the capitalised cost of the Passenger Reservation System and derecognise training expenses of Nu. 2,415,849.38 from intangible assets, with corresponding adjustment to the profit and loss account, in line with applicable accounting standards.

Management's Response

We acknowledge the training expense of Nu. 2,415,849.38 was capitalized together with the purchase of intangible assets, which is not correct in principle. The software comprises multiple modules that require manpower for data setup and inputs to bring the system to a usable condition. As a result, the training costs were considered inseparable from the implementation process, which itself occurs across various phases. However, going forward, such expenses will be treated correctly in accordance with the applicable accounting principles.

Auditor's Further Comment:-

Training costs do not meet the recognition criteria for an intangible asset under BAS 38 Intangible Assets. In accordance with BAS 38.13, an entity must demonstrate control over the future economic benefits arising from an intangible asset. Although training may enhance employees' knowledge and skills, the entity cannot control the

TSHECHU & ASSOCIATES CERTIFIED PRACTISING ACCOUNTANT

associated future economic benefits because employees may leave the organization at any time. Furthermore, BAS 38.69(b) explicitly requires expenditure on training activities to be recognized as an expense when incurred. Accordingly, training costs must be expensed in profit or loss and cannot be capitalized as an intangible asset.

Observation Treated as Settled:

Based on the rectification made the memo is considered as settled.

2. **Non-compliance with BAS 12 – Income Taxes: Deferred Tax Recognition and Measurement**

In accordance with BAS 12, Income Taxes, deferred tax expense or income for the period shall be recognised in profit or loss, except to the extent that it relates to items recognised outside profit or loss. During the year, Druk Air recognised a deferred tax expense of Nu. 354,993,943, resulting in a net movement from a Deferred Tax Asset of Nu. 268,163,421 to a Deferred Tax Liability of Nu. 86,830,522 as at 31 December 2025.

However, the deferred tax expense recognised during the year was not included in the computation of the total tax expense presented in the statement of profit or loss, which is not in compliance with BAS 12.

Further, no deferred tax working paper or reconciliation was made available to support the recognition and measurement of the deferred tax expense for the year, including the identification of temporary differences, applicable tax rates, and the movement between opening and closing deferred tax balances, as required under BAS 12.

The linkage between the tax expense note and the statement of financial position, as prepared by management in Note 29, is represented in the table below.

TSHECHU & ASSOCIATES CERTIFIED PRACTISING ACCOUNTANT

A. Tax (charge)/ (credit) in the income statement		
Particular	**2025**	**2024**
Income tax expense		
Current tax on profit for the year	(368,400,548)	(231,011,906)
Earlier year Tax	-	(9,725,114)
Tax for operation outside	(9,910,493)	(11,885,106)
Total current tax	(378,311,041)	(252,622,125)
Deferred tax		
Deferred tax expense /(income)for the year	-	(71,931,145)
Total deferred tax	-	(71,931,145)
Total Tax expense	(378,311,041)	(324,553,270)
GL Balance	(378,311,041)	(324,553,270)

C. Deferred tax		
Particular	**2025**	**2024**
Balance as at 1 January	268,163,421	571,106,472.09
add: Deferred tax expense 2025	-	(302,943,051)
Adjustment of deferred tax Asset	(354,993,943)	-
Balance at 31 December	(86,830,522)	268,163,421

Management's Response

Description	**2025**	**Remarks**
Profit/(loss)	1,161,001,088.00	PBT from P&L 2025
Adjustments		
Inadmissible Medical Expenses	1,239,603.34	Detailed in Tax Calculation sheet
Interest expenses on loan	41,712,811.16	
Tax compensation for employees	23,957,954.99	
Net Taxable Income	**1,227,911,457.49**	
Tax Expense for the year 2025	368,373,437.25	30% of Taxable Income
Less: Opening DTA for prior losses	(354,993,943.09)	From 2024 Balance sheet
Tax liability for the Year	**13,379,494.16**	

TSHERING ASSOCIATES CERTIFIED PRACTISING ACCOUNTANT

Auditor's Further Comment:-

As per the information available, a Deferred Tax Asset (DTA) of Nu. 33,609,385.26 exists as at 31 December 2025. The detailed calculation is presented in the table below:

Sl.No.	Particulars	Carrying Amount of Assets/Liability as on 31.12.2025	Tax Base of Assets/Liability as on 31.12.2025	(Taxable)/ Deductible Differences	Deferred TaxAsset/ (Liability)
1	Trade and Other Receivables	2,367,525.00	2,762,480.00	394,955.00	86,890.10
2	Gratuity	(132,438,508.09)	-	132,438,508.09	29,136,471.78
3	Provision for Transfer Grant	(5,446,395.72)	-	5,446,395.72	1,198,207.06
4	Provision for Frequent Flyer Program	(9,043,678.49)	-	9,043,678.49	1,989,609.27
5	Provision for Travel Allowance	(5,446,395.72)	-	5,446,395.72	1,198,207.06
		-		-	
	Total	**-150,007,453.02**	**2,762,480.00**	**152,769,933.02**	**33,609,385.26**
Deferred Tax Assets					33,609,385.26
Less: Opening DTA/DTL					268,163,421
Movement in DTL/DTA					(234,554,035.74)
Deferred Tax Expense					234,554,035.74

Observation Treated as Settled:

The audit observation is considered settled based on the clarification and rectification made by the management.


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Drukair Corporation Limited
PO Box 1219, Paro 12001, Bhutan
www.drukair.com.bt