ANNUAL REPORT
2017

THE YEAR IN REVIEW

I would like to take this opportunity to reflect on where Drukair has been in the last one year and how it may fare this year. Before I do so, I would like to thank the Board for its constant guidance and support to meet the financial and physical targets set for the year. I also would like to thank the Pilots, Cabin Crew, Field Engineers, Quality Managers, Traffic Controllers, Ground Operators and all the back end staff for ensuring that our flights are the safest despite very strenuous operating environments.

Now, looking back at 2017, it was a year where we managed to achieve historic heights in terms of aircraft utilization, revenue and profit. We had reorganized and adopted a New Service Manual which is relevant to present situation. Our pay packages and allowances have been enhanced and the Drukair team spirit is at its highest.

We also won Changi's Best Airline Marketing Award for 2017. We have completed and put in operation of our Customer Service Building in Thimphu (this is our first real estate ownership). The IT backbone is now being strengthened and consolidated with additional features like web/mobile advance booking and check-in, New Loyalty program application and new home page.

It was also the Year where unannounced check on misuse of Psychoactive substances in the airline industry was initiated and we had to adopt steps to combat this issue. With aging aircraft, we started engine shops for the ATR and Airbus. We also signed MoU for a new A320 NEO to be delivered in Q1 of 2020. Some old and familiar faces left us and new energetic ones joined us. We restarted our domestic flights to Gelephu and Yonphula with government support from 11th Nov, 2017.The year end good news was the reduction of ATF rates in Paro by about 14 %.

The highlights of operations were that, Drukair operated 4,903 flights in 2017 carrying 271,007 passengers. The number of flights operated increased by 470 flights or by about 11%, and passengers carried increased by 37,437 passengers or by about 16% as compared to 2016.The significant increase in passengers was mainly due to increase in number of flights and load/schedule optimization whereby the flights were strategically operated based on demand and booking status. Drukair achieved a load factor of 72.9% for the year 2017.

Drukair retained 73% of the overall market share in the year 2017. Drukair had an average 64 passengers per flight on competitive routes. Drukair gained 4% of the market compared to the year 2016. On the competitive sector, Drukair retained 60% of the market share on Bangkok sector, 87% on Kathmandu sector, 66% on Kolkata sector and 85% on the Delhi sector.Cargo and excess baggage recorded decrease by 12% and 20% respectively while mail has increased by 19 % as compared to year 2016. Cargo ferried in 2017 was 342,037 kg, mail carried was 169,921 kg and excess baggage carried was 49,513kg. Cargo ferried in 2016 was 387,655 kg, mail carried was142,988 kg and excess baggage carried was 62,055 kg.

On the Financial highlights, the profit after tax (PAT) amounted to Nu. 349 million as compared to 100 million in 2016. The growth in the PAT was 249.45% as compared to the previous year. The increase in revenue passengers as mentioned in the operational highlights has attributed to the increase in the PAT.

The auditors have issued unqualified audit report for 2017. The company has also now fully adopted Bhutan Accounting Standard (BAS) for the preparation of financial statements. The company has complied to all the minimum audit requirements mentioned in the Companies Act 2016.

The excellent performance in 2017 was appreciated and the employees' of the Company received one and half months of bonus and PBVP (Performance based Variance payout) of 5.25%. I would like to thank the Board and DHI and congratulate the staff for the achievement.

2018 now brings in opportunities and challenges. Starting from 1st January 2018 we have reduced our fares and this challenges our revenue target. The targets of 70% market share in the competitive sector, retain 73% load factor, 11 flights a week to Bangkok and 7 flights a week to Delhi and Kathmandu will be a daunting task with our aging fleet. I count on each employee to deliver and we shall put in our best effort to overcome the challenges ahead.

From 1st January 2018 Drukair ticketing services will be available at Bhutan Telecom (BT) counters in selected places and eventually in all Dzongkhags, thereby increasing our reach and making it easier for our customers. We are also seriously looking at 6th Freedom in 2018 to maintain Load Factor. We are forming a Customer Service Section and Call Center under Ground Ops in 2018 to improve our customer services which has been one of our main weakness. This year we are looking at holding 6 in house training courses which entails trainer and course material development. This shall be our initial steps towards developing our own Training Division/Section. As we move into 2018 we shall consider needs to lease any aircraft, considering our aging fleet and ambitious schedules. We have also adopted a more comprehensive Safety Management System (SMS) which includes Emergency Response Program (ERP) and Disaster Management. Our Crisis Room is ready and soon we will have a dry run on crisis management. We will be prepared for any eventuality while increasing our safety audits.

Once more, on behalf of the management of Drukair, I would like to express our sincere gratitude to the Board and DHI for their unconditional support at all times. We would like to put on record the management's appreciation to the customers for their loyalty and support to Drukair.

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

Tashi Delek

Mr. Tandi Wangchuk
Chief Executive Officer

CONTENTS


A5-JSW
Royal Bhutan Airlines
Drukair

COMPANY PROFILE

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

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

Drukair upgraded its fleet to BAe 146 on November, 1988, when the first plane touched down at Paro with the same traditional fanfare and weeks later second BAe 146 was added. Drukair now operates with A319 for it's international destinations and an ATR 42-500 for it's domestic and regional destinations. Recently Drukair has signed purchase agreement for an A320 NEO and an ATR 42-600. The ATR will join the existing fleet in July 2019 and the A320 NEO will join in Q1 of 2020. All the pilots, maintenance crew and engineers are trained at the best institutes abroad.

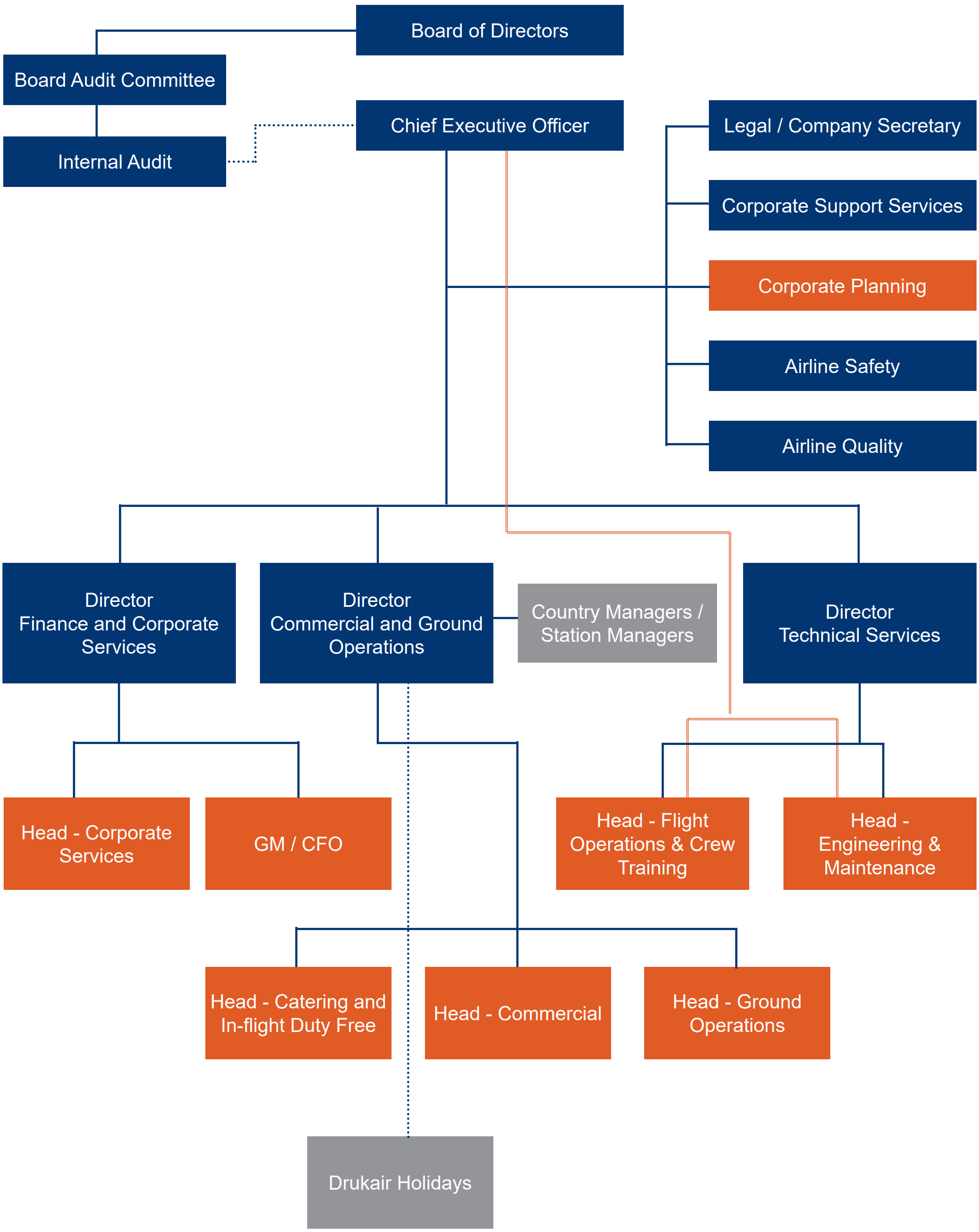
Vision: To be the leading airline connecting Bhutan and the world

Mission: Drukair, as a National Airline shall; Provide safe and reliable air transport services, be competitive and meet the growing demands, and consistently meet customer expectation with excellence in service

Core Values: Safety, Standard, Service Excellence, Integrity, Team Work and Open Door Culture

Slogan: On the wings of the dragon

ORGANIZATION CHART



BOARD OF DIRECTORS

CHAIRMAN
Dasho Sangay Khandu

Chairman
Druk Holding and Investments

Dasho Sangay Khandu brings more than 37 years of work experience with the Royal Government of Bhutan and Corporate World.

He previously served as the Secretary of National Land Commission from August 2007 to February 2014.He was conferred red scarf by His Majesty the King in December 2009. He holds a Bachelor of Science from St. Joseph's College, Darjeeling, India and a Bachelor of Business Administration from Knights Bridge University, United Kingdom. He is the Chairman of DHI and serves on the Board of BOB, DGPC, BFAL and Drukair.

MEMBER
Mr. Pema Chewang

Secretary
National Land Commission Secretariat

Mr. Pema Chewang is the Secretary of National Land Commission Secretariat of Bhuatn.

He has 26 years of work experience. He received his master in Development Economics from Australian National University,Canberra,Australia and Bachelor of Arts Degree from Sherubtse College. He serves on the board of DHI, NHDC and Election Commission.

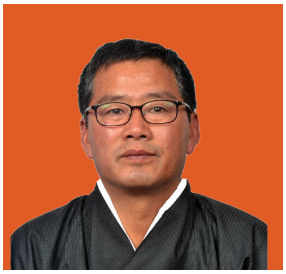
MEMBER
Mr. Sonam Phuntsho Wangdi

Director
Department of Hydropower and Power Systems

Mr. Sonam Phuntsho Wangdi is the Director General of Department of Hydropower and Power Systems, Ministry of Economics Affairs.

He has more than 31 years of work experience with the Royal Government of Bhutan. He received his Master of International Law and Economics from World Trade Institute, University of Bern, Switzerland. He received his Bachelor of Commerce (Honors) from University of Delhi, India. He serves on Boards of Kholongchhu Hydro Energy Ltd and Army Welfare Project Ltd.

BOARD OF DIRECTORS



MEMBER
Mr. Choiten Wangchuk

Director General Department of Industry

Mr. Choiten Wangchuk is the Director General of Department of Industry, Ministry of Economics Affairs. He has more than 29 years of work experience with the Royal Government of Bhutan. He received his Master in Business Administration (MBA) from University of Canberra, Australian Capital Territory, Australia and Bachelor in Commerce (B. Com) from Sherubtse College, Kanglung, Bhutan.

MEMBER
Mr. Karma Tshering

Board Director Trustee of Loden Foundation

Mr. Karma Tshering brings in work experience spanning over 22 years and last served as the Chief Executive Officer of Business Opportunity & Information Centre. His area of expertise includes entrepreneurship and business development, corporate management, financing & governance, SME & Commercial banking & credit operations. He has a Master of Business Administration from University of Canberra.

MEMBER
Mr. Passang Dorji

Director Druk Holding and Investments

Mr. Passang Dorji is the Director, Department of Investments at Druk Holding and Investments with over fifteen years of work experience. He has served on the Board of many prominent corporations across several sectors in Bhutan. He has a bachelor in civil engineering from Thammasat University, Thailand and a MBA from Asian Institute of Management, Philippines. His area of work has been mainly in business development and investment analysis.

MEMBER
Mr. Tandi Wangchuk

Chief Executive Officer Drukair Corporation Limited

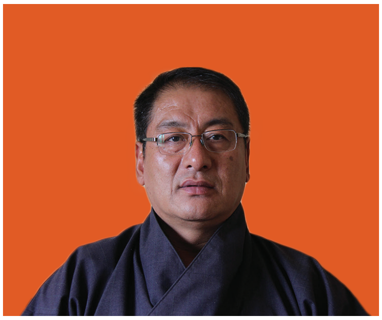
Mr. Tandi Wangchuk is the Chief Executive Officer of Drukair Corporation Limited. He has more than 28 years of work experience. He received his M.Sc. in Operational Telecommunication from Coventry University, Midlands, England, UK and B.Sc. in EEE from Bangladesh University of Engineeing and Technology (BUET), Dhaka,Bangladesh.

MANAGEMENT TEAM

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

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

Mr. Namgay Wangchuk is the Director of Commercial and Ground Operations Department. He received his Bachelor of Arts from Sherubtse College,Bhutan. He served Drukair for 29 years.



Mr. Karma Phuntsho Wangdi. Director, Department of Technical Services

Mr. Karma Phuntsho Wangdi is the Director of Technical Services Department. He received his Bachelor of Arts from Sherubtse College,Bhutan. He served Drukair for 24 years.

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

Mr. Rinzin Dorji is the Director of Finance and Corporate Services Department. He received his Bachelor of Commerce from Meerut University,India. He served Drukair for 23 years.

DIRECTORS' REPORT

To the Shareholder,

As the Chairman of the Board of Directors of Drukair Corporation Ltd, I, on behalf of the Board of Directors and the management would like to present the Directors' report for the year ending 2017.

Operational highlights

Drukair operated 4,903 flights in 2017 carrying 271,007 passengers. The number of flights operated increased by 470 flights or by about 11%, and passengers carried increased by 37,437 passengers or by about 16% as compared to 2016.

The significant increase in passengers was mainly due to increase in number of flights and load/ schedule optimization whereby the flights were strategically operated based on demand and booking status. Drukair achieved a load factor of 72.9% for the year 2017.

Drukair retained 73% of the overall market share in year 2017. Drukair had an average of 64 passengers per flight on the competitive routes. Drukair regained 4% of the market share compared to the year 2016. On competitive sector, Drukair retained 60% of the market share on Bangkok sector, 87% on Kathmandu sector, 66% on Kolkata sector and 85% on the Delhi sector.

Cargo and excess baggage recorded decrease by 12% and 20% respectively while mail has increased by 19 % as compared to the year 2016. Cargo ferried in 2017 was 342,037 MT, mail carried was 169,921 MT and excess baggage carried was 49,513 MT. Cargo ferried in 2016 was 387,655 MT, mail carried was 142,988 MT and excess baggage carried was 62,055 MT.

In 2017, a proper restructure of the company was carried out to meet the changing market scenario and employees' aspirations. Accordingly, the company adopted a New Service Manual, which streamlined rules, processes, procedures and benefits. The pay packages and allowances have been enhanced as well.

The Company won the prestigious Changi's Best Airline Marketing Award for 2017 based on the marketing initiatives carried out in promoting Singapore route during the financial year 2016 and 2017.

With the aging aircrafts, Drukair started engine shop visits for the ATR-42-500 and the older Airbus A319. One of the core engine of the ATR was repaired in the manufacturer's repair shop in Singapore in 2017 and the other will be sent in early 2018 for shop visit. One of the engines of older A319 was inspected and repaired at Air France engine shop in Paris in 2017, two are planned in 2018 and the fourth is planned in 2019.

The Company has also signed a MoU with Airbus for the purchase of a new A320 NEO to be delivered in the first quarter of 2020. The purchase agreement was signed after the completion of the successful demonstration flight in Paro by Airbus on March 5 & 6, 2018.

As desired by the Government, the Company started domestic flights to Gelephu and Yonphula in addition to the existing airport in Bumthang from 11th November 2017. The two sectors being commercially unviable and with the private airline unwillingness to operate, the Government committed to meet the viability gap.

Financial Highlights

The profit after tax (PAT) was calculated at Nu. 349 million as compared to 100 million in 2016 which is the highest in Drukair's history. The growth in the PAT was 249.45% over the previous year. The increase in revenue passengers as mentioned in the operational highlights has attributed to the increase in the PAT.

Table 1: key financial performance of the company for 2017 vis-à-vis 2016

Particulars	2017	2016	Variance
Gross Revenue	3,724,018,698	3,057,185,951	21.81%
Total Expenditure	3,183,944,910	2,947,517,013	8.02%
Profit before Income Tax	540,073,788	109,668,937	392.46%
Profit after Tax	348,615,404	99,760,964	249.45%
Earnings per share	15.67	4.48	249.45%

The key financial ratios are as provided below and it shows that the financial position of the company has drastically improved over the years.

Table 2: key financial ratio of the company for 2017, 2016 and 2015

Particulars	2017	2016	2015
Current Ratio	1.53	1.49	1.29
Debt Equity Ratio	0.67	0.88	1.02
Return on Equity	11.84%	3.91%	-1.29%
Return on Capital Employed	10.98%	2.29%	-0.49%
Fixed Asset Turnover	0.94	0.72	0.61

Audit Issues

The auditors have issued unqualified audit report for 2017. The company has also now fully adopted Bhutan Accounting Standard (BAS) for the preparation of financial statements. The company has complied with all the minimum audit requirements mentioned in the Companies Act 2016.

Board's Recommendation of Dividend

The Board recommended a dividend of Nu. 108 million for the financial year 2017.

Corporate Governance

The Company complied with the CG Code issued by DHI. Amongst other things, the Company's Board had 10 Board meetings, two Emergency Board Meeting for the Aircraft Purchase, one Corporate Strategic Plan (2018-2022) meeting, four Audit Committee meetings and 10 Human Resource Committee Meetings, which were mainly necessary due to many initiatives that the Board and management carried out for organizational development including re-structuring of the organization and development of new service manual. There was no Nomination and Governance Committee (NGC) meetings held in 2017.

The quorum at each of these meetings were duly met. Furthermore, the gap between two meetings did not exceed three months in accordance with the Companies Act of Bhutan, 2016.
At the end of 2017, Drukair's Board consisted of seven Directors including the Chairman and the CEO. Mr. Dorji Tshering, Director, Department of Occupational Standards, Ministry of Labour and Human Recourses was replaced as a Board Director by Mr. Sonam Phuntsho Wangdi, Director General, Department of Hydro Power Division, Ministry of Economic Affairs at the AGM held on 9th March 2017. As a means of institutionalizing the risk management process, DCL held its 1st risk management meeting during the 1st Quarter in 2017. The meeting was attended by all Directors, Head of Divisions and was chaired by the CEO.

Corporate Social Responsibility

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

Statutory Audit Report

M/s Jain Mittal Chaudhary & Associates was appointed by the Royal Audit Authority, as per standard practice, as the Statutory Auditors for Drukair for three years, starting with 2015 Accounts and have now completed their 3rd (final) year of engagement as auditors to Drukair. M/s Jain Mittal Chaudhary & Associates undertook the Statutory Audit of the accounts of Drukair for the year 2017 during the period from 15th January 2018 to 13th February 2018. The 2017 audit was conducted in accordance with the International Standards on Auditing (ISAs) and General terms of reference for auditor and minimum audit reporting requirement prescribed by the Royal Audit Authority specified under section 266 of the Companies Act of Bhutan, 2016.

Acknowledgment

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

The Board would like to thank DCL management and employees for their dedicated hard work in improving the performance of the company. Finally, the company would like to thank all the customers for their loyalty and support to Drukair.

Thank You
For and on behalf of the Board

(Mr. Pema Chewang)
Officiating Chairman

CORPORATE GOVERNANCE REPORT

The Company complied with the Companies Act of Bhutan 2016 and the DHI CG code. Ten Board Meetings were held in 2017 and the gap between two meetings did not exceed three months in accordance with the Companies Act of Bhutan 2016. Furthermore, two Emergency Board Meetings were conducted to discuss the purchase of a new aircraft and Corporate Strategic Plan (2018-2022).

Board Committees

The Board Audit Committee and Board HR Committee meetings were also convened regularly to deliberate on issues confronting the company.

Board Remuneration

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

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

Sl. No	Name of the Director	Remuneration and other benefits paid to the Director
1.	Dasho Sangay Khandu	Nu.108,000 plus ID tickets as per rule
2.	Mr. Pema Chewang	Nu.84,000 plus ID tickets as per rule
3.	Mr. Sonam Phuntsho Wangdi	Nu. 52,000 plus ID tickets as per rule
4.	Mr. Choiten Wangchuk	Nu. 152,000 plus ID tickets as per rule
5.	Mr. Karma Tshering	Nu. 152,000 plus ID tickets as per rule
6.	Mr. Passang Dorji	Nu. 164,000 plus ID tickets as per rule
7.	Mr. Tandi Wangchuk	Nu. 156,000 plus ID tickets as per contract

Annual General Meeting

The 26th Drukair Annual General Meeting was held on 9th March 2017 at DHI Board Room, Thimphu. No dividend was declared by the Company for the financial year 2016.

Mr. Dorji Tshering having completed his tenure as Director on the Drukair Board was replaced by Mr. Sonam Phuntsho Wangdi DG, Department of Power and Hydropower Systems, MoEA. Furthermore, Director Pema Chewang was retired and reappointed as a Board Director pursuant to Section 138 of the Companies Act 2016.

Risk Management Systems

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

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

As a means of institutionalizing the risk management process, DCL held its 1st risk management meeting during the 1st Quarter in 2017 where the concept of risk management has been familiarized to the management as it was an adoption of a new concept. The meeting was attended by all Directors, Head of Divisions and was chaired by the CEO.
After a series of meetings, 11 Risk champions from different divisions/units have also been identified.

As per board directives, a Risk Management Committee has also been formed. The RM Committee is chaired by the CEO. The RM committee shall meet Quarterly to review risk assessment and recommend risk mitigation measures as per the RTAP suggested by the action group.

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

Review of compliance to mitigation measures during the year 2017 as per the DHI-DCL compact 2017, DCL had submitted;

a) Key risks and their mitigation measures during the 1st Quarter
b) Review of compliance of mitigation measures with updated Risk Registers 3rd Quarter
c) Final review of compliance to mitigation measures is being submitted end of 3rd Quarter

Corporate Social Responsibility

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

The Company has contributed its share for CSR activities as agreed and decided by DHI for the year 2017. The Company as usual carried out *rimdos* for the benefits of all the employees and passengers. The company has also donated a used minivan to Tali Kuenzang Choekholing Shedra, Zhemgang.

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Drukair Corporation Limited
To the members of Drukair Corporation Limited
Report on the Financial Statements of Drukair Corporation Limited

Opinion

We have audited the accompanying financial statements of Drukair Corporation Limited (hereinafter referred to as the Company), which comprise the Statement of Financial Position as at 31st December 2017, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Drukair Corporation Limited as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with Bhutanese Accounting Standards (BAS).

Basis for Opinion

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

JAIN MITTAL CHAUDHARY & ASSOCIATES
Chartered Accountants

Responsibilities of Management and those charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using 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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

Further we exercises professional judgment and maintain professional skepticism through the audit and described our responsibilities in Annexure-I attached to this report as per the requirements of Paragraph 40(b) of the ISA 700.

Report on Other Legal and Regulatory Requirements

As requirement by section 266 of the Companies Act of Kingdom of Bhutan, 2016 and its enabling provisions relating to Clause II of Schedule XIV of the erstwhile Companies Act of Kingdom of Bhutan, 2000 thereto (the Minimum Audit Examination and Reporting Requirements), we enclose in the Annexure-II, a statement on the matters specified therein to the extent applicable to the company.

As required by section 265 of the Act, we report that:

1. We have obtained all the information and explanation, which to the best of our knowledge and belief were necessary for the purpose of our audit.

2. In our opinion proper books of accounts as required by law have been kept by the Company in so far as it appears from our examination of the books.

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

4. In our opinion, the Statement of Financial Position, Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows comply with the Bhutanese Accounting Standards and provisions of the Companies Act of Bhutan, 2016.

For Jain Mittal Chaudhary & Associates
Chartered Accountants
(Firm Registration No 015140N)

CA Ashish Jain
Partner, Membership No.: 094384,
Delhi:27th March 2018

Annexure –I

Annexure to the Independent Auditor's Report paragraph of the Auditor's Responsibilities for the Audit of the Financial Statements of Drukair Corporation Limited for the year ending 31st December, 2017 and as per the requirement of the paragraph 40(b) of ISA 700.

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

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

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

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

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

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

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

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

JAIN MITTAL CHAUDHARY & ASSOCIATES
Chartered Accountants

Annexure - II

Annexure referred to in our audit report of even date on Minimum Audit Examination and Reporting Requirements

As requirement by section 266 of the Companies Act of Kingdom of Bhutan, 2016 and its enabling provisions relating to Clause II of Schedule XIV of the erstwhile Companies Act of Kingdom of Bhutan, 2000 thereto (the Minimum Audit Examination and Reporting Requirements) and required by the Royal Audit Authority of Bhutan vide its Letter No. RAA(SA-10)/CFID/2016/3367 dated 28th October, 2016 and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we report as follows:

1. The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets for Head Quarter and all the stations. The Management has carried out the physical verification of fixed assets during the year ended 31st December, 2016 in all locations. According to the information and explanations given to us, no material discrepancies were noticed on physical verification.

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

3. Physical verifications were conducted at reasonable intervals in respect of stores and spare parts including stock of manual tickets.

4. In our opinion and according to the information and explanations given to us, the procedure of physical verification of stores and spare parts followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

5. In our opinion and according to the information and explanations given to us the management has identified some discrepancies on physical verification of inventory of catering division as compared to the books records, and the same has been dealt with in the books of accounts.

6. On the basis of examination of valuation of stocks and the information and explanations given to us and in our opinion, the valuation is fair and proper in accordance with the normally accepted accounting principles except *inventory of aircraft expendables and spares has been valued at cost in absence of FMV, which does not comply with BAS-2 (Inventories) requirement*. The basis of valuation of inventory is the same as in the preceding year.

JAIN MITTAL CHAUDHARY & ASSOCIATES
Chartered Accountants

7. In our opinion and according to the information and explanations given to us, the Company has not taken any loan during the year under review except that unsecured loan taken from the Royal Govt. of Bhutan. The terms and conditions of such loan is prima-facie not prejudicial to the interest of the Company. Additionally, according to information and explanations given to us, the Company has not taken any loan, secured or unsecured, from companies under the same management.
8. In our opinion and according to the information and explanations given to us, the Company has not granted any loan secured or unsecured to other companies, firms or other parties and/ or to the companies under the same management. Hence this sub-clause is not applicable.

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

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

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

12. In our opinion and according to the information and explanations given to us having regard to certain exceptions that some of item purchased are of special nature where suitable alternative sources of supply does not exist for obtaining comparable questions 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, and plant and machinery, equipment and other assets. As the company is engaged in providing services, it has no requirement of raw materials.

13. (a) In our opinion and according to the information and explanations given to us, the Company has not entered into any transaction for purchases and sale of goods and service made in pursuance of contracts or arrangements entered into with the director(s) or any other party(ies) related to the director(s) or with the Company or firms in which the director(s) are directly or indirectly interested except DHI subsidiaries, the details of which is duly disclosed in the Related party transactions in notes to accounts to the financial statements.

    (b) As no such purchase or sales have been made during the year, this sub-clause is not applicable.

JAIN MITTAL CHAUDHARY & ASSOCIATES
FRN
Chartered Accountants

14. In our opinion and according to the information and explanations given to us, there are no unserviceable or damaged stores, raw materials or finished goods, which have not been provided for in the books of accounts. Hence no provision for loss is required.

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

16. In our opinion and according to the information and explanations given to us, the Company being a service sector company, maintenance of records as required under sub-clause16 is not applicable, *however, the Company also runs the catering unit, where no records have been maintained in respect of production.*

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

18. In our opinion and according to the information and explanations given to us, the Company is regular in depositing rates and taxes, duties, royalties, provident funds, and other statutory dues with the appropriate authorities *except the service tax and TDS is subject to reconciliation.*

19. In our opinion and according to the information and explanations given to us, there was no undisputed amount payable in respect of taxes, rates , duties, royalties, provident funds and other statutory deductions outstanding as on the last day of financial year concerned. *However, there is a demand of pax royalty amounting to INR 21.70 million (Previous year-INR 17.71million) till June 2006 payable to air India which is under dispute and a demand of INR.1.36 million was raised by the ESI department in India and the company has deposited 0.34 million against the same and the balance is pending for payment on account of hearing is pending before the assessing officer.*

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

21. In our opinion and according to the information and explanations given to us, the Company has a reasonable system of recording receipts, issues and consumption of materials and stores and allocating materials consumed to the respective jobs, commensurate with its size and nature of its business.

22. In our opinion and according to the information and explanations given to us, the Company prepares quantitative reconciliation at the end of accounting year in respect of all major items of inventories i.e. stores and spares, duty free goods and catering items.

JAIN MITTAL CHAUDHARY & ASSOCIATES
Chartered Accountants

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

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

25. In our opinion and according to the information and explanations given to us, there is a reasonable system of authorization at proper levels, and an adequate system of internal control commensurate with the size of Company and the nature of its business, on issue of stores and allocation of materials.

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

27. In our opinion and according to the information and explanations given to us, the credit sales policy of the Company is reasonable and no credit rating of customers is carried out.

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

29. In our opinion and according to the information and explanations given to us, the Company has reasonable system of continuous follow-up with debtors and other parties for recovery of outstanding amounts. However, age-wise analysis of outstanding amounts is not carried out regularly for management information and follow-up action. *The reasonability of the related internal control system cannot be ascertained for those cases where management was unable to obtain the balance confirmation periodically.*

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

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

JAIN MITTAL CHAUDHARY & ASSOCIATES
Chartered Accountants

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

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

34. The Company being a service sector company, the required analysis under sub-clause 34 is not applicable.

35. In our opinion and according to the information and explanations given to us, the details of remuneration, commission and other payments made in cash or in kind to the Board of Directors including the Chief Executive Officer or any of their relatives (including spouse(s) and child/children) by the Company directly or indirectly are disclosed in Note no. 2.19 in the Notes to Accounts.

36. In our opinion and according to the information and explanations given to us, the management of the Company complies with the directives of the Board of Directors.

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

38. In our opinion and according to the information and explanations given to us, the Company maintains a reasonable system of costing to ascertain the cost of its services and enable it to make proper pricing decisions for its services.

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

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

JAIN MITTAL CHAUDHARY & ASSOCIATES
Chartered Accountants

41. Computerized Accounting Environment:

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

2. In our opinion and according to the information and explanations given to us, the Company has adequate safeguard measures and back up facilities. Backup system for financial accounting has improved by installing another server in Thimpu for live backup.

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

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.

42. GENERAL

1. Going Concern Problems

   On the basis of the attached Financial Statement as at 31st December, 2016 and according to the information and explanations given to us the financial position of the company is healthy and we have no reason to believe that the company is likely to become sick in the near future.

2. Ratio Analysis (attached separately)

   The significant ratios indicating the financial health and performance of the Company are given in attachment of this report as per Annexure.

3. Compliance with the Companies Act of the Kingdom of Bhutan:

   According to the information and explanations given to us by the management and based on a Compliance Checklist completed by the Company Officials, the Company has generally complied with the provisions of the Companies Act of the Kingdom of Bhutan. Details are given in Exhibit - A.

4. Adherence to Laws, Rules and Regulations:

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

For Jain Mittal Chaudhary & Associates
Chartered Accountants
(Firm Registration No 015140N)

JAIN MITTAL CHAUDHARY & ASSOCIATES
CA
Delhi
FRN : 015140N
Chartered Accountants

CA Ashish Jain
Partner
Membership No.: 094384
Place: Delhi
Date: 27th March 2018

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(Drukair Corporation Limited)

Financial Statements

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Statement of Financial Position

Particulars	Note	As at December 31,2017	December 31,2016	January 1,2016
Assets				
Non-current assets				
Property, plant and equipment	5	3,656,299,695	3,808,159,435	4,218,544,717
Intangible assets	6	9,976,510	2,461,977	2,498,880
Assets under capitalization	5	-	-	195,946
Investments	7	-	-	42,670,024
Trade and other receivables	8	5,571,461	-	11,921,624
Deposit for gratuity	9	43,643,035	24,673,057	37,912,982
Deferred tax asset	10	150,429	34,685,076	257,002
Non Current assets	11	39,589,400	12,803,700	-
Total Non-Current Assets		**3,755,230,530**	**3,882,783,245**	**4,314,001,175**
Current assets				
Inventories	12	103,161,316	108,110,991	108,757,710
Trade and other receivables	8	127,255,212	70,558,379	155,844,590
Investments	13	-	207,140,598	209,558,160
Deposit for gratuity	9	111,265,315	27,697,824	11,025,165
Cash and cash equivalents	14	1,924,757,765	1,130,859,516	643,647,469
Other current assets	15	239,923,325	193,457,024	172,939,482
Total Current Assets		**2,506,362,933**	**1,737,824,332**	**1,301,772,576**
Total Assets		**6,261,593,463**	**5,620,607,577**	**5,615,773,751**
Shareholder's Equity				
Share capital	16	2,225,211,100	2,225,211,100	2,225,211,100
Reserves		718,150,030	325,879,897	224,733,070
Total Equity		**2,943,361,130**	**2,551,090,997**	**2,449,944,170**
Liabilities				
Non-current liabilities				
Borrowing	17	1,613,258,720	1,863,412,740	2,113,566,761
Provisions	18	66,324,652	38,234,194	42,415,031
Total Non-Current Liabilities		**1,679,583,372**	**1,901,646,934**	**2,155,981,792**

Particulars	Note	As at December 31,2017	As at December 31,2016	As at January 1,2016
Current liabilities				
Borrowing	17	361,646,234	375,578,750	390,277,449
Trade and other payables	19	643,878,739	330,660,635	348,518,933
Other liabilities	20	456,359,805	402,195,774	252,323,488
Provisions	18	176,764,183	59,434,487	18,727,919
Total current liabilities		**1,638,648,961**	**1,167,869,646**	**1,009,847,789**
Total equity and liabilities		**6,261,593,463**	**5,620,607,577**	**5,615,773,751**

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

For Jain Mittal Chaudhary & Associates
Chartered Accountants
Firm Regn. No. 015140N

JAIN MITTAL CHAUDHARY & ASSOCIATES
CA
Delhi
FRN : 015140N
Chartered Accountants

CA Ashish Jain
Partner
Membership No. 094384

Place: Delhi
Dated: 27th March 2018

For Drukair Corporation Limited

Dasho Sangay Khandu
Chairman

Tandi Wangchuck
Chief Executive Officer

Rinzin Dorji
Director FCSD

Place:Thimphu
Dated:14th March 2018

Statement of Comprehensive Income.

Particulars	Note	For the year ended, December 31,2017	December 31, 2016
Operating Revenue			
Traffic revenue	21	3,434,092,946	2,742,742,215
Other operating revenue	22	92,357,700	117,066,314
Total operating revenue		3,526,450,646	2,859,808,529
Operating expenditure			
Flight operation costs	23	1,242,853,573	1,014,978,295
Other operation costs	24	159,999,828	169,393,079
Aircraft maintenance costs	25	218,530,928	234,016,511
Other maintenance costs	26	9,906,776	9,207,880
Employee costs	27	409,968,371	367,648,072
Other costs	28	514,913,673	415,898,863
Depreciation and amortization expenses	5	468,570,998	553,076,660
Total operating expenditure		3,024,744,147	2,764,219,360
Operating Profit		501,706,499	95,589,167
Non Operating Items			
Non-operating revenue	29	197,568,052	197,377,422
Finance cost	30	(159,200,763)	(183,297,653)
Profit before tax		540,073,788	109,668,937
Tax expenses			
Current Year		(161,427,103)	(33,588,344)
Earlier Years		18,377,080	
CIT paid outside Bhutan		(13,873,713)	(10,747,704)
Deferred Tax Income/(Expense)		(34,534,648)	34,428,075
Profit/(loss) after tax for the financial year		348,615,404	99,760,964
Attributable to the owners of the parent		348,615,404	99,760,964
Earnings per share			
-Basic		15.67	4.48
-Diluted		15.67	4.48

Particulars	Note	For the year ended,	
		December 31,2017	December 31, 2016
Other Comprehensive Income			
Currency translation differences (nontaxable)		66,789,283	(1,043,588)
Actuarial gains/(losses)		(22,762,048)	2,429,452
Total comprehensive income for the year		**392,642,639**	**101,146,827**

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

For Jain Mittal Chaudhary & Associates
Chartered Accountants
Firm Regn. No. 015140N

For Drukair Corporation Limited

CA Ashish Jain
Partner
Membership No. 094384

Place: Delhi
Dated: 27th March 2018

Dasho Sangay Khandu
Chairman

Tandi Wangchuck
Chief Executive Officer

Rinzin Dorji
Director FCSD

Place:Thimphu
Dated:14th March 2018

Statement of Change in Equity

Particulars	Issued capital	Translation reserve	Actuarial reserve	Retained Earnings	Total
Restated Balance at 1 January 2016	2,225,211,100	-	2,854,768	221,878,302	2,449,944,170
Profit for the year 2016				99,760,964	99,760,964
Other Comprehensive income for the year 2016		(1,043,588)	2,429,452		1,385,864
Total Comprehensive income for the year 2016	-	(1,043,588)	2,429,452	99,760,964	101,146,827
Restated Balance at 31st December 2016	2,225,211,100	(1,043,588)	5,284,220	321,639,265	2,551,090,997
At 1 January 2017	2,225,211,100	(1,043,588)	5,284,220	321,639,265	2,551,090,997
Profit/(Loss) for the year 2017				348,615,404	348,615,404
Prior Period Adjustments				(372,506)	(372,506)
Other Comprehensive income/(Loss)for the year 2017		66,789,283	(22,762,048)		44,027,235
Total Comprehensive income for the year 2017	-	66,789,283	(22,762,048)	348,242,898	392,270,133
Balance at 31st December 2017	2,225,211,100	65,745,695	(17,477,828)	669,882,163	2,943,361,130

For Jain Mittal Chaudhary & Associates
Chartered Accountants
Firm Regn. No. 015140N

For Drukair Corporation Limited

JAIN MITTAL CHAUDHARY & ASSOCIATES
Delhi
FRN : 015140N
Chartered Accountants

CA Ashish Jain
Partner
Membership No. 094384

Dasho Sangay Khandu
Chairman

Tandi Wangchuck
Chief Executive Officer

Place: Delhi
Dated: 27th March 2018

Rinzin Dorji
Director FCSD

Place:Thimphu
Dated:14th March 2018

Statement of Cash Flows

Particulars	For the year ended December 31, 2017	For the year ended December 31, 2016
Cash flow from operating activities (A)		
Comprehensive profit for the year after tax	392,270,133	101,146,827
Provision for tax	156,923,736	44,336,048
Provision for deferred tax assets/(liability)	34,534,648	(34,428,075)
Depreciation, amortization and impairment	468,570,998	553,076,660
Loss/(Profit) on sale of PPE	(4,158,458)	1,364,422
Unrealized Foreign Exchange on Trade and other Receivables	10,420,464	(2,406)
Interest Income	(155,482,563)	(175,952,302)
Interest Expense	145,717,304	167,516,269
Amount written off	1,878,597	195,946
Operating profit before working capital changes	**1,050,674,859**	**657,253,389**
Movement in Trade and other Liabilities	367,382,130	132,013,992
Movement in Provisions	21,827,142	5,162,498
Movement in Inventory	4,949,674	646,721
Movement in Trade and other receivables	(62,268,293)	97,207,833
Movement in other current	(46,466,300)	(20,517,542)
Movement in deposits receivable	(102,537,469)	41,654,851
Net cash generated from operating activities before income tax	**182,886,884**	**256,168,353**
Income tax paid, net of refunds received	(33,330,722)	**12,972,817**
	149,556,161	**243,195,536**
Total cash flow from operating activities	**1,200,231,021**	**900,448,925**
Cash flows from investing activities (B)		
Advance paid for PPE	(26,785,700)	(12,803,700)
Sales of investment	207,140,600	-
Purchase of PPE and intangible assets	(328,138,546)	(144,135,146)
Sale Proceeds from PPE	6,192,614	116,232
Interest income	155,482,563	175,952,302
Total cash flow from investing activities	**13,891,532**	**19,129,688**

Particulars	For the year ended December 31, 2017	For the year ended December 31, 2016
Cash flows from financing activities (C)		
Movement in loans payable	(264,086,536)	(264,852,719)
Interest paid	(145,717,304)	(167,516,269)
Net cash used in financing activities	**(409,803,840)**	**(432,368,988)**
Changes in Cash and cash equivalents (A)+(B)+(C)	804,318,713	487,209,628
Cash and cash equivalents at beginning of year	1,130,859,516	643,647,483
Unrealized foreign exchange on cash and cash Equivalents	(10,420,464)	2,406
Cash and cash equivalents at end of the year	**1,924,757,765**	**1,130,859,516**

For Jain Mittal Chaudhary & Associates
Chartered Accountants
Firm Regn. No. 015140N

JAIN MITTAL CHAUDHARY & ASSOCIATES
Delhi
FRN : 015140N
Chartered Accountants

CA Ashish Jain
Partner
Membership No. 094384

Place: Delhi
Dated: 27th March 2018

For Drukair Corporation Limited

Dasho Sangay Khandu
Chairman

Tandi Wangchuck
Chief Executive Officer

Rinzin Dorji
Director FCSD

Place:Thimphu
Dated:14th March 2018

INDEX

1. General information

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

The Company is a limited liability company incorporated and domiciled in Bhutan. The address of its registered office is PO Box 1219, Nemeyzampa, and Paro. These financial statements relate to the year ended 31 December 2017.

The financial statements of the Company for the year ended December 31, 2017 were authorized for issue in accordance with the resolution of the Board of directors dated 14th March 2018.

2. Transition to Bhutan Accounting Standards (BAS)

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

SL No.	BAS	Standard Name	Effective Date
		Phase-1	
1	BAS 1	Presentation of Financial Statements	1.1.2015
2	BAS 2	Inventories	1.1.2015
3	BAS 7	Statement of Cash Flows	1.1.2015
4	BAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	1.1.2015
5	BAS 10	Events after the Reporting Period	1.1.2015
6	BAS 12	Income Taxes	1.1.2015
7	BAS 16	Property, Plant & Equipment	1.1.2015
8	BAS 18	Revenue	1.1.2015
9	BAS 20	Accounting for Government Grants and Disclosure of Government Assistance	1.1.2015
10	BAS 21	The Effects of Changes in Foreign Exchange Rates	1.1.2015
11	BAS 23	Borrowing Costs	1.1.2015
12	BAS24	Related Party disclosures	1.1.2015
13	BAS 33	Earnings Per Share	1.1.2015
14	BAS 37	Provisions, Contingent Liabilities and Contingent Assets	1.1.2015

SL No.	BAS	Standard Name	Effective Date
		Phase-II	
15	BAS 17	Leases	1.1.2016
16	BAS 19	Employee Benefits	1.1.2016
17	BAS 26	Accounting and reporting by retirement benefit plans	1.1.2016
18	BAS 36	Impairment of Assets	1.1.2016
19	BAS 36	Intangible Assets	1.1.2016
		Phase-III	
20	BAS 32	Financial Instrument: Presentation	1.1.2017
21	BFRS 1	First- time adoption of BFRS	1.1.2017
22	BFRS5	Non-Current Assets Held for Sale and discontinued Operations	1.1.2017
23	BFRS 7	Financial Instruments: disclosure	1.1.2017
24	BFRS 9	Financial Instrument	1.1.2017
25	BFRS 13	Fair Value Measurement	1.1.2017
26	BFRS 15	Revenue for Contracts with Customers	1.1.2017

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

2.2 The Phase- III standards applicable to the company were implemented in 2017. The Company has prepared its restated opening balance sheet as at January 1, 2016 in accordance with the provisions of the aforesaid BAS. Changes in accounting policies consequent on adoption of above BAS have been accounted for in accordance with the transition provisions of the respective BAS and in case where the specific transition provisions do not exist, the change in policy has been accounted for retrospectively by restating the comparatives. The resultant impact of such changes in accounting policies upto the transition date has been adjusted in the retained earnings as of January 1, 2016.

2.3 The detail reconciliation of the Company's financial statements prepared under previous GAAP and as per the BAS are disclosed in Note 39.

3. Summary of Significant Accounting Policies

3.1 Basis of preparation

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

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

3.2 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

3.3 Property, plant and equipment

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

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

JAIN MITTAL CHAUDHARY & ASSOCIATES
Chartered Accountants

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

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

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

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

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

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

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

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

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

3.4 Intangible assets

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

3.5 Impairment of assets

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

3.6 Income tax

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

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

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

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

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

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

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

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

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

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

3.7 Investments and other financial assets

(i) Initial measurement

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

(ii) Classification and subsequent measurement

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

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

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

Financial assets measured at amortized cost:

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

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

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

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

Financial instruments measured at fair value through other comprehensive income

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

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

b) The asset's contractual cash flow represents SPPI.

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

Financial instruments measured at fair value through profit and loss

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

(iii) Impairment of financial assets

The Company assesses on a forward looking basis the expected credit losses associated with its assets carried at amortized cost and FVOCI debt instruments. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 34details how the Company determines whether there has been a significant increase in credit risk.

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

(iv) Derecognition of financial assets

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

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

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

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

(v) Income recognition

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

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

3.8 Financial Liabilities

(i) Initial recognition and measurement

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

(ii) **Subsequent m**easurement

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

Financial Liabilities at fair value through profit or loss

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

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

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

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

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

(iii) Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the DE recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other gains/(losses).

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Financial guarantee contracts

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

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

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

(iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the group or the counterparty. Investments primarily meant to be held over long term period (i.e. for more than 12 months from date of acquisition) are valued at cost. Provision is made when in the opinion of the management there is a decline, other than temporary, in the carrying value of such investments. Current investments are stated at the lower of cost or quoted/fair value.

3.9 Advances

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

3.10 Cash and cash equivalents

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

3.11 Inventories

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

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

3.12 Reserves

The nature and purpose of these reserves are as follows:

i) General Reserve:

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

ii) Translation Reserve:

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

iii) Actuarial Reserve

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

3.13 Borrowings

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

3.14 Grants

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

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

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

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

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

3.15 Borrowing Costs

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

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

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

3.16 Trade and other payables

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

3.17 Provisions

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

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

3.18 Employee benefit liabilities

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

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

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

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

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

3.19 Revenue Recognition

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

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

(a) Operating Revenue:

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

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(b) Non Operating Revenue:

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

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

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

3.20 Earnings per share ('EPS')

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

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

3.21 Critical accounting estimates and assumptions

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

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

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

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

4. Critical accounting estimates and assumption

a) Depreciation of Property, Plant and Equipment

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

b) Retirement benefit obligations

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

c) Provision for doubtful debts

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

d) Frequent Flyer Program

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

e) Impairment of aircraft and related equipment

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

f) Fair Value for Financial Instruments

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

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5. Property, plant and equipment

Particulars	Air Craft Fleet - Non Renewable	Furniture and Fixture	Office Equipment	Electrical Fitting and Equipment	Ramp Equipment	Engineering Equipment	Building	Motor Vehicle
Balance as on 31 December 2016								
Cost	6,812,731,928	11,036,934	40,380,025	6,715,408	61,907,038	24,805,792	20,020,498	43,661,678
Accumulated Depreciation	(3,141,742,220)	(6,354,854)	(30,620,072)	(3,076,343)	(50,579,185)	(23,189,063)	(5,126,382)	(34,081,386)
Book Value	**3,670,989,708**	**4,682,080**	**9,759,953**	**3,639,065**	**11,327,853**	**1,616,729**	**14,894,116**	**9,580,293**
Changes in Book Value during the year								
Additions	280,088,951	3,076,566	7,049,969	4,651,483	4,380,625	87,005	-	15,470,024
Disposals and Sales/Adj	(588,266,695)	(132,939)	(773,616)	(231,540)	-	-	-	(6,957,662)
Depreciation on Disposals/Adj	588,266,695	132,939	765,489	174,245	-	-	-	6,798,787
Depreciation	(442,920,384)	(775,658)	(532,457)	(742,499)	(2,629,753)	(194,199)	(600,300)	(3,488,881)
Total Changes in Book Value	**(162,831,433)**	**2,300,908**	**6,509,385**	**3,851,688**	**1,750,872**	**(107,194)**	**(600,300)**	**11,822,268**
Balance as on 31 Dec 2017								
Cost	6,504,554,184	13,980,561	46,656,378	11,135,351	66,287,663	24,892,797	20,020,498	52,174,041
Accumulated Depreciation	(2,996,395,908)	(6,997,573)	(30,387,040)	(3,644,598)	(53,208,938)	(23,383,262)	(5,726,682)	(30,771,480)
Book Value as on 31 Dec 2017	**3,508,158,275**	**6,982,988**	**16,269,338**	**7,490,753**	**13,078,725**	**1,509,535**	**14,293,816**	**21,402,561**

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Particulars	Miscellaneous Assets	Catering Equipment	Tools and Sapres	Total
Balance as on 31 December 2016				
Cost	7,533,455.20	11,776,812.52	132,620,918.31	7,173,190,487.57
Accumulated Depreciation	(4,422,004.10)	(8,421,229.16)	(57,418,298.77)	(3,365,031,052.85)
Book Value	**3,111,451.10**	**3,355,583.36**	**75,202,619.54**	**3,808,159,434.72**
Changes in Book Value during the year				
Additions	778,489.24	-	4,452,650.10	320,035,761.72
Disposals and Sales/Adj	(342,170.00)	-	(3,639,050.30)	(600,343,671.93)
Depreciation on Disposals/Adj	292,764.04	-	-	596,430,918.59
Depreciation	(426,270.05)	(1,006,047.36)	(14,666,300.50)	(467,982,749.06)
Total Changes in Book Value	**302,813.23**	**(1,006,047.36)**	**(13,852,700.70)**	**(151,859,740.68)**
Balance as on 31 Dec 2017				
Cost	7,969,774.44	11,776,812.52	133,434,518.11	6,892,882,577.36
Accumulated Depreciation	(4,555,510.11)	(9,427,276.52)	(72,084,599.27)	(3,236,582,883.32)
Book Value as on 31 Dec 2017	**3,414,264.33**	**2,349,536.00**	**61,349,918.84**	**3,656,299,695.04**

6. Intangible assets

Computer Software	As at December 31, 2017	As at December 31, 2016
Opening gross carrying value (i)	5,035,487	4,345,487
Additions	8,102,784	690,000
Disposals	-	
Closing gross carrying value(ii)	13,138,271	5,035,487
Opening accumulated amortization (iii)	(2,573,510)	(1,846,607)
Addition	(588,251)	(726,903)
Closing accumulated amortization (iv)	(3,161,761)	(2,573,510)
Net carrying value (ii-iv)	**9,976,510**	**2,461,977**

7. Investments- non current

	As at December 31, 2017	As at December 31, 2016	As at January 1, 2016
Deposit with Bank	-	-	42,280,000
Accrued Interest	-	-	390,024
Total	**-**	**-**	**42,670,024**

8. Trade & other receivables

	As at December 31, 2017	As at December 31, 2016	As at January 1, 2016
Non Current			
Trade debtors	5,571,461		11,921,624
Total	5,571,461		11,921,624
Current			
Trade debtors	81,309,396	10,550,262	57,276,539
Security deposit paid	44,531,849	45,541,950	44,862,291
Accrued income	1,245,183	14,297,383	53,536,976
Advance to employees recoverable	168,784	168,784	168,784
Total	**127,255,212**	**70,558,379**	**155,844,590**

9. Deposits for gratuity

	As at December 31, 2017	As at December 31, 2016	As at January 1, 2016
Non Current			
Deposit with banks for gratuity	43,643,035	24,673,057	37,912,982
Total	**43,643,035**	**24,673,057**	**37,912,982**
Current			
Deposits with bank-gratuity	100,771,721	18,000,000	4,000,000
Accrued Interest	10,493,594	9,697,824	7,025,165
Total	**111,265,315**	**27,697,824**	**11,025,165**

10. Deferred tax asset

	As at December 31, 2017	As at December 31, 2016	As at January 1, 2016
Deferred Tax Asset	209,465	34,744,114	-
Fair valuation of debtor	-	-	321,884
Fair valuation of deposit	(59,036)	(59,038)	(64,882)
Total	**150,429**	**34,685,076**	**257,002**

11. Other non-current asset

	As at December 31, 2017	As at December 31, 2016	As at January 1, 2016
Capital Advances	39,589,400	12,803,700	-
Total	**39,589,400**	**12,803,700**	-

12. Inventories

	As at December 31, 2017	As at December 31, 2016	As at January 1, 2016
In-flight catering & duty free stocks	48,546,933	49,157,056	51,188,441
Stock of tickets	1,759,460	1,768,604	1,806,005
Gift stocks	839,738	-	929,765
Aircraft maintenance consumables	47,754,090	54,822,598	49,946,002
Uniform stocks	4,261,095	2,362,733	4,887,497
Total	**103,161,316**	**108,110,991**	**108,757,710**

13. Investments- current

	As at December 31, 2017	As at December 31, 2016	As at January 1, 2016
Deposits with Bank	-	202,080,000	206,565,400
Accrued Interest	-	5,060,598	2,992,760
Total	**-**	**207,140,598**	**209,558,160**

14. Cash and cash equivalents

	As at December 31, 2017	As at December 31, 2016	As at January 1, 2016
Cash and cheques in hand	10,841,399	8,615,554	6,154,419
In current account with banks	1,913,916,366	1,122,243,962	637,493,050
Total	**1,924,757,765**	**1,130,859,516**	**643,647,469**

15. Other current assets

	As at December 31, 2017	As at December 31, 2016	As at January 1, 2016
Advance to parties	38,227,585	48,794,063	26,683,348
Advance to employee	2,024,324	1,199,516	1,674,613
Prepaid expenses	19,065,181	15,099,736	1,956,743
RGoB subsidy receivable	116,892,214	125,424,730	140,123,429
Advance tax paid	63,714,021	2,938,979	2,501,349
Total	**239,923,325**	**193,457,024**	**172,939,482**

16. Share Capital

	As at December 31, 2017	As at December 31, 2016	As at January 1, 2016
Authorized			
50,000,000 Equity shares of Nu 1,00 each	5,000,000,000	5,000,000,000	5,000,000,000
Total	**5,000,000,000**	**5,000,000,000**	**5,000,000,000**

Issued, Subscribed and fully Paid up

22,252,111 Equity shares of Nu 1,00 each	2,225,211,100	2,225,211,100	2,225,211,100
Total	**2,225,211,100**	**2,225,211,100**	**2,225,211,100**
Reserves (As per SOCE)	**718,150,030**	**325,879,897**	**224,733,070**

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

16.2 Reconciliation of Share capital :

	As at December 31, 2017	As at December 31, 2016	As at January 1, 2016
At the beginning of the year			
- Number of shares	22,252,111	22,252,111	22,252,111
- Amount (in Nu.)	2,225,211,100	2,225,211,100	2,225,211,100
Add: issued during the year	-	-	-
- Number of shares	-	-	-
- Amount (in. Nu)	-	-	-
Less: Redeemed during the year	-	-	-
- Number of shares	-	-	-
- Amount (in Nu)	-	-	-
At the end of the year			
- Number of shares	22,252,111	22,252,111	22,252,111
- Amount (in. Nu)	2,225,211,100	2,225,211,100	2,225,211,100

17. Borrowings

	As at December 31, 2017	As at December 31, 2016	As at January 1, 2016
Non-current			
Drukair bond	1,461,110,716	1,677,454,069	1,893,797,422
Interest free loan	152,148,004	185,958,671	219,769,339
Total	**1,613,258,720**	**1,863,412,740**	**2,113,566,761**
Current			
Drukair bond	216,343,353	216,343,353	216,343,353
Interest free loan	33,810,667	33,810,667	33,810,667
Accrued Interest	111,492,214	125,424,730	140,123,429
Total	**361,646,234**	**375,578,750**	**390,277,449**

18. Provisions

	As at December 31, 2017	As at December 31, 2016	As at January 1, 2016
Non current			
Provision for gratuity	66,324,652	38,234,194	42,415,031
Total	**66,324,652**	**38,234,194**	**42,415,031**
Current			
Doubtful advance	3,703,468	3,703,470	623,450
Corporate Income tax liability	173,060,715	49,467,701	18,104,469
Provision for gratuity	-	6,263,316	-
Total	**176,764,183**	**59,434,487**	**18,727,919**

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19. Trade and other payables

	As at December 31, 2017	As at December 31, 2016	As at January 1, 2016
Trade creditors	58,547,080	70,027,292	61,060,318
Accrued expenses	321,168,804	113,349,216	96,892,079
Deposits received	231,092,066	127,200,138	176,020,822
Employees payables	33,070,789	20,083,989	14,545,714
Total	**643,878,739**	**330,660,635**	**348,518,933**

20. Other liabilities

	As at December 31, 2017	As at December 31, 2016	As at January 1, 2016
Passenger sales advance and deferred revenue	376,542,102	341,610,300	212,795,575
Accrued expenses	2,983,289	-	-
Taxes and duties payable	69,251,981	60,585,474	39,527,913
Deferred Government Grant for Domestic Operations	7,582,433	-	-
Total	**456,359,805**	**402,195,774**	**252,323,488**

21. Traffic Income

	For the year ended	
	December 31, 2017	December 31, 2016
Passenger including surcharges	3,358,176,590	2,669,654,731
Excess baggage	16,222,180	16,484,727
Cargo	59,694,176	56,602,757
Total	**3,434,092,946**	**2,742,742,215**

22. Other operating revenue

	For the year ended	
	December 31, 2017	December 31, 2016
Administrative fee	7,141,728	5,939,039
No show charges	9,281,094	7,171,330
Duty free sales	26,203,026	54,446,709
Commission earned	1,466,618	8,014,357
Miscellaneous revenue	15,564,381	16,423,787
Cancellation charges	32,700,853	25,071,091
	92,357,700	117,066,314

23. Flight operation cost

	For the year ended	
	December 31, 2017	**December 31, 2016**
Aircraft fuel and oil	744,055,657	559,905,852
Aircraft navigation charges	142,279,647	119,814,823
Aircraft landing and parking fees	99,183,583	90,370,291
Aircraft ground handling and security charges	245,551,407	233,735,928
Simulator expenses	11,783,279	11,151,401
Total	**1,242,853,573**	**1,014,978,295**

24. Other operation cost

	For the year ended	
	December 31, 2017	**December 31, 2016**
In- flight catering expenses	124,605,993	113,184,681
Disrupted flight expenses	8,114,639	14,179,692
Loss baggage claim	443,273	338,560
Purchase of duty free items	16,609,789	33,810,454
Service charges	9,472,633	6,899,172
Cargo transport & handling charges	753,501	980,520
Total	**159,999,828**	**169,393,079**

25. Aircraft maintenance costs

	For the year ended	
	December 31, 2017	**December 31, 2016**
Consumption stores and spares	26,537,382	40,683,576
Aircraft maintenance	183,825,557	203,071,503
Less: Credit Memorandum Utilised	(534,221)	(17,628,447)
Freight charges	6,823,613	5,293,170
Stores & scrap written off	1,878,597	2,596,709
Total	**218,530,928**	**234,016,511**

25.1 CFMI has provided a Credit Memorandum of USD 1,869,611 against the purchase of new aircraft that has been inducted in March 2015 and out of the same during the year Credit Memorandum amounting to USD 8,799.75 has been utilised against the purchase of spares used for maintenance of the aircraft. The balance amount of unutilised Credit Memorandum at the end of 2017 is USD 1,603,294.25 which can be utilised against the future repairs of the engines and the same will be adjusted against the cost of repair on utilisation.

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25.2 Airbus Industries has provided Credit Memorandum of USD 50,000 for the Maintenance, Training, Goods and Services towards the purchase of new aircraft MSN 6496, which can be utilised against the service cost and the same will be adjusted against the cost of services. Presently no accounting has been done for unutilised portion of credit memorandums in the books of Company.

25.3 B/E Aerospace has provided Credit Memorandum of USD 16,535 against purchase of airbus A319 (JSW) and out of the same during the year Credit Memorandum amounting to USD 1,136.46 has been utilised against the purchase of spares used for maintenance of the aircraft. The balance amount of unutilised Credit Memorandum at the end of 2017 is USD 13,273.54 which can be utilised against the future repairs of the engines and the same will be adjusted against the cost of repair on utilisation.

26. Other maintenance costs

	For the year ended	
	December 31, 2017	**December 31, 2016**
Ground transport maintenance	986,862	792,800
Maintenance of ground transport equipment	4,006,020	2,862,877
Maintenance of hanger and workshop	7,750	110,900
Other maintenance	4,906,144	5,441,303
Total	**9,906,776**	**9,207,880**

27. Employee Costs

	For the year ended	
	December 31, 2017	**December 31, 2016**
Pay and allowances	316,838,999	278,878,089
Leave travel allowance	5,298,937	6,110,304
Productivity Allowance	14,109,974	8,813,550
Bonus and variable pay	4,591,208	19,984,145
Overtime	1,611,846	1,594,065
Uniform/make up expenses	14,493,038	9,340,656
Medical expenses	1,282,842	1,610,072
Staff welfare	347,139	458,237
Staff training and development	25,401,313	20,106,592
Leave encashment	7,538,571	7,750,472
Provident fund contribution	7,826,612	7,586,077
Retirement benefits	10,627,892	5,415,813
Total	**409,968,371**	**367,648,072**

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28. Other Costs

For the year ended	December 31, 2017	December 31, 2016
Board meeting expenses	1,540,276	1,207,885
Agent commission	201,223,540	146,879,640
Fee & subscriptions	19,482,563	5,723,551
Printing and stationery	7,665,225	8,480,536
Advertisement & souvenir	8,546,580	4,982,781
Office expenses	861,828	740,513
Lease rent (non aircraft)	18,361,242	19,794,460
Travelling expenses	24,568,177	16,568,987
Transportation expenses	4,576,665	3,553,920
Rates and taxes	739,817	1,413,706
Insurance	43,921,889	45,061,963
Crew meal and outstation expenses	59,475,411	47,475,616
In-flight magazine	1,790,896	1,599,149
Communication expenses	65,606,120	73,505,564
Electricity charges	1,375,705	1,721,169
Entertainment expenses	721,287	567,520
Books & periodicals	49,983	484,114
Donation & grants	1,865,000	55,000
Loss on sale of property, plant and equipment	(4,158,458)	1,364,422
Miscellaneous expenses	3,134,865	3,612,843
Consulting fees	4,475,100	3,903,256
Audit fees	1,831,486	760,983
Forex (gain) /loss	45,605,236	21,028,866
Hospitality and supplies and expenses	1,151,810	1,717,961
Provision for doubtful advances	501,432	3,694,459
Total	**514,913,673**	**415,898,863**

29. Non operating revenue

For the year ended	December 31, 2017	December 31, 2016
Income Written off	26,644,513	2,956,874
Interest subsidy received		
(to offset Bond interest paid)	145,717,305	167,516,269
Interest income	9,765,258	8,416,550
Other miscellaneous income	10,040,976	3,445,686
Reversal of provision on long term debtors	-	1,072,945
Provision for Bonus and PBVA write back	-	13,969,098
Government subsidy for domestic operations	5,400,000	
Total	**197,568,052**	**197,377,422**

30. Finance Cost

For the year ended

	December 31, 2017	December 31, 2016
Bank charges	13,483,459	15,781,384
Interest on borrowing & others	145,717,304	167,516,269
Total	**159,200,763**	**183,297,653**

31. 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:

For the year ended Dec 31

Basic EPS attributable ordinary shares	2017	2016 (Restated)	2016 (Previous GAAP)
Net profit attributable to the owners of the Company	348,615,404	99,760,964	99,023,540
Issued and outstanding ordinary shares at the beginning of the year	**22,225,211**	**22,225,211**	**22,225,211**
Effect of ordinary shares issued during the year	-	-	-
Weighted average number of ordinary shares outstanding at the end of the year	**22,225,211**	**22,225,211**	**22,225,211**
Basic and Diluted EPS attributable to ordinary shares	**15.67**	**4.48**	**4.45**

32. Fair Value measurements

Particulars	December 31, 2017			December 31, 2016		
	FVPL	FVOCI	Amortized cost	FVPL	FVOCI	Amortized cost
Financial assets						
Investment			-	-	-	207,140,598
Security deposit			44,531,849	-	-	45,541,950
Cash and cash equivalents			1,924,757,765	-	-	1,130,859,516
Trade receivables			86,880,857	-	-	10,550,262
Other receivables			1,413,967	-	-	14,466,168
Total financial assets			**2,057,584,437**	**-**	**-**	**1,408,558,494**

Financial liabilities				
Borrowing	1,974,904,954	-	-	2,238,991,491
Trade payables	58,547,080	-	-	70,027,295
Security deposit	231,092,065	-	-	127,200,138
Other payables	354,239,592	-	-	133,433,205
Total financial liabilities	**2,618,783,692**	**-**	**-**	**2,569,652,129**

(i) Fair value hierarchy

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

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

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

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

(ii) Valuation technique used to determine fair value

Specific valuation techniques used to value financial instruments include:

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

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

	December 31, 2017		December 31, 2016	
Particulars	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Financial assets				
Investment			-	-
Trade receivables	6,072,893	5,571,461	-	-
Financial liabilities				
Borrowing	1,974,904,954	1,850,132,084	2,238,991,491	2,200,644,372
Total financial liabilities	**1,974,904,955**	**1,850,132,084**	**2,238,991,491**	**2,200,644,372**

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

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

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

33. Capital Management

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

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

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34. Financial risk management

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

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

(a) Market risk

i) Foreign currency

Foreign Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is in aviation industry and has its operation in various countries. As a result, the Company is exposed to foreign currency exposure through its operational activities. The risk is measured through a forecast of highly probable foreign currency cash flows. Further the Company manages its foreign currency risk by maintaining its foreign currency exposure, as approved by Board as per established risk management policy.

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: -

	December 31, 2017		December 31, 2016	
	USD	SGD	USD	SGD
Financial assets	189,721,188	-	908,506	-
Financial liabilities	14,572,680	-	-	4,115,039
Net exposure to foreign currency risk	**175,148,508**	**-**	**908,506**	**(4,115,039)**

	December 31, 2017		December 31, 2016	
	Thai Baht	NPR	Thai Baht	NPR
Financial assets	920,469	(135,106,282)	2,789,208	3,820,929
Financial liabilities	7,045,187	-	6,910,228	-
Net exposure to foreign currency risk	**(6,124,718)**	**(135,106,282)**	**(4,121,020)**	**3,820,929**

	December 31, 2017		December 31, 201	
	Taka	INR	Taka	INR
Financial assets	2,287,246	10,471,135	1,376,065	-
Financial liabilities	6,173,298	(31,405,862)		-
Net exposure to foreign currency risk	**(3,886,052)**	**41,876,997**	**1,376,065**	**-**

Sensitivity

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

	Impact on profit before tax	
	December 31, 2017	December 31, 2016
SGD sensitivity		
Nu. depreciate by 5% (2015: 5%)	-	(205,752)
Nu. appreciate by 5% (2015: 5%)	-	205,752
USD sensitivity		
Nu. depreciate by 5% (2015: 5%)	8,757,425.39	45,425
Nu. appreciate by 5% (2015: 5%)	(8,757,425)	(45,425)
NPR sensitivity		
Nu. depreciate by 5% (2015: 5%)	(6,755,314.10)	191,046
Nu. appreciate by 5% (2015: 5%)	6,755,314	(191,046)
Thai Baht sensitivity		
Nu. depreciate by 5% (2015: 5%)	(306,235.88)	(206,051)
Nu. appreciate by 5% (2015: 5%)	306,236	206,051
Taka sensitivity		
Nu. depreciate by 5% (2015: 5%)	(194,303)	68,803
Nu. appreciate by 5% (2015: 5%)	194,303	(68,803)

*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.

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.

i) Maturities of financial liabilities

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

Contractual maturities of financial liabilities December 31, 2017	Less than 1 year	More than 1 years	Total
Trade and Other Payables	643,878,737	-	643,878,737
Borrowings	361,646,235	1,613,258,720	1,974,904,954
Interest		488,783,829	633,232,681
Total financial liabilities	**1,149,973,824**	**2,102,042,549**	**3,252,016,373**

Contractual maturities of financial liabilities December 31, 2016	Less than 1 year	More than 1 years	Total
Trade and Other Payables	330,660,638	-	330,660,638
Borrowings	250,154,020	1,863,412,740	2,113,566,761
Interest	163,104,500	633,232,681	796,337,182
Total financial liabilities	**743,919,159**	**2,496,645,422**	**3,240,564,580**

Contractual maturities of financial liabilities December 31, 2015	Less than 1 year	More than 1 years	Total
Trade and Other Payables	348,518,933	-	348,518,933
Borrowings	250,154,020	2,113,566,761	2,363,720,781
Interest	181,760,148	796,337,182	978,097,329
Total financial liabilities	**780,433,101**	**2,909,903,942**	**3,690,337,043**

(C) Credit risk

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

i) Trade receivables

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

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

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

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

Particulars	Less than six months	More than six months less than 3 years	More than 3 years	Total
Trade receivable as on December 31, 2017 (Gross)	81,309,396	6,072,893	-	87,382,289
Less: Provision for impairment loss	-	5,01,432	-	5,01,432
Trade receivable as on December 31, 2017 (Net)	**81,309,396**	**55,71,461**	**-**	**86,880,857**

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Particulars	Less than six months	More than six months less than 3 years	More than 3 years	Total
Trade receivable as on December 31, 2016 (Gross)	10,550,262	-	-	10,550,262
Less: Provision for impairment loss	-	-	-	-
Trade receivable as on December 31, 2016 (Net)	**10,550,262**	**-**	**-**	**10,550,262**
Trade receivable as on December 31, 2015 (Gross)	57,276,539	12,994,569	-	70,271,108
Less: Provision for impairment loss	-	(1,072,945)	-	(1,072,945)
Trade receivable as on December 31, 2015 (Net)	**57,276,539**	**11,921,624**	**-**	**69,198,162**

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 32.

ii) Financial instruments and cash deposits

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

35. Related party transactions

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

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

Name of Related Party	Relationship	Nature of transaction with related party	Transaction amount in Nu.	Receivable/ payable Amount in Nu.
Druk Holding & Investments	Holding Company	a) Consideration for issue of equity shares	2,225,211,100	
		b) Sale of air tickets	2,893,574	126,810
		c) Brand management fees	6,617,200	
Bank of Bhutan Limited	Fellow Subsidiary	a) Sale of air tickets	5,638,071	77,373
		b) bank charges	247,972	
Bhutan Power Corporation Limited	Fellow Subsidiary	a) Electricity Charges	952,720	(120,000)
		b) Sale of air tickets	13,040,986	53,754
Bhutan Telecom Limited	Fellow Subsidiary	a) Sale of air tickets	4,414,889	178,082
		b) Telephone and Internet Charges	7,508,997	(626,108)
Construction Development Corporation Limited	Fellow Subsidiary	a) Sale of air tickets	1,402,021	
		b) purchase of equipment	867,642	
		c) Capital advance for construction of office Building at Thimphu	26,707,400	
		d)Commission	75,870	(75,870)
Dagachhu Hydro Power Corporation Limited	Fellow Subsidiary	Sale of air tickets	1,493,690	86,030
Dungsum Cement Corporation Limited	Fellow Subsidiary	Sale of air tickets	1,149,983	
Druk Green Power Corporation Limited	Fellow Subsidiary	Sale of air tickets	6,710,644	298,141
Natural Resource Development Corporation Ltd	Fellow Subsidiary	Sale of air tickets	375,726	
		Commission	26,214	(26,214)
State Trading Corporation of Bhutan Limited	Fellow Subsidiary	a) sale of air tickets	1,304,556	10,664
		b) purchase of vehicle and ICT products	11,386,282	
		c) Purchase of ICT products	193,439	
Thimphu Tech Park Limited	Fellow Subsidiary	Sale of air tickets	111,371	
Wood Craft Centre Limited	Fellow Subsidiary	Fixed Asset	152,980	

Name of Related Party	Relationship	Nature of transaction with related party	Transaction amount in Nu.	Receivable/ payable Amount in Nu.
Dungsam Polymers Limited	Fellow Subsidiary	-	-	-
Bhutan Board Product Limited	Fellow Subsidiary	-	-	-
Kofuku International Limited	Fellow Subsidiary	-	-	-
Bhuatan Board Export Limited	Fellow Subsidiary	-	-	-
Tangsibiji Hydro Energy Limited	Fellow Subsidiary	-	-	-
State Mining Corporation Limited	Fellow Subsidiary	-	-	-
Penden Cement Authority Limited	Fellow Subsidiary	-	-	-

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 the Kingdom of Bhutan 2016.

	For the year ended December 31,	
	2017	**2016**
Basic Salary, Allowance, PF and leave encashment	2,192,266	1,980,000
Sitting Fees	156,000	116,000
Leave Travel Concession	15,000	15,000
Total	**2,363,266**	**2,111,000**

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

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Note:

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

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

36. Capital management and commitments

The Company has contractual commitments of about USD 108 million (exclusive of rebates) to Airbus SAS for the purchase of one (1) A320 NEO Aircraft with conversion right to A319 NEO. Out of USD 108 million the Company paidUSD 200,000 in 2017. The balance amounts are to be paid as per the MOU signed between Drukair and Airbus SAS on September 18, 2017.

37. Contingent liabilities

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

ii) On 28 December 2017, Drukair filed an FIR (First Information Report) with Azara Police Station, Dispur, Assam, India against Mr. Utpal Kumar Das, a former employee, to recover 541,321.25. Although, it is not certain whether Drukair will successfully recover the full amount. However, expenses will be incurred to hire a lawyer, pay court or other fees. If the recovery effort fails, Drukair might have a bad debt to that effect in addition to legal fees.

38. Other Notes to Accounts

i) Gratuity:

Defined Benefit Plans

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

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

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1: Changes in Present Value of Obligations:

Period	Year 2017
Present value of the obligation at the beginning of the period	4,44,97,510
Interest cost	33,37,313
Current service cost	58,67,935
Benefits paid (if any)	(1,02,57,175)
Actuarial (gain)/loss	2,28,79,069
Present value of the obligation at the end of the period	6,63,24,652

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

Period	Year 2017
Present value of the obligation at the end of the period	6,63,24,652
Fair value of plan assets at end of period	15,32,08,019
Net liability/(asset) recognized in Balance Sheet and related analysis	(8,68,83,367)
Funded Status	8,68,83,367

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

Period	Year 2017
Interest cost	33,37,313
Current service cost	58,67,935
Expected return on plan asset	(32,00,479)
Expenses to be recognized in P&L	60,04,768

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

Period	Year 2017
Actuarial (gain)/loss - obligation	2,28,79,069
Actuarial (gain)/loss - plan assets	(55,92,785)
Total Actuarial (gain)/loss	1,72,86,284

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

Period	Year 2017
Fair value of plan assets at the beginning of the period	4,26,73,057
Expected return on plan assets	32,00,479
Contributions	10,17,41,698
Benefits paid	0
Actuarial gain/(loss) on plan assets	55,92,785
Fair Value of Plan Asset at the end of the Period	15,32,08,019

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5: Table showing Fair Value of Planned Assets:

Period	Year 2017
Fair value of plan assets at the beginning of the period	4,26,73,057
Actual return on plan assets	87,93,264
Contributions	10,17,41,698
Benefits paid	0
Fair value of plan assets at the end of the period	15,32,08,019

6: Actuarial (Gain)/Loss on Planned Assets:

Period	Year 2017
Actual return on plan assets	87,93,264
Expected return on plan assets	32,00,479
Actuarial gain/ (Loss)	55,92,785

7: The assumptions employed for the calculations are tabulated:

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

8: Bifurcation of net Liability

Period	Year 2017
Current Liability (Short Term)*	56,80,888
Non Current Liability (Long Term)	6,06,43,764
Total Liability	6,63,24,652

ii) Leave Encashment Liability

This has been determined by actuarial method at Nu 8,544,882 The following is the summary of leave encashment as per the actuary valuation report:

The table below shows a summary of the key results for the year ending at December2017:

1: Present Value of Obligations:

Period	Year 2017
Present value of the obligation at the beginning of the period	76,31,604
Interest cost	5,72,370
Current service cost	16,57,858
Benefits paid (if any)	(10,28,992)
Actuarial (gain)/loss	(2,87,958)
Present value of the obligation at the end of the period	85,44,882

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

Period	Year 2017
Present value of the obligation at the end of the period	85,44,882
Fair value of plan assets at end of period	0
Net liability/(asset) recognized in Balance Sheet and related analysis	85,44,882
Funded Status	(85,44,882)

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

Period	Year 2017
Interest cost	5,72,370
Current service cost	16,57,858
Expected return on plan asset	(0)
Expenses to be recognized in P&L	22,30,228

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

Period	Year 2017
Actuarial (gain)/loss - obligation	(2,87,958)
Actuarial (gain)/loss - plan assets	0
Total Actuarial (gain)/loss	(2,87,958)

4: The assumptions employed for the calculations are tabulated:

Discount rate	7.50 % per annum
Salary Growth Rate	7.00 % per annum
Mortality	IALM 2006-08 Ultimate
Expected rate of return	0
Withdrawal rate (Per Annum)	5.00% p.a.

5: Bifurcation of net Liability

Period	Year 2017
Current Liability (Short Term)*	6,55,574
Non Current Liability (Long Term)	78,89,308
Total Liability	85,44,882

iii) Liability for Frequent Flyer Programme

This has been determined by actuarial method at Nu 8.25 million (PY Nu 6.79 million). The Following Actuarial estimates were used to determine the Actuarial Liability in 2017:

(a) Redemption Rate- 50%
(b) Loyalty Points accrued- 11,301,311
(c) Cost Per Point- 1.56

iv) Segment Information

For management purposes, the company has only one operating segment viz. transport of people and cargo by air, mainly from Bhutan to neighbouring countries. The company also transports people and cargo from India to third countries and also domestically within Bhutan, but these activities are part and parcel 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 2017, the company carried 271,007 no. of revenue passengers and 342,037 kg of cargo (PY: 233,570 no. revenue passengers and 387,655 kg of cargo).

v) Government grants

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

vi) Benefit of Interest Free Loan

There is an interest free loan outstanding and due to the Govt. of Nu 185.96million (PY Nu. 219.77 million) as on 31-12-2017. The estimated interest benefit of this loan has not been accounted for in the books of the company. If the interest is considered at 9% pa, the benefit for the year 2017 would be Nu 16.73 million (PY Nu 19.75 million).

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39. First time adoption of BAS

Transition to BAS

These are the Company's first financial statements prepared in accordance with BAS. The accounting policies set out in above mentioned notes have been applied in preparing the financial statements for the year ended 31 December, 2017, the comparative information presented in these financial statements for the year ended 31 December, 2016 and in the preparation of an opening BFRS statement of financial position as at 1 January, 2016 (The company's date of transition). In preparing its opening BFRS statement of financial position, the company has adjusted the amounts reported previously in financial statements prepared in accordance with previous GAAP, i.e., Bhutanese Accounting Standards (BAS).

A. Exemptions and exceptions availed

Set out below are the applicable BFRS 1 optional exemptions and mandatory exceptions applied in the transition from previous GAAP to BAS.

A.1 BAS mandatory exemptions

A.1.1 Estimates

An entity's estimates in accordance with BAS at the date of transition to BAS shall be consistent with estimates made for the same date in accordance with previous GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error.

BAS estimates as at 1 January 2016 are consistent with the estimates as at the same date made in conformity with previous GAAP.

A.1.2 Classification and measurement of financial assets

BFRS 1 requires an entity to assess classification and measurement of financial assets on the basis of the fact and circumstances that exits at the date of transition to BFRS.

A.1.3 Government loans

A first-time adopter is required to apply the requirements in BFRS 9 and BAS 20 prospectively to government loans existing at the date of transition to BFRS. However, a first-time adopter may choose to apply the requirements of BFRS 9 and BAS 20 to government loans retrospectively, if the information needed to do so had been obtained at the time of initially accounting for that loan.

The Company has elected to BAS 20 on loans obtained from government on and after the date of transition.

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A first-time adopter that subsequently measures property, plant and equipment at cost, may measure such property, plant and equipment at cost (determined in accordance with BAS 16) or fair value in its opening BFRS balance sheet.

Accordingly, the Company has elected to measure all of its property, plant and equipment as per BAS 16.

A.2.2 Cumulative translation differences

BFRS 1 permits cumulative translation gains and losses to be reset to zero at the transition date. This provides relief from determining cumulative currency translation differences in accordance with BAS 21 from the date formation of foreign operations. The Company has elected to reset all cumulative translation gains and losses to zero by transferring it to opening retained earnings at its transition date.

A.2 BAS optional exemptions

A.2.1 Property, plant and equipment

A first-time adopter that subsequently measures property, plant and equipment at cost, may measure such property, plant and equipment at cost (determined in accordance with BAS 16) or fair value in its opening BFRS balance sheet.

Accordingly, the Company has elected to measure all of its property, plant and equipment as per BAS 16.

A.2.2 Cumulative translation differences

BFRS 1 permits cumulative translation gains and losses to be reset to zero at the transition date. This provides relief from determining cumulative currency translation differences in accordance with BAS 21 from the date formation of foreign operations. The Company has elected to reset all cumulative translation gains and losses to zero by transferring it to opening retained earnings at its transition date.

B. Reconciliations between previous GAAP and BFRS

Reconciliation of total equity as on December 31, 2015

Particulars	Notes	Amount
Balance of Equity under previous GAAP		**2,450,543,842**
Impairment of trade receivables	1	-1,948,918
Reversal of provision on trade receivables	1	875,972
Interest on investment recognized as per effective interest rate	2	216,271
Balance of equity as per IFRS before tax impact on adjustments		**2,449,687,168**
Deferred tax (asset)/liability		(257,002)
Balance of Equity as on December 31, 2015 under BFRS		**2,449,944,170**

Reconciliation of total equity as on December 31, 2016

Particulars	Notes	Amount
Balance of Equity under previous GAAP		**2,550,953,246**
Interest on investment recognised as per effective interest rate	2	196,788
Balance of equity as per IFRS before tax impact on adjustments		**2,551,150,034**
Deferred tax (asset)/liability		59,036
Balance of Equity as on December 31, 2016 under BFRS		**2,551,090,997**

Reconciliation of total comprehensive income for the year ended December 31, 2015

Particulars	Notes	Amount
Total comprehensive income as per previous GAAP		**-37,861,179**
Reversal of provision on trade receivables	1	875,972
Interest on investment recognized as per effective interest rate	2	216,271
Tax effects of adjustments		-327,673
Balance of total comprehensive income 2015 under BFRS		**(37,096,609)**

Reconciliation of total comprehensive income for the year ended December 31, 2016

Particulars	Notes	Amount
Total comprehensive income as per previous GAAP		**100,409,404**
Reversal of provision on trade receivables	1	1,072,945
Interest on investment recognized as per effective interest rate	2	-19,483
Tax effects of adjustments		-316,039
Balance of total comprehensive income 2016 under BFRS		**101,146,827**

C. Notes to first-time adoption

Note i: Trade receivable

Under the previous GAAP, long term trade receivables are recorded at their transaction value. Under BFRS, all financial assets are and financial liability are required to be recognized at fair value. Accordingly, the Company has evaluated these trade receivable for time value of money impact and considered it for impairment.

Note ii: Investment in deposits with bank

Under the previous GAAP, investment in deposits with bank are recorded at their transaction value and interest is accrued at the end of reporting period at the exit rate. Under BFRS, all financial assets are and financial liability are required to be recognized at fair value at initial recognition. Accordingly, the Company has fair valued these deposit and recognized the interest as per effective interest rate method.

Note iii: Retained earnings

Retained earnings as at 1 January 2016 has been adjusted consequent to the above BFRS transition adjustments.

Note iv: Statement of cash flows

The transition from Local GAAP to BFRS has not had a material impact on the statement of cash flows.

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40. Events After the reporting Period

The dividend related to 2017 was declared on 20th March, 2018 in accordance with the decision taken at the annual general meeting held on 14th March. 2018. Shareholders approved the dividend of Nu 4.85 Per Equity share aggregating to Nu. 108,000,000.

No adjustment has been made for Dividend Payable to financial as this event has happened post reporting date at the reporting date there were no evidences exited for Dividend declaration.

Signature to Notes of the Financial Statements.

For Jain Mittal Chaudhary & Associates
Chartered Accountants
Firm Regn. No. 015140N

JAIN MITTAL CHAUDHARY & ASSOCIATES
Delhi
FRN : 015140N
Chartered Accountants

CA Ashish Jain
Partner
Membership No. 094384

Place: Delhi
Dated: 27th March 2018

For Drukair Corporation Limited

Pema Chewang
Chairman
(Director, Chairman of AGM,27
Held on 20th March 2018)

Tandi Wangchuck
Chief Executive Officer

Rinzin Dorji
Director FCSD

Place:Thimphu
Dated:14th March 2018

RATIO ANALYSIS

Sl.no	Particulars	2017	2016
A. Ratios for assessing financial health (In numbers)			
I	Current Ratio	1.53	1.49
II	Debt equity Ratio	0.67	0.88
III	Liquid Ratio	1.43	1.34
IV	Fixed Assets to Equity	1.24	1.49
V	Fixed Assets Turnover	0.94	0.72
B. Ratios for assessing profitability (In percentage)			
I	Return on equity (%)	11.84%	3.91%
II	Return on Capital employed (%)	10.98%	2.62%
III	Operation and Maintenance expenses to Traffic Revenue	6.36%	8.53%
IV	Earning Per Share	15.67	4.48
C. Ratios for assessing cash flow efficiency (In numbers)			
I	Cash flow turnover	0.35	0.33
II	Operation Index	3.44	9.03

Ratio		
PARTICULARS	**2017**	**2015**
CURRENT RATIO	1.53	1.49
Current asset	2,506,362,933	1,737,824,332
Current liabilities (including provisions)	1,638,648,961	1,167,869,646
DEBT EQUITY RATIO	**0.67**	**0.88**
Debt	1,974,904,954	2,238,991,491
equity	2,943,361,130	2,551,090,997
LIQUID RATIO	1.43	1.34
Current assets	2,506,362,933	1,737,824,332
Less: Inventories	103,161,317	108,110,991
Less: Prepaid expenses	19,065,181	15,099,736
Less: Advance to Supplier/Contractor	38,227,585	48,794,063
	2,345,908,850	1,565,819,543
Current liabilities (including provisions)	1,638,648,960	1,167,869,649
FIXED ASSETS (NB) TO EQUITY	1.24	1.49
Fixed assets	3,656,299,695	3,808,159,434
equity	2,943,361,130	2,551,090,997
FIXED ASSETS (NB) TURNOVER	0.94	0.72
Fixed assets	3,656,299,695	3,808,159,434
Traffic Revenue	3,434,092,947	2,742,742,215
ROCE (%)	10.98%	2.62%
PBIT	540,073,791	125,450,321

Sl.no Particulars	2017	2016
Capital employed (Total Shareholders equity + Debt)	4,918,266,084	4,790,082,487
OPERATION AND MAINTAINENCE EXPENSES TO TRAFFIC REVENUE	42.56%	45.54%
Operation & Maintenance expenses	218,530,927	234,016,511
Traffic Revenue	3,434,092,947	2,742,742,215
DIVIDEND PERCENTAGE	0.00	0.00
Corporate dividend	108,000,000.00	0.00
Share Capital	2,225,211,100	2,225,211,100
ROE (%)	11.84%	3.91%
PAT	348,615,406.29	99,760,964
Total Shareholders equity	2,943,361,130	2,551,090,997
EARNINGS PER SHARE	15.67	4.48
PAT	348,615,406.29	99,760,964
Outstanding equity Shares	22,252,111.00	22,252,111.00
CASH FLOW EFFICIENCY RATIOS		
CASH FLOW TO TURNOVER	0.35	0.33
Cash from operation	1,200,231,021	900,448,925
Traffic Revenue	3,434,092,946.74	2,742,742,214.94
OPERATIONS INDEX	3.44	9.03
Cash from operation	1,200,231,021	900,448,925
PAT	348,615,406.29	99,760,964