

# ANNUAL REPORT

## 2022



### BHUTAN LOTTERY LIMITED

## Message from the Chairperson's Desk.



I am pleased to present the Annual Report of Bhutan Lottery Limited (BLL) for the year 2022.

The year 2022 posed significant challenges for BLL due to the COVID-19 pandemic. In the face of multiple lockdowns during the first half of the year, BLL demonstrated remarkable resilience by promptly adopting solutions to ensure the continued sale of lottery products. This enabled us to maintain projected sales growth and successfully achieve our targets.

I would like to express my gratitude to the review team for their invaluable advice and suggestions provided through the action points of the review meetings. The management diligently implemented the recommendations, and I am confident that these measures will further enhance the company's performance.

Since the reintroduction of the lottery in Bhutan, BLL has laid a strong foundation of a vibrant business aimed at creating lasting value for our shareholder. Over the years, BLL has experienced growth in terms of product variety and sales volume. Even with the introduction of online lottery in 2021 and the challenges associated with offline lottery, BLL remains committed to actively selling offline lottery products through Dzongkhag sales agents and public sellers, catering to our dedicated customer base. This dedication reflects BLL's strong commitment to its mission of providing quality entertainment options and responsible alternatives to our players. Furthermore, as part of our long-term vision of being a responsible gaming organization, BLL purchases used tickets from the collectors for recycling, contributing to our waste management program.

The annual report for 2022 encompasses the operations and financial performance of BLL. Notwithstanding the challenges posed by the COVID 19 pandemic and its impact on offline product sales in the first half of the year, BLL successfully increased its offline sales revenue and profit through various measures implemented in the distribution and the draw process, while adhering to COVID-19 restrictions. The annual sales revenue witnessed a remarkable growth of 35%, from Nu. 702.34m in 2021 to Nu. 954.67m in 2022. Additionally the Profit Before Tax (PBT) saw a substantial increase of 40%, from Nu. 132.9m in 2021 to Nu. 186.63m in 2022. This consistent growth in the company's financial performance is a testament to the exceptional efforts of our management team.

On behalf of the Board, I extend our sincere gratitude to the management and all the employees of BLL for their unwavering commitment in upholding our vision of becoming a responsible gaming organization. We commend them for their outstanding achievements in 2022. With their dedication and exceptional efforts, we have full confidence that BLL will continue to foster this spirit and pursue even greater accomplishments in 2023.

*Kayde*  
(Kesang Deki)

**Chairman**

**Bhutan Lottery Limited.**



## Message from the Chief Executive officer

With great satisfaction I would like to write this message for Bhutan Lottery Limited's (BLL) annual report 2022. Year 2022 was a challenging but was one of the very successful years for BLL in terms of the financial performance. Despite being affected by lockdown and restrictions due to pandemic in the first half of the year 2022, BLL managed to increase the sales revenue to meet the compact targets. The sales of all traditional paper lotteries including the scratch cards were affected but BLL managed to increase the sales in its on line products by adding new products and also adding options to online payment for our players various and also maintain the sales in paper lotteries through timely changes in sales modalities and other relevant measures.

Since the establishment of BLL in 2016, BLL has worked responsibly in achieving its mandates, changing people's lives and maximizing revenue generations to the revenue of the government. BLL proactively acted to the changing taste of the lottery players and the market demand with new innovative products and lottery schemes. BLL was able to provide quality entertainment options to our players in the market while consistently generating revenue with transparent and fair schemes for every game and protection to buyers through enhanced security features on the games to gain the trust of our players to ultimately achieve its vision of becoming a responsible gaming organization.

During this reporting year 2022, BLL generated the highest sales revenue and profit in its 7 years of lottery operation. The annual sales revenue grew by 35% from Nu. 702.34m in 2021 to Nu. 954.67m in 2022 and the Profit Before Tax increased by 40% from Nu. 132.9m in 2021 to Nu. 186.63m in 2022. The financial performance of the company has shown a consistent growth in all the years. I am also proud to mention that our lottery winners have collected Nu. 689.4m as lottery winnings during the year 2022, indicating our achievement in our mission of changing people's lives. BLL paid Nu. 56 million as corporate tax and Nu. 18.2m as tax on lottery winnings to the government in 2022 and generated a profit after tax of Nu. 130million. We also take pride in our efforts towards providing protection to our lottery players through increasing security features in our games and providing fair and transparent schemes in all our products.

Finally I would like offer my sincere thank you to BLL's chairperson, board directors for their valuable support and continuous guidance to BLL and mention that our success would not be possible without your guidance, support from my hardworking and dedicated BLL team, retail partners and valued players. Therefore, I take this opportunity to offer my sincere *Kadrinchey* to my regional sales agents, sellers, our valuable lottery players and my hard working BLL team. We value and require ethical behavior by our employees, licensees and vendors. Thank You.

A handwritten signature in black ink, appearing to read 'Phay R.' with a stylized flourish at the end.

**PHENPHAY R. DRUKPA**  
CEO, BHUTAN LOTTERY LIMITED



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# BHUTAN LOTTERY LIMITED

(State Owned Enterprise, Ministry of Finance)

## Directors Report For the Year Ended 31 December 2022

To the Shareholders,

On behalf of the board of directors of Bhutan Lottery Limited and on my own behalf, I am pleased to present the report on the status and the financial performance of the company for the financial year 2022.

### VISION, MISSION & CORE VALUES

Vision:

“Be a responsible gaming organization”

Mission:

“To provide quality entertainment options through promotion of innovative games with wide range of attractive prizes while generating revenue in an ethical manner”

Core Values:

- Integrity and Responsibility — Bhutan Lottery Limited works hard to maintain the public trust by protecting and ensuring the security of our lottery games, systems, drawings and operational facilities. We value and require ethical behavior by our employees, licensees and vendors.
- Innovation — Bhutan lottery limited strives to incorporate innovation into our products to provide the citizens of Bhutan with the best entertainment experience available through our products.
- Financial Responsibility — We recognize our responsibility in generating revenue for the Government of Bhutan without unduly influencing players to participate in our games.
- Customer Awareness — Bhutan Lottery Limited takes pride in providing exemplary service to the people of Bhutan through the courteous dissemination of clear and accurate information about our products, services and regulatory functions.
- Teamwork — We are committed to creating an environment of mutual respect where open, honest communication is our cornerstone. We embrace the diversity of our team and individual perspectives in working together to achieve our common goals.
- Quality — We strive for excellence by taking a position of leadership on issues that impact the organization and achieve challenging goals by focusing on our core values.





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(State Owned Enterprise, Ministry of Finance)

## Review of Operations

A review of the company's operations and results during the financial year are as follows:

### Operating Result

The year 2022 was a successful year for Bhutan Lottery Limited despite the impact of the COVID-19 on the sale of offline products in the first half of the year 2022 as the sales in the online lottery products which was introduced in 2021 increased in 2022. The sale of offline products like Phuensum mid dharim (PMD) and scratch cards for BLL also improved slowly after the opening of the international border in September, 2022. Thus, BLL slowly regained the lost market for offline lottery products in the second half of the year. BLL also continued exploring the ways to enter the regional and international markets in 2022.

In order to increase the market base, BLL started exploring the ways to introduce online lottery in the region and in the international market. The target set to enter the regional market is by end of August 2023.

In order to improve the sale of lotto products, one of the three online games introduced in 2021, BLL planned to switch the Lotto draw from RNG to live draw using draw machine to build customer trust and gain loyalty on the lotto scheme and therefore, procured two numbers of draw machines from SMART PLAY, USA. The sales performance for 2022 was beyond the company's expectation and the company generated operating profit before tax of **Nu.186.6 m** and a profit after tax of **Nu.130.6m** against the target of **Nu.122.0 m**. The statutory audit for the financial statements for the year 2022 has been conducted by Jigme Auditing firm based in Thimphu. An unqualified audit report has been received by the board.

Year 2022 can be regarded as a fruitful business year for BLL as the total revenue generated for the year 2022 is **Nu.954.67m**. While most of the organizations are facing difficulty in regaining their market post covid-19 pandemic and maintaining break even in their business, BLL consistently kept increasing the revenue and profit.

### Equity:

BLL received a total equity of **Nu.60m** as of 31<sup>st</sup> December 2022 against the total approved Government's equity of Nu. 100million.

### Winning Tax Paid:

Following the notification from the RGOB vide letter No. DRC/TAX-M&E/NOT-01/2020/2242 dated 14<sup>th</sup> May, 2020, 20% tax on all the winnings of Nu.5000/- and above introduced in 2020 and BLL collected and paid a total of **Nu.18.2 million** as winning tax to the government in the Year 2022. Besides the winning tax, BLL also paid **Nu.56.0 m** as corporate income tax for the year 2022.



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The Royal Government of Bhutan established Bhutan Lottery Limited (BLL) as a State-Owned Enterprise under the Ministry of Finance with two main objectives

1. To generate revenue
2. To generate employment opportunities

A multi-sectoral board of directors chaired by the Cabinet Secretary, the then Finance Secretary with senior representatives from the Ministry of Foreign Affairs, Home and Cultural Affairs and Economic Affairs has been formed. The Chief Executive Officer of BLL is also a board member and act as the member secretary.

### Principal Activities

The major activities of the company during the financial year were:

The Company purchased 2 draw machines to switch the present RNG draw for Lotto Jackpot 5/36 to Facebook live draw. The draw frequency for lotto jackpot has been increased to bi-weekly from weekly during the year.

The lockdown and restrictions due to COVID in the first half of the year affected the sales for all BLL's offline products specially the scratch cards sales. However, the sales improved in the second half of the year 2022. In order to improve the sales for offline products further and to meet the changing tastes and create excitement, BLL planned to change the existing Phuensum Mid Dharim to Phuensum Weekly Lottery in 2023 to provide more frequency of winnings to the players.

The change in frequency of draw and method of draw has been finalized and ready to be implemented in the first quarter of 2023. All the works related to the changes to be made have been completed in 2022.

BLL still manages to get the existing products distributed and sold through remote platforms simultaneously with the sales from outlets to keep our players entertained through different ways keeping in mind the precautions to be followed even after covid-19 Pandemic.

### Human Resource

Organizational structure of BLL:

The Executive Department, under the direction of the Chief Executive Officer, provides leadership for all activities of the Lottery to carry out its objectives and overall planned strategies to maximize net revenues for the Lottery's beneficiaries and to achieve the long-term vision of responsible gaming organization.

The Administration & Finance Department, under the direction of the Sr. AFD Manager, performs all the activities associated with the financial and accounting functions of the Lottery. Besides the normal financial and administrative functions, AFD also manages the human resource development through the human resource committee under the direct supervision of the CEO. The AFD also manages the ACC requirements for Asset Declaration and Organizational Integrity Plan (OIP) which is being reviewed by ACC on timely basis.

In addition to the AFD functions, the AFD manager also functions as Company Secretary and Legal officer for the company as the Company was not able to appoint legal and company secretary despite repeated offers due to unavailability of applicants.











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The impact of buyback is that there is no paper waste littered anywhere like other paper waste since every single ticket is collected by the people and sold back to BLL. No issues on waste from lottery tickets with any Thromde and Municipality offices since the start till date.

During the financial year, BLL paid over Nu. **0.88** million as CSR for buying back the expired lotteries from the market to keep the country free of waste from used lottery tickets and conserve the environment.

### Challenges, risk, and audit observations

#### Challenges:

1. Slow internet in Bhutan which slows down the e-lottery games.
2. Smooth running of payment gateways due to limited choices and options in the country to integrate with e-lottery game software.
3. Competition from illegal lotteries penetrating domestic market through online forums like WeChat, WhatsApp, Facebook, and Messenger.
4. Limited Market (only domestic market).
5. Collecting unsold physical tickets from sub agents in the remote corners of the country is one of the challenges BLL faces.
6. Lottery scams such as fake websites impersonating as Bhutan Lottery Limited. The major risk is the fear of such fake sites bringing down the goodwill and the image of BLL.
7. Loss of employees to greener pastures which leads to wastage of time and resource in training and grooming new employees.

#### Signifieaut Audit Observations:

There are no significant audit observations from any of the audits done so far.

#### After Balaucc Date Events

No matters of circumstances have arisen since the end of the financial year which significantly affected, or may significantly affect the operations of BLL, the results of those operations, or the state of affairs of the company in the future financial years. The provision for bad and doubtful debts from 2020 has been recovered and adjusted back as the debt recovered in full from the agent in 2022.

#### Way Forward (Investments aud busiess plans for the next three years):

In 2023, BLL intends to adopt the mixed modality of Dzongkhag Lottery Agents and Open sellers in all 20 Dzongkhags. Initially, agents will be appointed to cover the markets in the respective Dzongkhags and wherever there are no agents, open sellers will be appointed to have maximum reach to the markets. This will lead to employment generation in the form of agents, open sellers and sub sellers giving opportunities to the youth who are enthusiastic to be our agents and sellers.

The mixed modality will be adopted by mid-2023, expecting the best sale of tickets in all the 20 Dzongkhags and having the maximum reach to every Dzongkhag keeping in view the previous year's experiences to increase its market base.



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BLL will have increased the player base for the existing games in third country by adding MBoB as additional payment gateway in 2023.

By end of 2023, BLL will have the existing e-lottery games introduced to the regional market and will be preparing for expanding into the international market to meet its goal of increasing the market base and generate foreign currency.

BLL will be continuing with the existing products of Paper lottery, scratch card games and special bumpers along with the online lottery games.

BLL will keep developing additional lottery schemes to meet the changing taste of buyers and will continue with the constant increase in the revenue and employment generation.

BLL will keep upgrading to new technologies in the lottery management system and BLL will have an improved and upgraded data stored in the office building with extra security features in place.

BLL will continue being a responsible gaming organization.

However, the expected results of those operations in future financial years have not been included in this report.

#### Board of Directors and Employee details:

Bhutan Lottery Limited was initially governed by a five-member Board of Directors, appointed by the Government. However, after the resignation of Dasho Kesang Wangdi, the board has only four board members.

The current board directors are:

Sl.No	Name	Designation	Address
1.	DashoKesangDeki	Chairman	Finance Secretary, MoF, Thimphu.
2.	DashoTashiPenjore	Board Director	Director, Law and Order, MoHCA, Thimphu
3.	Dasho Sonam Tenzin	Board Director	Director, DoT ,MoEA, Thimphu.
4.	Mr. Phenphay R. Drukpa	CEO	Bhutan Lottery Limited.

Dasho Kesang Deki, the then Finance Secretary is continuing as the Board's chairperson for BLL. The Directors meet once each quarter and more if needed. At their meetings the Directors:

- adopt, amend, or repeal rules, policies, and procedures necessary for the operation of the Lottery;
- approve, disapprove, and amend, or modify the original budget for the succeeding financial year and any revised budget during a financial year;
- review and discuss current financial information and the Lottery's performance to the approved budget for the financial year;



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**BHUTAN LOTTERY LIMITED**  
(State Owned Enterprise, Ministry of Finance)

- approve or disapprove all procurements and the resulting award of contracts;
- approve the financial audit contract after (or pending) and hold an audit exit conference;
- listen to and discuss Lottery updates on sales, issues, etc.;
- review, discuss, and accept internal audit reports; and
- Discuss, and when necessary, approve or disapprove other matters that should properly come before the Directors in their fiduciary duty for the efficient and effective operation, profitability, integrity, and security of the Lottery.

**Number of employees bifurcated into top management and regular employees along with employees on contract the 5 sales executives appointed in February 2021.**

Name	Designation
Phenphay R Drukpa	Chief Executive Officer
Leki Wangmo Saran Gurung Karma Chophel	Sr. Manager AFD Sr. Manager IT Manager, Marketing
Rakesh Pradhan ThinleyChoden Karma Tenzin KelzangNorbu Achut Nepal Sher BdrMongar	Internal Auditor Admin Officer Finance Officer Public relations Officer IT officer Asst. Finance Officer
Tshewang Yuden SherabGyeltshen KinzangTshomo MelamZangmo Sonam Choki Karma Cheki	Personal Assistant to CEO Adm Assistant Office Assistant Finance Assistant Marketing Assistant Customer Care Executive
DamchoTenzin	Driver
Thou	Caretaker
Dechen Tshomo	Sweeper

**Sales Executives on contract:**





AIN No. COAD-2023-288

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**JIGMI Audit & Financials**

(A Private Limited Company)

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**AUDIT REPORT ON THE FINANCIAL STATEMENTS OF  
BHUTAN LOTTERY LIMITED, PHUENTSHOLING**

PERIOD: 01/01/2022 to 31/12/2022

**April 2023**

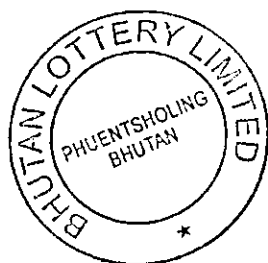
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## TITLE SHEET

<b>Title:</b>	Financial Audit Report of Bhutan Lottery Ltd., Phuentsholing
<b>AIN:</b>	COAD- 2023- 285
<b>Head of the Agency:</b>	Mr. Phenphay R Drukpa, Chief Executive Officer, CID No.10811001086 Email: phenphay@bll.bt
<b>Finance Personnel:</b>	Leki Wangmo, Senior Manager CID No. 10811000561 Email: lekiwangmo@bll.bt
<b>Period Audited:</b>	01/01/2022 – 31/12/2022
<b>Schedule of Audit:</b>	Planning: 05 – 09 February 2023 Field: 23 February – 13 March 2023 and 5 – 7 April 2023 Reporting: .....
<b>Composition of Audit Team:</b>	<b>Partner:</b> Jigmi Rinzin FCCA, Partner, CID No. 10905002564  <b>Team Leader:</b> Anil Sunwar, Junior Audit Associate, CID No.11212000080  <b>Team Members:</b> 1. Ugyen Tenzin Dorji, Asst. Audit Associate, CID No.11302002287 2. Chimi Dorji , Audit Intern, CID No.11502001896
<b>Supervising Officer:</b>	Jigmi Rinzin FCCA, Partner
<b>Engagement Letter:</b>	RAA(SA-39)/COAD/2022/2092 dated 16 November 2022
<b>Focal Person:</b>	Jigmi Rinzin, Partner, CID No.10905002564 Email: <a href="mailto:pjrinzin@gmail.com">pjrinzin@gmail.com</a> Email: <a href="mailto:jafplc2018@gmail.com">jafplc2018@gmail.com</a>
<b>Date of Audit Exit Meeting:</b>	6 April 2023

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## ACRONYMS and ABBREVIATIONS

AASBB:	Accounting and Auditing Standards Board of Bhutan
AFD:	Administration & Finance Department
AGM:	Annual General Meeting
AIN:	Audit Information Number
BAS:	Bhutanese Accounting Standards
BFRS:	Bhutanese Financial Reporting Standards
BoB:	Bank of Bhutan Limited
BLL:	Bhutan Lottery Limited
BNB:	Bhutan National Bank
CEO:	Chief Executive Officer
CID:	Citizenship Identity Card
DBO:	Defined Benefit Obligation
DLO:	Department of Law and Order
DoT:	Department of Trade
EPS:	Earnings Per Share
FCCA:	Fellow Chartered Certified Accountant
FD:	Fixed Deposit
FS:	Financial Statement
IFRS:	International Financial Reporting Standards
ISA:	International Standards on Auditing
IT:	Information Technology
JAF:	JIGMI Audit & Financials Pvt. Ltd.
KMPs:	Key Management Personnel
LMS:	Lottery Management System
MoF:	Ministry of Finance
MoHA:	Ministry of Home Affairs
MoICE:	Ministry of Industry, Commerce and Employment
NBV:	Net Book Value
Nu:	Ngultrum
OCI:	Other Comprehensive Income
PAT:	Profit After Tax
P/L:	Profit & Loss
PPE:	Plant, Property and Equipment
PF:	Provident Fund
PLC:	Public Limited Company
P.O.:	Post Office
PSU:	Public Sector Undertaking
PY:	Prior/Previous Years
RAA:	Royal Audit Authority
RGoB:	Royal Government of Bhutan
RICBL:	Royal Insurance Corporation of Bhutan Limited
ROC:	Registrar of Companies
SoCE:	Statement of Changes in Equity
SOE:	State Owned Enterprise
TDS:	Tax Deducted at Source





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JIGMI Audit & Financials

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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

To the Shareholder(s) of Bhutan Lottery Limited,  
Phuentsholing

**Opinion**

We have audited the financial statements of **Bhutan Lottery Limited (BLL)** which comprises the Statement of Financial Position as at 31 December 2022, Statement of Comprehensive Income, Statement of Changes in Equity, and the Statement of Cash Flows for the year then ended, and Notes to the Financial Statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respect, of the financial position of the Company as at 31 December 2022, and of its financial performance and its Cash Flows for the year then ended in accordance with Bhutanese Accounting Standards (BAS) for Small and Medium Enterprises (BAS for SMEs).

**Basis for Opinion**

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

**Emphasis of Matter**

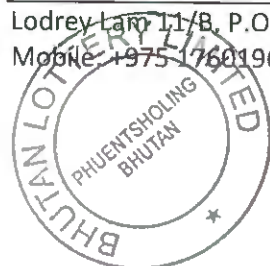
We draw attention to the following:

- i. *As in the previous financial period, there was a wrong booking for the TDS payment of Nu. 2,163.27, which is now reflected as prior period adjustment in the Statement of Changes in Equity.*

Our opinion is not modified in respect of this matter.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the current period. The following matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon:



**Information Other than the Financial Statements and Auditor's Report Thereon**

Management is responsible for the other information. The other information comprises the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with BAS for SMEs, and for such internal control as the 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, the 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 the management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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

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

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



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- i. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide basis for our opinion. The risk of not detecting material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions misrepresentations, or override of internal control;
- ii. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for purpose of expressing an opinion on the effectiveness of the Company's internal control;
- iii. Evaluate the appropriateness of accounting policies used and the reasonableness of Accounting estimates and related disclosures made by management;
- iv. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as going concern. If we conclude that material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Company to cease to continue as a Going concern; and
- v. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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





**Report on Other Legal and Regulatory Requirements**

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

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

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


Jigmi Rinzin FCCA  
(Membership No. 0283308)  
Partner

Date: 23/05/2023

**MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENTS**

In compliance with the ISA as adopted and issued by the Accounting and Auditing Standards Board of Bhutan (AASBB), and as required by Section 266 of the Companies Act of Bhutan, 2016, and on the basis of such checks as we considered appropriate, and according to the information and explanations given to us, we report, to the extent applicable, that:

1. The Company has maintained proper records of Property, Plant & Equipment (PPE) in the Assets Register to show full particulars including quantitative details and situation of the assets. As explained to us, the PPEs have been physically verified by the management during the year in a phased/periodical manner, which in our opinion is reasonable having regard to the size of Company and nature of its assets. As informed, no material discrepancies were noted in the physical verification.
2. None of the PPEs have been revalued during the year.
3. The Company has not availed any loans, secured or unsecured, therefore the clause regarding the rate of interest and the other terms and conditions of loans availed, and whether the same are *prima facie* not prejudicial to the interest of the Company, is not applicable.
4. The Company has not granted any loans to other companies, firms or other parties, therefore the said clause is not applicable.
5. Loans and advances granted by the company to its officers/staff are as per the provisions of service rules. No instance of excessive/frequent advances or accumulation of large advance against particular individuals has been noted during our test verification.
6. In our opinion, there are adequate system of internal controls to ensure completeness, accuracy and reliability of accounting records, carrying out the business in an orderly and efficient manner, to safeguard the assets of the Company as well as to ensure adherence to the rules/regulations, system and procedures. The Company has adopted, and following, the policies and system and procedures, as approved by the Board or the other higher authorities to ensure the existence of a prudent and sound financial management in managing the affairs of the Company.
7. In our opinion, there is adequate system of competitive biddings, commensurate with the size of the Company and nature of its business, for the purchase of PPEs and other items, such as, stationeries and related expendable items, etc.
8. Transactions of advancing of loans and for purchase of services, etc., made in pursuance of contracts or arrangements entered into with the Director/s or any other party related to the Director/s or with companies or firms in which the Director/s are directly or indirectly interested have been made at prices, which are reasonable having regard to the prevailing market rates/prices for such loans or services or at rates/prices at which the transactions for similar loans or services have been made with other parties.



9. To the best of our knowledge, expenses charged to the Company's accounts represent legitimate business expenses and no personal expenses have been debited to the Statement of Comprehensive Income other than those payable under contractual obligations/service rules.
10. In our opinion, the Company is regular in depositing rates, taxes, duties, royalties, provident funds, and other statutory dues with appropriate authorities. Further, the corporation tax was found to be adequately computed and deposited timely in accordance with the current applicable taxation laws, and has been appropriately disclosed in the financial statements.
11. There was no undisputed amount payable in respect of rates, taxes, duties, royalties, provident funds and other statutory deductions at the year-end other than tax deducted at source (TDS) which was paid later on within the stipulated time period.
12. Considering the requirements of funds in the normal business, the management of the Company's liquid resources, particularly, cash/bank and short-term deposits etc. are adequate and no excessive amount is lying idle in non-interest-bearing accounts.
13. In our opinion and to the best of our knowledge, activities carried out by the Company are lawful and *intra vires* the Articles of Incorporation of the Company.
14. The Company has system and procedures for obtaining approvals of the Board/delegated authority for all capital investment and also for investments. Investments made in the Fixed Deposit in banks and investments in new projects/ventures are made after considering the technical and economic feasibility of such projects as per the stipulated procedures.
15. In our opinion, the Company has established an effective budgetary control system.
16. In our opinion, other than the remunerations to the Chief Executive Officer, and sitting fees to other Directors, no other payments in cash or in kind, has been paid to them or any of their relatives, in the nature of remuneration or commission. Remunerations and sitting fees paid to the Chief Executive Officer, and the Directors, are disclosed in the Financial Statement under *Note 18: Key Management Personnel*.
17. Directives of the Board have been found to be complied with by the Company.
18. Price sensitive information, to the best of our knowledge, have not been transmitted by any officer of the Company, unauthorized to any other person with intent to benefit themselves.
19. Proper records are kept for inter-Sales Agent transactions and services.
20. In our opinion, the Company has generally maintained adequate documents and records for loans and advances granted, and has also drawn up adequate agreements for the same.



21. In our opinion, provisions towards permanent diminution, in the value of investments is made wherever, required and considered necessary.

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

1. In our opinion, size and nature of IT (Computer) system and installations are adequate for organizational system development and other relevant internal control.
2. In our opinion, the Company has adequate safeguard measures and back-up facilities.
3. In our opinion, there are back-up facilities of keeping files at different and remote locations.
4. In our opinion, operational controls are adequate to ensure correctness and validity of input data and output information.
5. In our opinion, measures to prevent unauthorized access over the computer installation and files are in existence and adequate.

#### **General**

##### **1. Going Concern Problems**

Based on the net asset position reflected in the Statement of Financial Position as at 31 December 2022, audited by us in accordance with the ISAs and on basis of such other tests, as we considered necessary in this regard, we have no reason to believe that the Company is not a going concern on the date of Statement of Financial Position and is not likely to become sick in near future.

##### **2. Ratio Analysis (attached separately)**

Significant ratios indicating the financial health and performance of the Company are provided under *Annexure-I* of this Report.

##### **3. Compliance with the Companies Act of the Kingdom of Bhutan, 2016**

The Company has complied with the applicable provisions of the Companies Act of Bhutan, 2016. Details of Compliance calendar and Compliance checklist are given under *Annexure-II* of this Report.

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


The audit of the Company is governed by the Companies Act of Bhutan 2016 and the scope of audit is limited to examination and reviews of the financial statements as produced to us by the Management. In the course of the audit, we have considered the compliance of provisions of the





said Companies Act, its Articles of Incorporation and applicable Bhutanese Accounting Standards.

*For JIGMI Audit & Financials Pvt. Ltd.*

Jigmi Rinzin FCCA  
(Membership No. 0283308)  
Partner

Date:



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**FINANCIAL STATEMENTS**

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BHUTAN LOTTERY LIMITED, PHUENTSHOLING  
STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

Particulars	Notes	2022 (Nu.)	2021 (Nu.)
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Property, Plant & Equipment	2	<u>12,149,640.53</u>	<u>8,705,960.86</u>
<b>Total Non-current Assets</b>		<u><b>12,149,640.53</b></u>	<u><b>8,705,960.86</b></u>
<b>Current Assets</b>			
Trade and Other Receivables	3	11,987,227.31	23,196,377.15
Other Assets	4	113,528,909.70	95,260,599.11
Cash and Cash Equivalents	5	185,291,595.10	138,586,901.33
<b>Total Current Assets</b>		<u><b>310,807,732.11</b></u>	<u><b>257,043,877.59</b></u>
<b>TOTAL ASSETS</b>		<u><u><b>322,957,372.64</b></u></u>	<u><u><b>265,749,838.45</b></u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share Capital	6.1	60,000,000.00	60,000,000
Retained Earnings	6.2	<u>190,889,651.39</u>	<u>139,961,979.37</u>
<b>Total Equity</b>		<u><b>250,889,651.39</b></u>	<u><b>199,961,979.37</b></u>
<b>Liabilities</b>			
<b>Non-current Liabilities</b>			
Retirement Benefit Liability (Gratuity)	7	1,733,557.79	1,984,419.42
Deferred Tax Liability	8.a	<u>718,999.60</u>	<u>477,443.56</u>
<b>Total Non-current Liabilities</b>		<u><b>2,452,557.39</b></u>	<u><b>2,461,862.98</b></u>
<b>Current Liabilities</b>			
Trade and Other Payables	9	12,680,244.75	23,198,397.34
Other Liabilities (Performance Security Deposits)		798,660.50	594,951
Short Term Provisions	10	<u>56,136,258.61</u>	<u>39,532,648</u>
<b>Total Current Liabilities</b>		<u><b>69,615,163.86</b></u>	<u><b>63,325,996</b></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u><b>322,957,372.64</b></u></u>	<u><u><b>265,749,838</b></u></u>

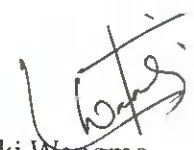
For JIGMI Audit & Financials Pvt. Ltd.

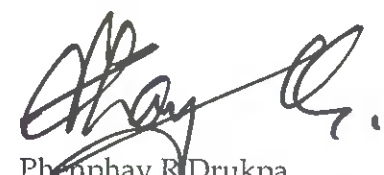
  


Jigmi Rinzin FCCA  
(Membership No.0283308)  
Partner

Date: 23/05/2023

For Bhutan Lottery Limited

  
Leki Wangmo  
Senior Manager  
Administration & Finance  
Bhutan Lottery Limited  
Phuentsholing, Bhutan

  
Phenphay R. Drukpa  
Chief Executive Officer  
PHENPHAY R. DRUKPA  
CHIEF EXECUTIVE OFFICER  
BHUTAN LOTTERY LTD.  
PHUENTSHOLING, BHUTAN

  
Chairperson  
Chairman  
Bhutan Lottery Limited  
Phuentsholing : Bhutan

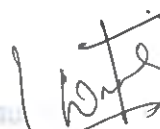
**BHUTAN LOTTERY LIMITED, PHUENTSHOLING**  
**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022**


Particulars	Notes	31-Dec-22	31-Dec-21
<b>Revenue -</b>			
Sale of Lottery Tickets	11	948,704,386.50	696,332,740
Less: Prize Winning Payouts	12	(689,408,940.00)	(497,416,605)
<b>Net Revenue from Sales of Lottery Tickets</b>		<b>259,295,446.50</b>	<b>198,916,135</b>
Other Income	13	5,667,328.23	6,016,004
<b>Gross Revenue</b>		<b>264,962,774.73</b>	<b>204,932,139</b>
Less: Direct Expenses	14.a	(54,478,275.23)	(46,119,462)
<b>Gross Profit</b>		<b>210,484,499.50</b>	<b>158,812,677</b>
<b>EXPENDITURE -</b>			
Operating Expenses	14.b	494,527.74	4,165,064
Employee Benefits Expense	15	9,545,058.34	9,853,593
Other Expenses	16	12,033,619.61	10,342,333
Depreciation and Amortization	2	1,779,216.87	1,473,603
<b>Total Expenditure</b>		<b>23,852,422.56</b>	<b>25,834,593</b>
<b>Profit Before Tax</b>		<b>186,632,076.94</b>	<b>132,978,084</b>
Less : Income Tax Expense		56,004,294.65	39,278,687
<b>Profit after Tax</b>		<b>130,627,782.29</b>	<b>93,699,397</b>
<b>OTHER COMPREHENSIVE INCOME -</b>			
Actuarial Gain/ (Loss) on Post-Employment		302,053.00	35,900
<b>Net Other Comprehensive Income</b>		<b>302,053.00</b>	<b>35,900</b>
<b>Total Comprehensive Income</b>		<b>130,929,835.29</b>	<b>93,735,297</b>
Basic and Diluted Earnings per Share	17	218.22	156.23

For JIGMI Audit & Financials Pvt. Ltd.

For Bhutan Lottery Limited

  
  
 Jigmi Rinzin FCCA  
 (Membership No.0283308)  
 Partner

  
 Leki Wangmo  
 Senior Manager  
 Administration & Finance

  
 Phenphay R Drukpa  
 Chief Executive Officer  
 PHENPHAY R. DRUKPA  
 CHIEF EXECUTIVE OFFICER  
 BHUTAN LOTTERY LTD.  
 PHUENTSHOLING : BHUTAN

  
 Chairman  
 Bhutan Lottery Limited  
 Phuntsholing : Bhutan

Date: 23/05/2023

**BHUTAN LOTTERY LIMITED PHUENTSHOLING**  
**STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022**

Particulars	2022 (Nu.)	2021 (Nu.)
<b>1. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit (loss) before tax	<u>186,632,076.94</u>	<u>132,978,084.00</u>
<b>Adjustment for:</b>		
Depreciation	1,779,216.87	1,473,602.81
Increase in Gratuity Provision	(250,861.63)	484,810.02
Actuarial gain	302,053.00	35,900.00
<b>Operating Profit before working capital changes</b>	<u>188,462,485.18</u>	<u>134,972,396.83</u>
<b>Adjustment for:</b>		
(Increase)/Decrease in Trade and Other Receivables	11,209,150	(130,136.79)
(Increase)/Decrease in Other Current Assets	257,407.38	(20,662,341.69)
Increase/(Decrease) in Trade and Other Payables	(10,518,152.59)	14,705,960.19
Increase/(Decrease) in Other Current Liabilities	203,710.00	310,050.00
Increase/(Decrease) in short term provisions	(39,303.58)	68,239.00
Income Tax Paid	<u>(57,645,543.70)</u>	<u>(11,705,497.81)</u>
<b>Cash generated from/(used in) Operations</b>	<u>(56,532,732.65)</u>	<u>(17,413,727.10)</u>
<b>NET CASH FROM/(USED IN) OPERATING ACTIVITIES (I)</b>	<u>131,929,752.53</u>	<u>117,558,669.74</u>
<b>2. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Sale/(Purchase) of Property, Plant and Equipment	(5,222,895)	(3,663,726.00)
Prior Period adjustment	<u>(2,163.27)</u>	-
<b>NET CASH FLOW FROM INVESTING ACTIVITIES (II)</b>	<u>(5,225,059)</u>	<u>(3,663,726.00)</u>
<b>3. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Dividend Paid	<u>(80,000,000)</u>	<u>(6,000,000.00)</u>
<b>NET CASH FLOW FROM FINANCING ACTIVITIES (III)</b>	<u>(80,000,000)</u>	<u>(6,000,000.00)</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (I+II+III)</b>	<u>46,704,693.77</u>	<u>107,894,943.74</u>
Cash and Cash equivalents at the beginning of the year	<u>138,586,901.33</u>	<u>30,691,957.59</u>
<b>Cash and Cash equivalents at the end of the period</b>	<u>185,291,595.10</u>	<u>138,586,901.33</u>

For JIGMI Audit & Financials Pvt. Ltd.

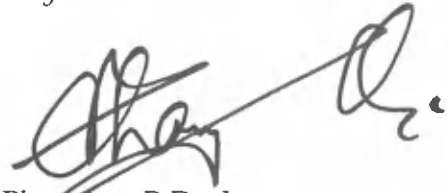
For Bhutan Lottery Limited


Jigmi Rinzin FCCA  
(Membership No.0283308)  
Partner

Date: 23/05/2023

  
Leki Wangmo  
Senior Manager  
Administration & Finance  
Bhutan Lottery Limited  
Phuentsholing : Bhutan

  
Phephay R Drukpa  
Chief Executive Officer  
PHENPHAY R. DRUKPA  
CHIEF EXECUTIVE OFFICER  
BHUTAN LOTTERY LTD.  
PHUENTSHOLING : BHUTAN

  
Chairperson  
**Chairman**  
Bhutan Lottery Limited  
Phuentsholing : Bhutan



STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

Particulars	Ordinary Shares				
	No. of Shares (fully paid up)	Value per Share	Share Capital (Nu.)	Retained Earnings (Nu.)	Total (Nu.)
Balance as at 31 December 2020	600,000.00	100.00	60,000,000.00	52,226,682.53	112,226,682.53
Profit After Tax				93,699,396.85	93,699,396.85
Other Comprehensive Income for the year				35,900.00	35,900.00
Payments of Dividend for the year 2020				(6,000,000.00)	(6,000,000.00)
<b>Balance as at 31 December 2021</b>	<b>600,000.00</b>	<b>100.00</b>	<b>60,000,000.00</b>	<b>139,961,979.37</b>	<b>199,961,979.37</b>
Profit after income-tax				130,627,782.29	130,627,782.29
Other Comprehensive Income for the year				302,053.00	302,053.00
Net Prior year Adjustments				(2,163.27)	(2,163.27)
Payments of Dividend for the year 2021				(80,000,000.00)	(80,000,000.00)
<b>Balance as at 31 December 2022</b>	<b>600,000.00</b>	<b>100.00</b>	<b>60,000,000.00</b>	<b>190,889,651.39</b>	<b>250,889,651.39</b>

For JIGMI Audit & Financials Pvt. Ltd.

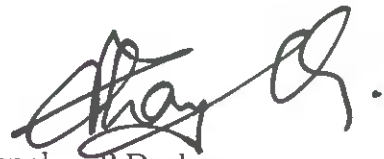
For Bhutan Lottery Limited



Jigmi Rinzin FCCA  
(Membership No.0283308)  
Partner

Date: 23/05/2023

  
Leki Wangmo  
Senior Manager  
Administration & Finance

  
Phenphay R Drukpa  
Chief Executive Officer  
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CHIEF EXECUTIVE OFFICE  
BHUTAN LOTTERY LTD.  
PHUENTSHOLING : BHUTA

  
Chairperson  
Chairman  
Bhutan Lottery Limited  
Phuentsholing : Bhutan

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**ACCOUNTING POLICIES & NOTES TO ACCOUNTS**

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## Note 1. SIGNIFICANT ACCOUNTING POLICIES

### 1.1 CORPORATE INFORMATION

Bhutan Lottery Limited (BLL) was incorporated into Limited Liability Public Company under the Companies Act of the Kingdom of Bhutan 2000 (*Amendment, 2016*) on 2 October 2015 vide Certificate of Incorporation Registration No.20151002TH10491. The Ministry of Finance, Royal Government of Bhutan is the Company's sole Shareholder.

BLL is entrusted to carry out lottery and associated business and primarily engaged in the lottery business. It has its Head Office in Phuntsholing Thromde, Chhukha Dzongkhag.

The consolidated financial statements for the year ended 31 December 2022 were authorized for issue in accordance with a resolution of the directors on ...

### 1.2 BASIS OF PREPARATION

The consolidated financial statements have been prepared on a historical cost basis, except for available for sale investments, Land & Buildings, defined benefit plan, and financial assets & liabilities, which are recognized at fair value. The consolidated financial statements are presented in Bhutan Ngultrum rounded (Nu.)

### 1.3 Statement of compliance

The consolidated financial statements of the Company have been prepared in accordance with Bhutanese Accounting Standards (BAS) for SMEs.

### 1.4 Presentation of financial statements

The Company presents its statement of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date are current and more than 12 months after the reporting date are non-current.

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expenses are not offset in the consolidated income statement unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

### 1.5 Significant accounting judgments, estimates and assumptions

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.



In the process of applying the Company's accounting policies, management has made the following judgments and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Existing circumstances and assumptions about future developments may change due to circumstances beyond the Company's control and are reflected in the assumptions, if and when they occur.

Items with the most significant effect on the amounts recognized in the consolidated financial statements with substantial management judgment and/or estimates are collated below with respect to judgments/estimates involved

**1.6 Cash and cash equivalents**

Cash and cash equivalents as referred to in the cash flow statement comprises cash on hand, and balance in current accounts with banks.

**1.7 Property, Plant and Equipment**

All Property, Plant and Equipment (PPE) are stated at historical cost less depreciation and impairment, if any. Cost includes purchase price, taxes and duties, labor cost, other direct costs incurred up to the date the asset is ready its intended use.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that further economic benefit associated with the item will flow to the company and the cost of the items can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

Depreciation is calculated using the straight-line method to write down the cost of PPE to their residual values over their estimated useful lives. Land is not depreciated. The estimated useful lives are as follows:

<i>Asset Type</i>	<i>Useful Life</i>
Buildings	10 Years
Furniture & Fitting	10 Years
Office Equipment	10 Years
Motor Vehicles	10 Years (20% residual value)
Data Processing Equipment	4 Years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within 'Other Income' or 'Other Expenses', as the case may be, in the income statement.





Assets received free of cost as gifts are accounted at the fair value of the assets received by debiting the PPE and crediting other income if no strings are attached to the gifts received.

### 1.8 Intangible Asset

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives of 4 years.

Costs associated with maintaining computer software programs are recognized as an expense when incurred.

### 1.9 Financial Assets

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. The Company's loans and receivables comprise 'Trade and Other Receivables' and 'Cash and Cash Equivalents' in the Statement of Financial Position.

### 1.10 Trade and Receivables

Trade and Other Receivables are initially recognized at the fair value of the amounts to be received. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

### 1.11 Cash and Cash Equivalents

In the statement of cash flows, cash and cash equivalents includes cash in hand and balance in current account with banks.

### 1.12 Trade and Other payables

Trade and other payables are initially recognized at the fair value of the amounts to be paid. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

### 1.13 Current and Deferred Income-tax

Tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively. The current income tax charge is calculated on the basis of the tax laws prevailing on the balance sheet date.



Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted at the balance date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary, differences can be utilized.

## 1.14 Employee Benefits

### 1.14.1 Retirement Benefits

Under the Defined Benefits Scheme, the company makes retirement payments based on the final salary and years of service. Gratuity is accrued on the basis of actuarial valuation.

### 1.14.2 Other Benefits:

Other benefits such as leave encashment are accrued at period end.

## 1.15 Provisions and Contingent Liabilities

Provisions are recognized when the company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. A contingent liability is only disclosed in the notes to the account if an outflow of resources embodying economic benefits is possible.

## 1.16 Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. The company recognizes revenue when:

- the amount of revenue can be reliably measured;
- it is probable that future economic benefits will flow to the entity; and
- specific criteria have been met for each of the company's activities, as described below:

### i) Sale of Lottery Tickets:

Sale of Lottery Tickets is made to the public through regional sales agent. Revenue is recognized for sold tickets for each scheme when tickets are sold to public and the related draw for the scheme has occurred.

### ii) Interest Income:



Interest income is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable when no significant uncertainty as to measurability or collectability exists.

### 1.17 Earnings per Share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

### 1.18 Comparative information:

Where necessary, certain comparative information has been re-classified and updated in order to provide a more appropriate basis for comparison.



**Note 2: Property, Plant & Equipment**  
(All in Ngultrum)

Particulars	Furniture and fittings		Data Processing Equipment		Vehicles		Plant & Electrical Equipment		Software	Total
<b>Cost:</b>										
At 1 January 2021	396,762.45	2,461,258.50	7,014,044.00	1,736,713.00	74,000.00	11,682,777.95				
Additions	233,308.00	3,385,130.00	-	45,288.00	-	3,663,726.00				
Disposals	-	-	-	-	-	-				
<b>At 1 January 2022</b>	<b>630,070.44</b>	<b>5,846,388.50</b>	<b>7,014,044.00</b>	<b>1,782,000.99</b>	<b>74,000.00</b>	<b>15,346,503.95</b>				
Additions	-	9,000.00	-	5,213,895.49	-	5,222,895.49				
Adjustment	33,270.00	(55,731.00)	-	22,461.01	-	0.01				
Disposals	-	-	-	-	-	-				
<b>At 31 December 2022</b>	<b>663,340.44</b>	<b>5,799,657.50</b>	<b>7,014,044.00</b>	<b>7,018,357.49</b>	<b>74,000.00</b>	<b>5,222,895.50</b>				
<b>Depreciation and impairment:</b>										
At 1 January 2021	153,566.29	2,108,284.25	2,204,677.08	647,468.64	52,944.00	5,166,940.26				
Disposals	-	-	-	-	-	-				
Depreciation charge for the year	55,192.38	677,132.83	561,123.52	165,181.08	14,973.00	1,473,602.81				
<b>At 31 December 2021</b>	<b>208,758.67</b>	<b>2,785,417.08</b>	<b>2,765,800.60</b>	<b>812,649.72</b>	<b>67,917.00</b>	<b>6,640,543.07</b>				
Disposals	-	-	-	-	-	-				
Depreciation charge for the year	66,334.05	820,246.01	561,123.52	325,432.30	6,081.00	1,779,216.87				
Adjustment	3,533.27	(41,596.43)	1.92	38,060.20	-	(1.04)				
<b>At 31 December 2022</b>	<b>278,625.99</b>	<b>3,564,066.66</b>	<b>3,326,926.04</b>	<b>1,176,142.22</b>	<b>73,998.00</b>	<b>8,419,758.90</b>				
<b>Net book value:</b>										
At 31 December 2021	421,311.77	3,060,971.42	4,248,243.40	969,351.27	6,083.00	8,705,960.86				
At 31 December 2022	384,714.46	2,235,590.84	3,687,117.96	5,842,215.27	2.00	12,149,640.53				





**Note 3: Trade and Other Receivables**

Particulars	2022 (Nu.)	2021 (Nu.)
Trade Receivables from Third Parties	-	23,196,377.15
Gyeltshen Lottery Agent, Tsirang	240,464.00	-
Indo Lottery Agent, Paro	1,859,679.51	-
Jigme Dorji, Trongsa	(32,680.00)	-
Kuenjung Lottery Agent	341,247.00	-
Leki Lhamo, Dagana	(113,320.00)	-
M/s Bhutan Lottery Agent, Samdrupjongkhar	260,720.86	-
M/s Bhutan Smart Lottery, Thimphu	3,835,305.09	-
M/s Kelden Enterprise, Phuentsholing	1,578,828.58	-
M/s Menjong Lottery, Sarpang	1,452,618.77	-
Punakha-SE 1	72,960.00	-
Samtse-SE 1	139,490.00	-
Tashi Wangchuk Lottery Agent, Mongar	2,164,056.00	-
Uden Tshomo	121,017.50	-
Wangdue-SE 1	66,840.00	-
<b>Total</b>	<b><u>11,987,227.31</u></b>	<b><u>23,196,377.15</u></b>

**Note 4: Other Assets**

Particulars	2022 (Nu.)	2021 (Nu.)
Advance Payments to Employees	-	19,907.00
Lottery Tickets in Hand	606,775.00	859,550.00
Advance Income Tax	29,285,420.00	10,759,702.03
TDS Receivable	110,000.00	62,035.48
Short Term Deposits with Bank*	80,000,000.00	80,000,000.00
Interest accrued on Short Term Deposits	1,358,493.15	1,875,616.44
Prepaid Expenses	19,127.76	19,908.74
Gratuity Fund with RICBL	2,127,693.79	1,613,879.42
Security Deposits	21,400.00	50,000.00
<b>Total</b>	<b><u>113,528,909.70</u></b>	<b><u>95,260,599.11</u></b>

\* Short Term Deposits with Bank are not considered as Cash & Cash Equivalent as the pending maturity period is more than three months as on 31.12.2022

**Note 5: Cash and Cash Equivalents**

Particulars	2022 (Nu.)	2021 (Nu.)
Cash in hand	30,986.77	96,682.68
<b>Bank Balances:</b>		
Balances with Local Banks		138,490,218.65
TBank A/C No.77011051604001	1,000.00	-
BNB A/C No.0100095991001	1,077.50	-
BOB A/C No.203114940	151,095,560.31	-
BOB A/C No.100929335	1,409,471.76	-
BOB A/C No.200849423	32,753,498.76	-
<b>Total</b>	<b><u>185,291,595.10</u></b>	<b><u>138,586,901.33</u></b>



## Note 6: Shared Capital and Retained Earnings

### Note 6.1 - Shared Capital - Authorized and Issued

Particulars	2022 (Nu.)	2021 (Nu.)
<b>Authorized Capital</b>	<b><u>500,000,000.00</u></b>	<b><u>500,000,000.00</u></b>
<b>Issued Capital</b>		
600,000 fully paid Equity shares of Nu 100 each	60,000,000.00	60,000,000.00
<b>Total</b>	<b>60,000,000.00</b>	<b>60,000,000.00</b>

*Note: All shares are of same class and have the same right attached.*

### Note 6.2 - Retained Earnings

Particulars	2022 (Nu.)	2021 (Nu.)
Opening Balance	139,961,979.37	52,226,682.53
Less: Dividend paid for the year 2022	(80,000,000.00)	(6,000,000.00)
Add: Comprehensive Income/(Loss) during the Year	130,929,835.29	93,735,296.85
Less: Net Prior-year adjustments	(2,163.27)	-
<b>Total</b>	<b>190,889,651.39</b>	<b>139,961,979.37</b>

### Note 7: Retirement Benefit Liability (Gratuity)

Particulars	2022 (Nu.)	2021 (Nu.)
Gratuity	1,733,557.79	1,984,419.42
<b>Total</b>	<b>1,733,557.79</b>	<b>1,984,419.42</b>

### Note 7.1: Net Retirement Benefit Obligations

#### a) Defined Benefit Scheme

Qualifying employees are members of defined benefit scheme maintained by the Company. The obligation for the scheme is subject to risks in respect of employee attrition and salary rates.

**Employee attrition:** The obligation is based on Management's estimate of the expected number of staff members who will resign before reaching the standard retirement age. If the number of staff resigning is greater or less than the expected rate, the outstanding obligation will be affected.

**Salary risk:** Since the benefit is dependent on the employee's final salary, there is a risk that salary increases will be greater than those included in the actuarial valuation. Salary increases cover regular increases for length of service as well as periodic increases of salary scales for inflation.

The valuation of the actuarial obligation of the defined benefit scheme was carried out by M/s Druk Infinity Consulting, a registered actuary firm in the country.

#### b) Statement of Comprehensive Income

Particulars	2022 (Nu.)	2021 (Nu.)
Current service cost	395,596.00	390,530.00
Past service cost - plan amendments	-	-
Curtailement cost/(credit)	-	-
Settlement cost/(credit)	-	-



Service cost	395,596.00	390,530.00
Net interest on net defined benefit liability/(asset)	(36,959.00)	15,910.00
Immediate recognition of (gains)/losses - other long term employee benefit plans	-	-
<b>Cost recognized in Statement of Income</b>	<b><u>358,637.00</u></b>	<b><u>406,440.00</u></b>

**c) Other Comprehensive Income (OCI)**

Particulars	2022 (Nu.)	2021 (Nu.)
Actuarial (gain)/loss on liability experience	(362,740.00)	(116,750.00)
Actuarial (gain)/loss on liability assumption changes	2,395.00	84,060.00
Return on plan assets (greater)/less than discount rate	<u>58,292.00</u>	<u>(3,210.00)</u>
<b>Actuarial (gain)/losses recognized in OCI</b>	<b><u>(302,053.00)</u></b>	<b><u>(35,900.00)</u></b>

**d) Movements in the Present Value of Defined Benefit Obligation**

Particulars	2022 (Nu.)	2021 (Nu.)
Opening Defined Benefit Obligation	1,984,420.00	1,499,630.00
Current service cost	395,596.00	390,530.00
Interest cost	128,707.00	126,950.00
Actuarial (gain)/loss on experience adjusted	(362,740.00)	(116,750.00)
Benefits paid	(414,820.00)	-
Actuarial (gain)/loss due to change in demographic assumptions	2,395.00	-
Actuarial (gain)/loss due to change in financial assumptions	=	84,060.00
<b>Closing Defined Benefit Obligation</b>	<b><u>1,733,558.00</u></b>	<b><u>1,984,420.00</u></b>

**e) Expected benefit payments for the year ending**

December 31, 2023	697,556.00	28,300.00
December 31, 2024	21,482.00	37,630.00
December 31, 2025	26,251.00	695,210.00
December 31, 2026	50,874.00	40,020.00
December 31, 2027 to December 31, 2032	802,673.00	48,380.00
December 31, 2033 to December 31, 2042	12,270,195.00	461,170.00

**e) Weighted Average Duration of Defined Benefit Obligation**

31-Dec-22	31-Dec-21
16 Years	16 Years

**f) Sensitivity Analysis**

**i) Discount Rate-**

	31-Dec-22	31-Dec-21
Discount Rate as at 31 December 2022	8.20%	8.20%
Effect on DBO due to 1% increase in Discount Rate	(100,789.00)	(261,110.00)
Effect on DBO due to 1% decrease in Discount Rate	111,441.00	321,630.00

**ii) Salary Escalation Rate-**

	31-Dec-22	31-Dec-21
Salary Escalation rate as at 31 December 2022	8.00%	8.00%
Effect on DBO due to 1% increase in Salary Escalation Rate	116,576.00	319,110.00
Effect on DBO due to 1% decrease in Salary Escalation Rate	(106,386.00)	(263,810.00)

**Note 8: Taxation**

Particulars	2022 (Nu.)	2021 (Nu.)
-------------	------------	------------



<b>Profit Before Tax for the Year 2022 as per BAS FS (A)</b>	<b><u>186,632,076.94</u></b>	<b><u>132,978,083.92</u></b>
<b><u>Add: Expenses disallowed as per the Provision of Income Tax:</u></b>		
Depreciation on PPE	1,779,216.87	1,473,602.81
Provision for Gratuity	358,637.00	406,440.00
Non-deductible expenditure	-	
Fines and Penalties	1,100.00	15,658.93
Donation	-	59,000.00
<b>Profit Before Tax after disallowed expenses per Income Tax (B)</b>	<b><u>2,138,953.87</u></b>	<b><u>1,954,701.74</u></b>
<b><u>Less: Exempt Income/Allowed expenses as per the Provision of Income Tax:</u></b>		
Depreciation for the year as per the provisions of Income Tax	2,536,598.45	2,032,167.21
Reversal of Bad Debts provision already disallowed	-	2,094,763.39
Gratuity Provision for 2022 deposited in 2023 before tax assessment considered as allowable expense by DRC	<u>358,637.00</u>	<u>406,440.00</u>
<b>Profit Before Tax after allowed expenses per Income Tax (C)</b>	<b><u>2,895,235.45</u></b>	<b><u>4,533,370.60</u></b>
<b>Net Taxable profit (A+B+C)</b>	<b><u>185,875,795.36</u></b>	<b><u>130,399,415.06</u></b>
<b>Tax (%)</b>	<b>30%</b>	<b>30%</b>
<b>Income Tax @ 30%</b>	<b><u>55,762,738.61</u></b>	<b><u>39,119,824.52</u></b>
<b><u>Income Tax payable</u></b>		
Current tax in respect of current year	55,762,738.61	39,119,824.52
Previous year tax adjustment	-	-
<b>Total Income Tax payable</b>	<b><u>55,762,738.61</u></b>	<b><u>39,119,824.52</u></b>
Deferred tax payable - current year	<u>241,556.04</u>	<u>158,862.56</u>
<b>Total Income Tax Expense Recognized</b>	<b><u>56,004,294.65</u></b>	<b><u>39,278,687.08</u></b>
<b><u>Reconciliation of Tax on Operating Income/(loss)</u></b>		
Profit Before Tax	<u>186,632,076.94</u>	<u>132,978,083.92</u>
Income Tax Expense Calculated @ 30%	55,989,623.08	39,893,425.17
<b>Adjustment required for:</b>		
- Difference between tax and accounting depreciation	(227,214.47)	(167,569.32)
- Non-Deductible expenditure	330.00	22,397.68
- Deductible expenditure of Payment of Gratuity	-	-
Reversal of Bad Debts provision already disallowed	-	<u>(628,429.02)</u>
<b>Current Tax Payable</b>	<b><u>55,762,738.61</u></b>	<b><u>39,119,824.52</u></b>
<b>Effective Tax Rate</b>	<b><u>30%</u></b>	<b><u>30%</u></b>





The tax rate used for the year is the comparable tax rate of 30% payable by corporate entities on taxable profits on local tax rule.

**Note 8.a: Deferred Tax**

Particulars	2022 (Nu.)	2021 (Nu.)
Opening as per BLL system	477,443.56	318,581.00
Provision for tax due to timing differences	<u>241,556.04</u>	<u>158,862.56</u>
Closing Balance	<u>718,999.60</u>	<u>477,443.56</u>

**Note 8.b: Computation of Actual Tax Liability**

Particulars	2022 (Nu.)	2021 (Nu.)
Provision Income Tax for 2022	55,762,738.61	39,119,824.52
Less: Advance Income Tax	29,285,420.00	10,759,702.03
Less: TDS Retained	110,000.00	62,035.48
Net payable Income Tax	<u>26,367,318.61</u>	<u>28,298,087.01</u>

**Note 9: Trade and Other Payables – Current**

Particulars	2022 (Nu.)	2021 (Nu.)
Trade Payables to Prize Winners	8,529,741.94	18,741,940.93
Trade Payables to Others	4,099,772.04	4,353,470.49
Statutory Dues Payable	50,730.77	102,985.92
Total	<u>12,680,244.75</u>	<u>23,198,397.34</u>

**Note 10: Short-Term Provisions**

Particulars	2022 (Nu.)	2021 (Nu.)
Retirement Benefit Obligations - Leave Encashment	373,520.00	412,823.58
Provision for Income Tax	55,762,738.61	39,119,824.52
Total	<u>56,136,258.61</u>	<u>39,532,648.10</u>

**Note 11: Sale of Lottery Tickets**

Particulars	2022 (Nu.)	2021 (Nu.)
Sales Elotery Interactive	844,816,396.50	574,643,490.00
Sales Elotery Lotto	7,838,040.00	
Sales Special Reydrup Bumper	7,961,100.00	11,296,800.00
Sales (Phuensum Mid Dharim)	40,168,750.00	48,914,050.00
Sales Special Tshe-Jur Bumper	7,692,900.00	10,928,400.00
Sales (Thuensum Quick Cash Cards)	22,107,200.00	25,140,000.00
Sales (Thuensum Scratch Cards)	18,120,000.00	25,410,000.00
Total	<u>948,704,386.50</u>	<u>696,332,740.00</u>

**Note 12: Price Winning Payouts**

Particulars	2022 (Nu.)	2021 (Nu.)
E-lottery Interactives	627,033,170.00	424,971,565.00
E-lottery Lotto	3,445,860.00	
Bumper	10,458,000.00	13,151,000.00
Phuensum Mid Dharim	26,208,000.00	28,888,000.00



Thuensum Scratch Cards	10,399,790.00	16,764,060.00
Thuensum Quick Cash	11,864,120.00	13,641,980.00
<b>Total</b>	<b><u>689,408,940.00</u></b>	<b><u>497,416,605.00</u></b>

#### Note 13: Other income

Particulars	2022 (Nu.)	2021 (Nu.)
Interest Income on fixed deposits		3,186,588.52
FD Account No.203369636- BOB	256,438.36	
FD Account No.201141375 - BOB	407,617.23	
FD Account No.770TC051604004 - Tbank	860,327.97	
FD Account No.770TC051604005 - Tbank	384,931.51	
FD Account No.7100095991005 - BNB	726,575.34	
FD Account No.770TC051604004 - Tbank	34,931.51	
FD Account No.7100095991007 - BNB	212,054.79	
Interest Income on Gratuity Fund	-	-
Miscellaneous Other Income	<u>2,784,451.52</u>	<u>2,829,415.71</u>
<b>Total</b>	<b><u>5,667,328.23</u></b>	<b><u>6,016,004.23</u></b>

#### Note 14.a : Direct Expense

Particulars	2022 (Nu.)	2021 (Nu.)
Prize Money to Agents	4,264,100.00	4,604,450.00
Printing of Lottery tickets	2,901,275.00	2,212,800.00
Commission to Agents	13,214,019.54	16,316,473.76
4% Variable cost to bonobo plc	<u>34,098,880.69</u>	<u>22,985,738.43</u>
<b>Total</b>	<b><u>54,478,275.23</u></b>	<b><u>46,119,462.19</u></b>

#### Note 14.b : Operating Expenses

Particulars	2022 (Nu.)	2021 (Nu.)
Set Up and Installation Fee	-	3,950,000.00
<b>Maintenance Expenses :</b>		
Plants & Equipment's	36,556.00	21,990.00
Office Building	264,582.00	106,730.00
Motor Vehicles	<u>193,389.74</u>	<u>86,343.82</u>
<b>Total</b>	<b><u>494,527.74</u></b>	<b><u>4,165,063.82</u></b>

#### Note 15: Employee Benefits Expense

Particulars	2022 (Nu.)	2021 (Nu.)
<b>Payroll and Related Expenses</b>		
Salary to Staff	7,558,113.00	7,055,521.00
Staff Welfare	224,266.00	172,848.00
<b>Post Employments Benefit -</b>		
Provident Fund Contribution	678,386.00	714,101.00
Gratuity Provision	358,637.00	406,440.00
<b>Other Employee Benefits-</b>		
Leave Encashment	537,981.34	479,383.33
Leave Travel Concession	187,675.00	230,560.00



Bonus	-	794,740.00
<b>Total</b>	<b><u>9,545,058.34</u></b>	<b><u>9,853,593.33</u></b>

#### Note 16 : Other Expenses

Particulars	2022 (Nu.)	2021 (Nu.)
Board Sitting Fee & Meeting Expenses	142,743.00	129,010.00
Fees & Subscription	88,753.00	50,800.00
Printing & Stationery	592,245.50	706,636.60
Books & Periodicals Expenses	-	-
Advertisement & Sales Promotion Expenses	2,025,583.00	967,457.50
Travelling Expenses	381,386.00	76,545.50
Communication Internet & Telephone Charges	928,508.13	888,640.99
License and Registration	60,000.00	60,500.00
Electricity Charges	90,835.59	85,459.33
Training, Recruitment & Development	85,529.50	97,177.00
Hospitality Expenses	265,533.50	50,100.00
Professional Fees	10,000.00	23,900.00
Provision for Doubtful Debts	-	-
CSR Expenses	883,501.00	718,410.50
Rent Expenses	5,286,438.26	5,220,141.04
Miscellaneous Expenses	852,488.15	895,792.16
Insurance Expenses	34,709.98	42,707.54
Audit Fees & related expenses	107,000.00	210,150.00
Draw Result's Communication Expenses	<u>198,365.00</u>	<u>118,905.00</u>
<b>Total</b>	<b><u>12,033,619.61</u></b>	<b><u>10,342,333.16</u></b>

#### Note 17: Earning Per Share

Particulars	2022 (Nu.)	2021 (Nu.)
Profit/(loss) after Income tax	130,627,782.29	93,699,396.85
Other comprehensive income for the year	302,053.00	35,900.00
Profit used to determine basic earnings per share	130,929,835.29	93,735,296.85
Number of shares at the beginning of the year	600,000.00	600,000.00
Number of shares allotted during the year	-	-
Number of shares at the end of the year	600,000.00	600,000.00
Weighted average number of ordinary shares in issue	600,000.00	600,000.00
<b>Basic and Diluted earnings per share</b>	<b>218.22</b>	<b>156.23</b>

#### Note 18: Key Management Personal

Key Management Personnel (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 including the Chief Executive Officer as required by the Companies Act of the Kingdom of Bhutan, 2016, with details of transactions for 2022 year are as under:

- Mrs. Kesang Deki, Chairperson, Hon'ble Secretary of Lhengye Zhungtshog;
- Mr. Tashi Penjor, Director, Director of Department of Law & Order, Ministry of Home Affairs
- Mr. Sonam Tenzin, Director, Director General of Department of Trade, Ministry of Industry, Commerce and Employment; and
- Mr. Phenphay R Dukpa, Member Secretary, Chief Executive Officer of the Company.

Particulars	2022 (Nu.)	2021 (Nu.)
<b>Remuneration to Chief Executive Officer</b>		
Salary and allowances	1,541,244.00	1,506,552.00
Other Benefits	110,250.00	286,500.00
Sitting Fees	20,000.00	20,000.00
<b>Sitting fees to other board of directors of the company</b>	<u>55,000.00</u>	<u>60,000.00</u>
<b>Total</b>	<b><u>1,726,494.00</u></b>	<b><u>1,873,052.00</u></b>

#### Note 19: Related Party Disclosures

##### i. Related Party Transactions

The Company is a wholly owned Public Sector Undertaking (PSU) of Ministry of Finance (MoF), Royal Government of Bhutan. For the purpose of Section 33 (BAS for SMEs), the MoF 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 for SMEs. Specifically, agencies/SoEs on which the MoF, as 100% shareholder of the company, has significant influence, are:

- Bhutan Duty Free Limited; and
- Department of National Property.

Balances outstanding/transactions with related parties are as under:

Transaction/ Outstanding Balance	Parent (State)		State Owned Enterprises on which Share holder of the company has significant influence	
	2022 (Nu.)	2021 (Nu.)	2022 (Nu.)	2021 (Nu.)
<b>1. Transaction during the year</b>				
<b>Equity Contribution in Cash</b>				
Sharing of Expenses				
Dividend Paid	80,000,000.00	60,000,000		
Rent Paid			5,286,438.26	5,220,141.04
<b>II. Balance at the year end</b>				
Equity Contribution				
Other Receivables				
Other Payables				

#### Note 20 : Audit Fees & Expenses

Particulars	2022 (Nu.)	2021 (Nu.)
-------------	------------	------------





Statutory Audit Fee	105,000.00	105,000.00
Statutory and Other audit expenses	2,000.00	105,150.00
<b>Total</b>	<b>107,000.00</b>	<b>210,150.00</b>

#### Note 21: Disclosure Regarding Leases

The company has new lease agreement of online lottery software for three years. The agreement will be renewable on mutual agreement of both the party. Lease payment of the online lottery software ledger 4% variable cost is shown under *Note 16 - 'Other expenses'*

Minimum Lease Payment	2022 (Nu.)	2021 (Nu.)
Not later than 1 Year	34,098,880.69	22,859,195.64
Later than 1 year but not later than 5 Years	34,098,880.69	22,859,195.64
More Than 5 Years	-	-

The company's significant leasing arrangements are in respect of operating leases of premises for office. These leasing arrangements are usually renewable on mutually agreed terms but are not non-cancelable. Lease payments in respect of premises are shown as Rent in *Note 16 - 'Other expenses'*

Minimum Lease Payment	2022 (Nu.)	2021 (Nu.)
Not later than 1 Year	5,286,438.26	5,220,141.04
Later than 1 year but not later than 5 Years	5,286,438.26	5,220,141.04
More Than 5 Years		

#### Note 22: Other Information

- Contingent liability as at 31.12.2022 is Nil.
- Office rent to Department of National Properties, Ministry of Finance (Nu.418,987.42 for nine months and Nu.460,886.16 for three months) monthly.
- Lease payment to Bonobo PLC for the online lottery software for three years from 2021 to 2023 @ 4% on Gross sales monthly.
- Wherever the balance confirmation is not available from the parties, the balances as appearing in the books of accounts have been considered.
- Previous year figures have been regrouped, rearranged and/or reclassified wherever considered necessary to conform to current year's classification.

For JIGMI Audit & Financials Pvt. Ltd.

Jigmi Khandu  
(Membership No. 0283309)  
Partner

Date: 23/05/2023



For Bhutan Lottery Limited

Leki Wangmo  
Manager, Administration & Finance

Chairperson  
Chairman  
Bhutan Lottery Limited  
Phuentsholing : Bhutan

Phenphay R Drukpa  
Chief Executive Officer  
PHENPHAY R. DRUKPA  
CHIEF EXECUTIVE OFFICER  
BHUTAN LOTTERY LTD.  
PHUENTSHOLING : BHUTAN



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## **ANNEXURES**

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## BHUTAN LOTTERY LIMITED PHUENTSHOLING

### ANNEXURE I: Ratio Analysis.

Financial and Operational Ratio Analysis in respect of the Company are given in below:

SI. No.	Ratios	Basis	2022	2021
1	Earnings per share	(Profit After Tax/No. of shares issued)	218.22:1	156.17
2	Net Profit Ratio (%)	(Net Profit/Turnover * 100)	14%	13.46
3	Return on Assets (%)	(Net Profit/Total Assets * 100)	41%	35.27
4	Return on Equity (%)	(Net Profit/Owner's Equity * 100)	218%	156.23
5	Current Ratio	Current Asset/Current Liability	4.46:1	4.06



**ANNEXURE II: COMPLIANCE CALANDER & COMPLIANCE CHECKLIST**

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

**Incorporation Registration No.: 20151002TH10491**

Sl. No.	Sec.	Incorporation of a company & securities	Compliance checklist			Remarks
			Yes	No	NA	
1	28	Changes to Articles/approval			✓	
2	47	Change of name/Approval			✓	
3	123	Increase or consolidation of share capital			✓	
4	124	Reduction of share capital			✓	
5	82	License Copy and Share Certificate filing	✓			The Company has only one business activities as under: 1. License No.1040915 (issued on 28.07.2016) for Bhutan Lottery renewed on 30.06.2022
6	107	Public offer of shares & Debentures - ROC Approval			✓	
<b>MANAGEMENT &amp; ADMINISTRATION</b>						
7	217	Registered Office of Company (Postal Address & Contact Number)	✓			P.O. Box No. 51, Lower Market, Phuentsholing, 21011, 21101, 021102, Bhutan. PABX: 05-253089
8	221	Publication of name by Company (Letter Head, Seals and Sign Board)	✓			Complied
9	241	Financial Year of Companies as of 31st Dec.	✓			
	242	Extension up to 15 months - ROC approval			✓	
	243	Extension up to 18 months - Authority's approval			✓	
	245	Financial Statements to follow BAS	✓			
10	267	Annual Return Submission (On/before 31 May for listed; others 31 July)	✓			Annual Returns submitted vide BLL/AFD/AC/02/2022-365 dated 17.06.2022
11	177	Annual General Meeting (Minutes)	✓			6th AGM was held on 22.04.2022 virtually.
12	180	Extraordinary General			✓	No Extraordinary General



		Meeting (Minutes)				Meeting was held during the year.
13	185	Notice for calling general meeting	✓			Notice calling AGM was made vide email to board members on 9.04.2022. Waiver by the shareholder, MoF, was accorded vide email response on 10.04.2022.
	187	Listed Co. - written as well as in media. Public Co/Private Co. - Written Notice			✓	
14	190	Chairman of meeting. (CEO cannot chair)	✓			Board Meetings during the year were chaired by Dasho Kesang Deki, Chairman.
15	192	Representation of corporations at meetings (Appointed by Board Directors)	✓			CEO is a representative of the company.
16	193	Ordinary and special resolutions (Minutes)	✓			A total of four regular Board Meetings and one Annual General Meeting were held during the year as under: i. 28 <sup>th</sup> Board Meeting held on 15.02.2022; ii. 29 <sup>th</sup> Board Meeting and 6 <sup>th</sup> AGM held on 22.04.2022; iii. 30 <sup>th</sup> Board Meeting held on 29.11.2022; and iv. 31 <sup>st</sup> Board Meeting held on 26.12.2022.
17	195 - 198	Board Meetings Minutes of Annual General Meeting and Board Meetings	✓			See Sl.No. 16 above.
18	199	Declaration and payment of dividend (199-209)	✓			Declaration of dividend was done in the 6 <sup>th</sup> AGM and paid vide No. BLL/AFD/12/2022-247 dated 5 May 2022
19	232, 233	Books of account to be kept by company (Location & time period)	✓			Consolidated Books of Accounts of the Company is maintained at its Head Office in P.O Box No.52, Jorden Lam, Phuentsholing.
20	250	Board's report (signed by Chairman)	✓			The Board's report was signed by Dasho Kesang Deki, Chairperson.



21	252 - 255	Appointment and removal of Auditors. Re-appoint annually (251-259)	✓			As a MoF owned company, the incumbent auditor was appointed by Royal Audit Authority vide Appointment Order No. RAA(SA-39)/COAD/2022/2092 dated 16 November 2022.
22	260	Resignation of Auditors from office (Annual Resignation)			✓	Appointment and resignation of auditors for SOEs are within the authority of Royal Audit Authority.
23	266	Auditing standards (Audit using Auditing Standards issued by AASBB)	✓			Complied.
24	133	Number of directors				The Company had four Board Directors in 2022 including the CEO, as under: i. Chairman: Dasho Kesang Deki, Current Cabinet Secretary and was reappointed on 22 <sup>nd</sup> April, 2022; ii. Board Director: Tashi Penjor Director, DLO, MoHA, was reappointed on 22 April 2022. iii. Board Director: Sonam Tenzin, Director General, DoT, MolCE, was reappointed on 22 April 2022; and iv. Board Director: Phenphay R Drukpa, Chief Executive Officer, BLL appointed on 28 March 2022
25	134	One Third of all Public Companies shall be independent			✓	
26	138	(Minimum No. & retirement on rotation)	✓			Minimum two directors retire and are reappointed every year in the AGM.
27	139	Additional directors			✓	As a MoF owned company, selection and appointment of board directors is managed by MoF.
28	140	Consent to act as directors			✓	
29	141	Certain persons not to be appointed as Directors			✓	





30	142	Resignation by a director			✓	
31	143	Removal of directors /Change of Directors.	✓			Since BLL is a SoE under MoF, all the directors are ex-officials and the removal and change of directors are managed by the shareholder, MoF.
32	146	Board meetings (Four Meetings for Public Companies and two Meetings for Private Companies)	✓			Refer Sl. No. 16-17 above.
33	152	General powers of the Board	✓			Complied with.
34	156	Restriction on powers of Board	✓			Complied with.
35	210	Appointment of Chief Executive Officer. (Max. 5 years terms & 2 consecutive terms only)	✓			CEO's term was extended for one year by MoF on 28 March 2022 after the completion of his 2 <sup>nd</sup> term.
36	213	Company Secretary required in all Public Companies			✓	
37	414	Appointment of selling or buying agents. (Government Approval obtained or not)			✓	
38	157	No loans to directors (only for Public Co.)			✓	No loans to directors were given.
39	53	Inter-corporate investments. (Investments to be disclosed) apply old rule			✓	No Inter-corporate investments.
40	158	Conflict of Interest Transaction by Board			✓	No such cases existed with the company.
41	161	Standard of care required by directors. (Reckless decision)			✓	No conflicting events were witnessed in the company.

#### STATUTORY RECORD AND INSPECTION

42	228	Statutory record and inspection	✓			Compiled
	(a)	Register of buy-back of shares			✓	
	(b)	Register of transfers			✓	
	(c)	Register of charges			✓	
	(d)	Register of inter-corporate loans			✓	No inter corporate loans
	(e)	Register of inter-corporate	✓			The Company has the following



	investments				Fixed Deposit Details 1. FD A/c No: 7100095991005 Amount: 20,000,000.00 Opening Date: 24 May 2022 Maturity Date: 24 May 2023  2. FD A/c No: 7100095991007 Amount: 30,000,000.00 Opening Date: 18 Nov. 2022 Maturity Date: 18 Nov. 2023  3. FD A/c No: 770TC051604006 Amount: 10,000,000.00 Opening Date: 10 Nov. 2022 Maturity Date: 10 Nov. 2023  4. FD A/c No: 770TC051604005 Amount: 20,000,000.00 Opening Date: 25 March 2022 Maturity Date: 25 March 2022
(f)	Register of contracts in which directors are Interested.			✓	
(g)	Register of directors	✓			Compiled
(h)	Register of directors' shareholding			✓	

For JIGMI Audit & Financials Pvt. Ltd.

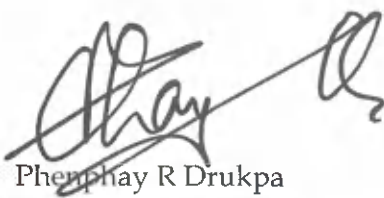
For Bhutan Lottery Limited


Jigmi Rinzin FCCA  
 (Membership No.0283308)  
 Partner

Date: 23/05/2023

  
 Leki Wangmo  
 Senior Manager  
 Administration & Finance  
 Bhutan Lottery Limited  
 Phuentsholing : Bhutan

  
 Phenphay R Drukpa  
 Chief Executive Officer  
 PHENPHAY R. DRUKPA  
 CHIEF EXECUTIVE OFFICE  
 BHUTAN LOTTERY LTD.  
 PHUENTSHOLING : BHUTAN

  
 Nayde  
 Chairperson  
 Chairman  
 Bhutan Lottery Limited  
 Phuentsholing : Bhutan

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# **MANAGEMENT APPRAISAL REPORT**

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## MANAGEMENT APPRAISAL REPORT

### 1. Un-reconciled differences between the Accounting Records and the online lottery platform System for Players Trust Fund

It was observed during the previous year's audit that the account of Online Lottery platform had not reconciled with the Accounting records. It is again observed during the current year audit there are un-reconciled differences between the Accounting Records and the Online Platform System although the un-reconciled amount had reduced this year compared to the prior year, as shown under.

Particulars	2022 (Nu.)	2021 (Nu.)
Balance as on 31 December 2022 as per accounting system	1,467,465.10	931,062.30
Balance as on 31 December 2022 as per Online lottery system	1,409,663.00	1,209,169.89
<b>Difference Amount:</b>	<b>57,802.10</b>	<b>278,107.59</b>

#### *Management Response:*

*The management of BLL appreciates the efforts put in by the auditors and accepts the observation positively.*

*However, BLL after the Statutory Auditor's recommendation worked out on the unreconciled figures for 2021 and submitted to the RAA as Action Taken Report on 3<sup>rd</sup> October, 2022 in response to their follow up report. The unreconciled difference between the Player trust fund and accounting system is already reconciled as per the RAA's final report to BLL.*

*The difference in the report 2022 is due to the difference in the opening balance from last Year's adjustment of Nu.22,000/- and there will always be some difference in the two systems due to the integration and participation of third-party systems like RMA payment gateway and different banks involved.*

*If the bank and the system are reconciled where the bank balance is higher than the virtual account, there is minimum/no risk for BLL. The management is closing working with the software developer to keep the difference in the balance as low as possible.*

#### **The observation is treated as settled:**

*Based on justification provided above and as acknowledged during the Exit Meeting that differences between the balances of the Accounting System and the Online Lottery System was inevitable and an inherent issue due to the participation and involvement of 3<sup>rd</sup> party systems, the observation is settled and reflected in the MAR.*

#### **Compliance to be made:**

*The management is recommended to workout periodic reconciliation of balances between the Accounting System and the Online Lottery System for transparent accounting records and maintaining of desired information trail for ex-post review and scrutiny.*



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**PRIOR YEAR AUDIT FOLLOW-UP REPORT**

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**BHUTAN LOTTERY LIMITED**

**FOR THE YEAR ENDED ON 31 DECEMBER 2022**

Follow-up Report on Previous Years' management report

**Summary of the Follow-up Report**

Accounting Year	Total No of recommendations provided	No of recommendations implemented	No of recommendations partially implemented	Balance recommendations to be implemented
2021	1	-	-	1

**Follow-up Report for the period ended 31 December 2021 (AIN No.COAD-2022-136)**

Para No.	Observations in brief	Management's response- current status	Status of compliance
1	Un-reconciled differences between the Accounting Records and the online lottery platform System for Players Trust Fund.	We are in the process of reconciling the differences. We have informed our online lottery software company, Bonobo PLC about this issue and they have agreed to sort out the differences.	The issue has surfaced again during the current audit as well, and is separately dealt with under the Management Appraisal Report. As such, the matter cannot be pursued further.

