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Vision

"To be the product of choice in both domestic and international market of construction industry"



Mission

"To deliver superior value to the customers, shareholders, employees and society at large"





Board of Directors



The Royal Government of Bhutan initiated Dungsam Cement Project (DCP) in 1982 with assistance from the Government of India. It was incorporated as Dungsam Cement Corporation Limited (DCCL) on September 10, 2009 under the Companies Act of the Kingdom of Bhutan 2000 as a wholly owned subsidiary of Druk Holding and Investment Limited (DHI), an investment arm of the Royal Government of Bhutan.

The plant is located at Chengkari, Nganglam; under Pemagatshel Dzongkhag in the east Bhutan at an approximate distance of about 150 KM in north-west of Guwahati, Assam, India. The plant, with a production capacity of 1.2 million tons per annum, started its commercial operation from January 1, 2014 and has obtained permanent license from the Bhutan Standard Bureau (BSB) and Bureau of Indian Standards (BIS) to market its cement in Bhutan and India in January 2014. The products are marketed under the brand name "Dragon Cement"

Directors Portfolio (DCCL Board of Directors)



Dasho Karma Yezer Raydi
Chairman

Dasho Karma Yezer Raydi, Chief Executive Officer, DHI, obtained his Bachelors in Civil Engineering from IIT, Roorkee, India and Master Degree in Geotechnical Engineering from Nippon Institute of Technology, Siatama, Japan. Dasho served as Industrial Engineer, BDFC (1989 – 1995), Executive Engineer, Division of National Properties, MOF(1995 – 2000), Superintending Engineer, Department of Urban Development and Housing, MoWHS(2000 – 2006), Director, Standard and Quality Control Authority, MoWHS(2006 – 2008), Member of National Council (2008 – 2015), presently Dasho serves as the CEO of DHI.



Mr. Dorji Norbu
CEO

Mr. Dorji Norbu, Chief Executive Officer, Dungsam Cement Corporation Limited. He obtained his Bachelor in Technology (Hons) in Mining Engineering from Indian School of Mines, Dhanbad, India. He also has professional qualification in MMEA (I) (Life) Member of Mining Engineers' Association of India. He started his career as Assistant Mining Engineer, Ministry of Trade and Industry and also served as Joint Managing Director prior to joining Dungsam Cement Corporation Limited.



Mr. Sonam Topgay
Director

Mr. Sonam Topgay obtained his BA (Hons) Political Science and Master of Public Administration. He served as Research Officer, His Majesty's Secretariat (2009 – 2010), Director & Director General, Department of Civil Registration and Census and Department of Local Governance (2005 – 2015), Director General, Department of Law and Order, MoHCA (2014 – 2016). Presently serves as Secretary, MoHCA.



Dasho Tobgyal Wangchhuk
Director

Dasho Tobgyal Wangchhuk obtained his Bachelor of Medicine and Bachelor of Surgery (MBBS) from AIIMS, Delhi, India and Master of Science in Ears, Nose and Throat (M.Sc ENT) from Institute of Medicine 1, Yangon, Myanmar. Dasho served as GDMO, Gelephu General Hospital (1992-1994), DMO, Sarpang Hospital (1994-1995), ENT Surgeon, JDWNRH, Thimphu (1998-2001), Medical Superintendent, Gelephu Hospital (2002-2003), Head of JDWNRH, Thimphu (2003-2007), Head, Medical Education, Royal Education Council (2008 - 2009). Presently Dasho serves as Changkhab, His Majesty's Secretariat.



Mr. Yonten Namgyel
Director

Mr. Yonten Namgyel, Director, Department of Revenue and Customs, under the Ministry of Finance (MoF) obtained his Bachelor in Commerce from Sherubtse College and Master Degree in Commerce from University of Sydney, Australia. He served as the Joint Director, Head Office. (2003 – 2009), Regional Director, RRCO, Paro (2009 – 2013). He also served as Board Director in Business Opportunity and Information Center (BOIC).



Mr. Minjur Dorji
Director

Mr. Minjur Dorji, Executive Secretary, Samdrup Jongkhar Thromde. He obtained his Bachelor in Civil Engineering, from Delhi University, India and Master Degree in Geo-Information Observation and Earth Science, ITC, Netherland. He served as Project Engineer, FCB, UNCDF, UNDP, Phuentsholing (1995 – 1998), Dy. Executive Engineer and Executive Engineer, MoA (1998 – 2003), Chief Engineer, MoA (2008 – 2010), Executive Secretary, Thimphu Thromde (2011 – 2015). Presently serves as Executive Secretary of Samdrup Jongkhar Thromde.



Mr. Sherab Namgay
Director

Mr. Sherab Namgay, Senior Analyst, DHI. He obtained his Bachelor of Arts, from PSG College of Arts and Science, India and Master of Business Administration (MBA), Curtin University of Technology, Perth, Western Australia. He served as Marketing Executive, Kuensel Corporation Ltd, Thimphu (2004 – 2007), Business Development Manager, Kuensel Corporation Ltd (2009 – 2012), Company Secretary, Kuensel Corporation Ltd (2011 – 2012), Analyst, Consulting Services, DHI (2012 – 2014). Presently serves as Senior Analyst, Department of Investment, DHI and under deputation with the Office of Performance Management (OPM).

Executives: Head of Departments



Mr. Karma Gayleg – Dy. Chief Executive Officer (DCEO)

Mr. Karma Gayleg, Dy. CEO obtained his BE, Civil from National Institute of Technology (NIT), Nagpur, Government of India (GoI) Merit scholarship India, and completed in the year 1995. He also has Masters in Engineering (Soil Engineering/ Geo technical Engineering) from Asian Institute of Technology, Bangkok, Thailand, (ADB Scholarship) completed in the year 2000. He started his career as Lecturer at RBIT and served as the Head of Department of Civil Engineering, College of Science and Technology (CST), Phuntsholing, Bhutan. He also served as the Director for Hotel and Tourism Management Training Institute (HTMTI), Thimphu, Bhutan. Before joining Dungsam Cement Corporation Limited he served as the General Manager, Project Department at DHI Infra Limited.



Mr. Tshen Norbu – General Manager (Commercial)

Mr. Tshen Norbu, General Manager (Commercial) obtained his Bachelor of Arts (Economics Honors) from Sherubtse College and Post Graduate Certificate in Financial Management from Royal Institute of Management. He also has Masters in Professional Accounting from Edith Cowan University in Western Australia. He served as Deputy Chief Budget officer, Department of National Budget (MoF), Thimphu before joining Dungsam Cement Corporation Limited.



Mr. Samdrup – General Manager (Works)

Mr. Samdrup, General Manger (Works Department) obtained his Bachelor of Science from Sherubtse College and Master of Science from Asian Institute of Technology, Bangkok, Thailand. He served as Head – Quality in Dungsam Cement Corporation Limited. Prior to joining Dungsam Cement Corporation Limited he served as Head – Production and Quality control in Penden Cement Authority Limited (PCAL).



Mr. Alok Singh – Vice President (Sales and Marketing)

Mr. Alok Singh, Vice President (Sales & Mktg.), obtained his B.E. (Civil) degree in 1992 from B.I.E.T , Davangere , Karnataka , India and his M.B.A. (marketing) degree from University of Lucknow , India in 1995. He also has a Post Graduate Diploma in Exports Management from I.I.E.M, Bangalore, India. With a total experience of 20 years in various Industries, he has served many reputed organizations i.e. The Triveni Engg. & Industries Limited, Sulzer Flovel Hydro Limited, ACC Limited, Kajaria Plus Limited , Birla Corporation Limited , JK Cement Limited and Heidelberg Cement India Limited . Prior to joining DCCL, his last assignment was with M/s Heidelberg Cement India Limited as General Manager (Sales and Marketing).

Attendance details for each Directors and remuneration paid for the Board Meetings held in the year 2016

During the FY 2016 DCCL had conducted seven (7) Board Meetings as follows:

Sl. no	Board Meetings Held	Board Director	Remuneration paid (Nu)	Attendance
1	42 nd Board Meeting Venue: DHI Board Room, Thimphu Date: April 19, 2016	Chairman Dasho Sangay Khandu	8000	Present
		Dasho Tobgyal Wangchhuk	NA	Apologies
		Ms. Chime P Wangdi	NA	Apologies
		Mr. Pema Wangdhee	8000	Present
		Mr. Sangay Wangdi	8000	Present
		Mr. Yonten Namgyel	8000	Present
		Mr. Dorji Norbu	8000	Present
2	43 rd Board Meeting Venue: DHI Board Room, Thimphu Date: April 21, 2016	Chairman Dasho Karma Yezer Raydi	8000	Present
		Dasho Tobgyal Wangchhuk	NA	Apologies
		Mr. Sonam Topgay	8000	Present
		Mr. Minjur Dorji	NA	Apologies
		Mr. Yonten Namgyel	NA	Apologies
		Mr. Sherab Namgay	8000	Present
		Ms. Dorji Norbu	8000	Present
3	44 th Board Meeting Venue: DHI Board Room, Thimphu Date: May 7, 2016	Chairman Dasho Karma Yezer Raydi	8000	Present
		Dasho Tobgyal Wangchhuk	8000	Present
		Mr. Sonam Topgay	8000	Present
		Mr. Minjur Dorji	8000	Present
		Mr. Yonten Namgyel	8000	Present
		Mr. Sherab Namgay	8000	Present
		Mr. Dorji Norbu	NA	Apologies
4	45 th Board Meeting Venue: Hotel Migmar, Board Room, Thimphu Date: August 2, 2016	Chairman Dasho Karma Yezer Raydi	8000	Present
		Dasho Tobgyal Wangchhuk	8000	Present
		Mr. Sonam Topgay	8000	Present
		Mr. Minjur Dorji	8000	Present
		Mr. Yonten Namgyel	8000	Present
		Mr. Sherab Namgay	8000	Present
		Mr. Dorji Norbu	8000	Present

5	46 th Board Meeting Venue: Hotel Migmar, Board Room Hall, Thimphu Date: August 30, 2016	Chairman Dasho Karma Yezer Raydi	8000	Present
		Dasho Tobgyal Wangchhuk	8000	Present
		Mr. Sonam Topgay	8000	Present
		Mr. Minjur Dorji	8000	Present
		Mr. Yonten Namgyel	8000	Present
		Mr. Sherab Namgay	8000	Present
		Mr. Dorji Norbu	8000	Present

6	47 th Board Meeting Venue: Hotel Migmar, Board Room, Thimphu Date: October 18, 2016	Chairman Dasho Karma Yezer Raydi	8000	Present
		Dasho Tobgyal Wangchhuk	8000	Present
		Mr. Sonam Topgay	8000	Present
		Mr. Minjur Dorji	NA	Apologies
		Mr. Yonten Namgyel	8000	Present
		Mr. Sherab Namgay	8000	Present
		Mr. Dorji Norbu	8000	Present

7	48 th Board Meeting Venue: Hotel Migmar, Board Room, Thimphu Date: December 22, 2016	Chairman Dasho Karma Yezer Raydi	8000	Present
		Dasho Tobgyal Wangchhuk	NA	Apologies
		Mr. Sonam Topgay	NA	Apologies
		Mr. Minjur Dorji	8000	Present
		Mr. Yonten Namgyel	8000	Present
		Mr. Sherab Namgay	8000	Present
		Mr. Dorji Norbu	8000	Present

8	6 th Annual General Meeting Venue: DHI, Board Room Hall, Thimphu Date: April 21, 2016	Dasho Karma Yezer Raydi		Present
		Mr. Gem Tshering	NA	Present
		Lopen Ugyen	NA	Present
		Dr. Damber S Kharka	NA	Present
		Ms. Tshering Lham	NA	Present
		Mr. Karma Wangchuk	NA	Present
		Mr. Dorji Nima	NA	Present
		Dasho Sangay Khandu – Chairman	8000	Present
		Mr. Sangay Wangdi – Director	8000	Present
		Mr. Pema Wangdhee – Director	8000	Present
		Mr. Dorji Norbu – Director	8000	Present
		Dasho Dr Tobgyal Wangchhuk – Director	NA	Apologies
		Mr. Yonten Namgyel – Director	NA	Apologies
		Ms. Chime P Wangdi – Director	NA	Apologies

Corporate Social Responsibility

Corporate social responsibility (CSR) is a business approach that contributes to sustainable development by delivering economic, social and environmental benefits for all stakeholders. CSR is a concept with many definitions and practices, the way it is understood and implemented differs greatly for each company and country. CSR is a very broad concept that addresses many and various topics such as human rights, corporate governance, health and safety, environmental effects, working conditions and contribution to economic development. The purpose of CSR is to drive change towards sustainability. As a Corporate Social Responsibility to the help the local community and society at large, below are list of contributions and donations towards the society by DCCL.

Expenses	Amount	Narration
CSR Expenses	200,000.00	Contribution for construction of Ney Khang in Nganglam
Donations	10,000.00	Donation for tendrel
	10,000.00	Donation to Bhutan YDF
	10,000.00	Donation for KuzungMendrel
	10,000.00	Donation for reconstruction of Jangchup chorten
	10,000.00	Donation for Threma lhakhang
	10,000.00	Contribution to Sonamthang Central School
Total Donation	60,000.00	





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Dungsam Cement Corporation Limited
 Nanglam, Pemagatshel, Bhutan



DIRECTORS' *Report*

DUNGSAM CEMENT CORPORATION LIMITED
NGANGLAM, PEMAGATSHEL, BHUTAN
DIRECTORS' REPORT FOR THE YEAR 2016

Directors' Report for the year 2016

Dear Shareholders,

The Board of Dungsam Cement Corporation Limited (DCCL) is pleased to report to Druk Holding and Investments (DHI), Kidu Fund of His Majesty's Secretariat (HMS), Zhung Gerab Dratshang, National Pension and Provident Fund (NPPF), Bhutan Power Corporation Limited (BPCL) and the shareholders of DCCL, the performance of the Company for the period January 1 to December 31, 2016.

Operational Highlights

The year 2016 has seen overall improvement in the cement and clinker production, plant capacity utilization and plant availability. The plant produced a total of 520,921 metric tonnes of clinker and 588,433 metric tonnes of cement. The plant production has seen an overall increase of about 28% in clinker and 20% in cement compared to 2015. The plant has also seen an increase in capacity utilization of 15% from 38% to 53%. The plant availability reached 81% in FY 2016.

In the year 2016, the operation of the plant had been much better compared to the last three years, with only two long stoppages as mentioned below:

(1) Failure of raw mill gear box bearing: The failure of raw mill gear box in January and February months has been one of the major challenges in the FY 2016 which led to the raw mill being stopped for about 28 days resulting in low clinker production;

(2) Annual Scheduled Maintenance: The plant had to be stopped in the month of June for the annual scheduled maintenance like refractory lining (which was last done in December 2015) and other associated mechanical, civil, electrical, instrumentation and other similar works;

Financial Highlights

The company's total revenue for the year 2016 was Nu 3,387.22 million, which is an increase of 31% as compared to Nu 2,579.43 million in FY 2015. The year saw an increase in revenue due to increase in sale of cement to the Hydropower Projects and the export market. Likewise, the expenditure during the year was Nu.4,142.40 million against Nu. 3,619.20 million in FY15 with an increase of only 14% from the previous year, despite running the plant for much more number of months compared to FY 2015.

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The company also managed to reduce its losses by Nu. 284.60 million for the FY 2016, which is a reduction from Nu 1,039.78 million in 2015 to Nu 755.18 million in FY 2016. It may be mentioned here that 30% of the annual losses is credited to future Corporate Income Tax (CIT) adjustment.

The Shareholder's funds have decreased to Nu. 4,189.04 million from Nu. 4,727.85 million due to losses incurred during the period and the long-term loans stood at Nu. 5,318.83 million by the end of the reporting period. The uses of fund comprised of Nu. 9,036.28 million in fixed assets (net block) including capital works in progress of Nu. 6.27 million and other non-current deposits of Nu.25.01 million in assets.

Human Resource

The FY 2016 was a challenging and an exciting year for the company in terms of its HR and Administrative functions. The Human Resource and Administration Division (HRAD) made significant progress on various fronts in the process of fulfilling the Company's Annual Compact target 2016.

The two key milestone achievements by the company in terms of HR and administration are as follows:

- Amendment of Internal Service Rule and Delegation of Power
- Organizational Climate Assessment

During the course of fulfilling the above activities, the HRAD team had an opportunity to interact and receive suggestions and feedback from the employees, which has helped the company to understand them better. The interactions with the employees gave a clear picture to the management about the overall work culture, working environment and other similar aspects of the company.

In terms of training and development of employees, the company made significant progress with several training programs being initiated by the company. For instance, the faculty of Regional Training Centre (RTC), Nimbeherra, Rajasthan, a unit of JK Cement was invited to train the employees at the plant site and numerous onsite training programs were conducted by in-house trainers and Humboldt consultants. The management also signed a Memorandum of Understanding (MoU) with RTC to train the employees in the various fields of cement production and industry. Further, the senior employees were sent to Siam Cement Group (SCG), Thailand, on an educational tour to learn about the cement production process and its management thereof.

In order to certify the knowledge and skills of our employees, the company in collaboration with the Ministry of Labour and Human Resource (MoLHR), made all the arrangements to certify the employees in their respective skill sets. All the associated

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ground works have been duly completed and the employees will be certified by the first half of 2017. Such certification process would help in inculcating the sense of professional pride and career fulfillment in the process of their tenure at DCCL.

As part of social and co-curricular activities to engage employees during their leisure time, the management organized cultural shows, sports events, talk shows and celebration of company's foundation day, including the national events and other activities throughout the year, and the company intends to continue with the same spirit in the year 2017.

As of December 2016, the company's staff strength stands at 408 with a gender ratio of 1:3 (female: male) and the average age of the employee stands at 29 years.

Sales and Marketing

Sales and marketing activities form one of the core functions that contribute towards the success of the company. The company implemented the approved Sales & Marketing Strategy to penetrate new market segments and also expand and grow the company's market share in the existing markets.

The major highlights of mile stone activities under the Sales and Marketing Department during the year 2016 were as follows:

Sales

- Overall cement sales increased from 4,54,099.10 metric tonnes in the year 2015 to 5,75,504.48 metric tonnes during the year 2016, thereby yielding a growth of 27% over the previous year.
- An additional revenue of Rs. 159.69 Million was generated from the sale of 63,305.12 metric tonnes of clinker.
- Four new Sales Promoters, eleven Export Distributors and seven Domestic Dealers were appointed to strengthen the network base of Dragon cement .
- The Lower Assam and Kamrup markets of North East, which are the highest revenue realization region were focused upon and the position has been significantly strengthened in these areas.
- The average cement price has improved from Nu. 5,415.55 PMT to Nu. 5,509.79 PMT, thereby, an increase of Nu. 94.24 PMT even though average prices drastically reduced in the export market during the year.

Marketing

- To improve brand image and create brand awareness amongst the consumers, 56 hoardings (Billboards) were installed across the export market and wall painting / shutter painting, Dealers/retailer's boards were installed. Annual Domestic dealers

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- meet for Eastern, Central and Western regions were organized at Samdrup Jongkhar, Gelephu and Phuentsholing respectively.
- Distributors' meets were organized frequently in the export market to motivate the network.
 - PWD and AREIDA exhibition cum seminar in Assam were attended by the employees of DCCL.
 - MoU with Nikachu Project, KEC Transmission Ltd and Construction Development Corporation Ltd (CDCL) were signed to increase the sales.

Logistics

- Logistics and supply chain management poses one of the greatest challenges for any manufacturing unit.
- To cater to the increased demand of the Hydro Power Projects, 20 numbers of Transporters were appointed. To ease the in-bound and out-bound logistics and coordination, the Regulatory Authorities' meet and the Transporter's meet were organized. Due to remote location, logistics of raw materials still poses a huge challenge and currently it is being sorted out.

Corporate Governance

The Company is in adherence and compliance to the Corporate Governance Code (CG Code), 2013, issued by the DHI, and the Companies Act of the Kingdom of Bhutan, 2016. Further, it has successfully implemented all the directives of the Board. Sub Committees like Board Audit Committee (BAC), Board Level Human Resource Committee (BLHRC) and Board Level Procurement Committee (BLPC) held their meetings as required by their Rules of Procedures. The company is in compliance with the requirements stipulated by the Registrar of Companies and all the other regulatory authorities.

Constitution of the Board and its Meetings

Constitution of the Board:

As per the approval of the Annual General Meeting (AGM) for the financial year 2016, the following senior officials have been appointed as the Board of Directors for the Dungsam Cement Corporation Limited:

No	Name	Designation
1.	Dasho Karma Yezer Raydi	Chairman
2.	Dasho Tobgyal Wangchuk	Director
3.	Mr. Sonam Topgay	Director

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4.	Mr. Yonten Namgyel	Director
5.	Mr. Minjur Dorji	Director
6.	Mr. Sherab Namgay	Director
7.	Mr. Dorji Norbu	CEO, Director

After the formulation of the appointment of the Board of Directors, There have been no changes in the constitution during the year.

Board Meetings:

To enhance good governance and provide appropriate policy directives to the company, seven (7) Board meetings were convened during the FY 2016. No Extraordinary General Meetings were convened. In all the Board meetings, quorum was maintained as required. The Annual General Meeting for the year 2015 was held on April 21, 2016, thereby complying with the Companies Act, 2016. Besides these, four (4) Board Audit Committee meetings, three (3) Board Level Human Resource Committee Meetings and one Board Level Procurement Committee Meeting were convened in the year 2016 to decide on various aspects of the operations of the company.

Auditors' Report

M/s Prem Gupta & Company from New Delhi was appointed as the Statutory Auditors for the year 2016 by the Royal Audit Authority. The observations and recommendations of the Auditors are being appropriately addressed by the Board and the management.

The Internal Audit Unit of the company continues to conduct regular auditing to ensure proper management of resources.

Key Challenges & Way Forward

Since start of commercial operation, the company has made gradual progress in terms of plant stabilization, production, sales and marketing, system harmonization, institutional strengthening and other dimensions of its day-to-day functions. However, certain key challenges still remain to be addressed so that the company achieves its full potential.

Main Challenges

The main challenges confronting the company are as mentioned below:

- (a) Stiff Competition in the Indian cement market is a major challenge for the company. The Indian cement sector has become highly competitive with multiple large players operating, especially from Meghalaya and other nearby States, and also as a result of the entry of foreign players through multi-national companies

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and years of consolidation and expansion by the existing and new domestic companies.

- (b) Fuel and raw material availability and their prices is the other major challenge faced by the company. Coal is the primary source of fuel for the captive power plants and cement plants. The main raw materials sourced from outside the company are fly ash, slag, gypsum, and iron ore. The shortage of raw material supply, storage facility, quality of coal, and volatility of their prices remain a concern for the company.
- (c) For the future sustainability of the company and for the succession planning of employees at various levels, a proper planning for HR training and development needs to be in place. Moreover, various types of skills training and up gradation programs need to be initiated at the various operational levels. Some of the skills such as the belt-jointers, controllers, samplers, blasters etc.... are quite unique to the cement manufacturing industry, thereby requiring more sensitive approach to in-house training, certification and development in coordination with and assistance from the Ministry of Labour & Human Resource (MoLHR).
- (d) For the retention of staff and to motivate the employees to stay in the company, it is very essential to provide housing as well as various socio-cultural and sports activities with enriching experience in the campus. This requires that the campus be well planned and developed so that the employees can "work, live, learn, and play". Hence, a proper campus developmental plan and landscaping need to be done for the entire campus.
- (e) Currently, the company has only two depots located at Phuentsholing and Galephu. However, considering the numerous hydro power projects such as Tangsibji, Kholongchu, Kuri-Gongri and Nyera Amari that are soon going to begin constructions, it is imperative that the company must plan and open some more depots and go-downs at strategic locations. Hence, depots and go-downs at Samdrup Jongkhar, Gyelposhing and Lobeyasa areas would be worth considering and studying. Similarly, the company is considering setting up go-downs in key areas of the export market like Pathsala, Guwahati and Siliguri to counter issues related to strikes and offloading.

Way Forward

Despite numerous challenges, the way forward and the outlook towards the future remains very positive. However, for the company to prepare itself to meet and overcome the future challenges, the following activities need to be pursued in true earnest.

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- (a) With the commissioning of plant in 2014, it is in the fourth year of its operation. Thus, as per the industrial norms, it would be advisable to carry out the exhaustive auditing and structural integrity assessment of the Plant through engagement of professional agencies in the near future.
- (b) The importance of quality control measures and strategy was felt during the last market complaints in the month of December 2016. Thus, as a way forward, the company must ensure that the facilities, infrastructure, record keeping, ISO protocols, training of samplers, improvement of sampling techniques and other quality parameters must be in well maintained condition, so that we are able to provide the best value for money to our customers.
- (c) The company also needs to review the cost of transportation and similar logistic costs so that there can be an optimization in the logistic and transport cost. Towards this end, the company has already initiated the study of various transport routes and the cost and destination survey to various major cities and towns in the Northeast India. This exercise will eventually help the company to plan and coordinate the logistic activities
- (d) Being located in a remote south-eastern, Bhutan-India border, the safety and security of the plant must be carefully and strategically guarded. Initiatives such as the installation of security cameras at critical locations and the concept of "night patrol" needs to be continued and strengthened in FY17.
- (e) To be competitive in the export market, we must look into introducing the laminated PP Bags in packaging of Dragon Cement products. With the development of taste for finer and well-packaged products, today's ultra modern generation of consumers prefer well-presented products while purchasing.
- (f) The other way forward activity we could consider is the creation of "Profit-Centers". The present guesthouses, mechanical workshop, mines surveyors could be developed into sustainable and manageable profit centers. In addition to generating additional revenue, it would also inculcate the sense of productivity and professional pride in the employees.

While the above challenges may seem very daunting, yet, with proper planning, resource allocation, cooperation from all the employees and management team, any challenge can be met and overcome. Thus, all round, year-on-year improvement of the company would be happening with time, thus ensuring the full realization of the potential of our company.

Acknowledgment

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འགྲུབ་བསམ་རྩིས་ལས་འཛིན།

Dungsam Cement Corporation Limited
Nanglam, Pemagatshel, Bhutan



PREM GUPTA & CO.
CHARTERED ACCOUNTANTS

The company would like to thank the Royal Government of Bhutan and its regulatory agencies such as the departments of revenue & customs, geology and mines, forests and park services and the national environment commission (NEC) for their continued support and co-operation. We also look forward to working in close co-ordination with these agencies in the future.

Moreover, the Board and the management would also like to place on record our gratitude to DHI, the shareholder, for the key role played in the management of the company: particularly in arranging alternative financing and strengthening the systems and processes, especially the sales and marketing efforts.

The Board places on record its gratitude to the Board of Directors who served during the financial year 2016 and also the Board Directors who resigned during the past years for their tremendous contribution to the progress of the company.

Further, the Board acknowledges and places on record our gratitude to other regulatory and governmental authorities, banks, institutions, transporters, contractors and suppliers, distributors and dealers for the cooperation and support extended to the Company.

The Board also places on record their appreciation and gratitude to the leadership provided by the Managing Director and his management team, and to all the employees for their dedicated services to the success of the company. As the company enters its crucial years of commercial phase, the Board expects, and requests the management and employees of the company to maintain their dedication and commitment to the success of the company.

Tashi Delek!
For and on behalf of the Board


(Dasho Karma Yezzer Raydi)
Chairman

INDEPENDENT AUDITORS *Report*



KEY CHALLENGES & WAY FORWARD

MAIN CHALLENGES

WAY FORWARD



PREM GUPTA & CO.
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITORS REPORT

**TO THE MEMBERS OF DUNGSAM CEMENT CORPORATION LIMITED
NGANGLAM, BHUTAN**

Report on the Financial Statements

We have audited the accompanying financial statements of Dungsam Cement Corporation Limited, which comprises of the Statement of Financial Position as at 31st December 2016, the Statement of Comprehensive Income, Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted by the Accounting and Auditing Standards Board of Bhutan (AASBB). Those Standards require that we comply with ethical requirement and plans and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.



4, Shivaji Marg, Najafgarh Road, New Delhi-110015. Tel. : Off. : +91-11-25422417, 25466394, 45070187
Fax : +91-11-25109530 E-Mail: office@pguptaco.com, pguptaco@yahoo.co.in

Basis for Qualified Opinion

- (i) The company is having Stores, spares and loose tools amounting Nu 422,264,642 under head 'Inventories' (Note no. 8). The internal auditor of the company had observed shortage of spare parts amounting Nu 60,432,132 during the physical verification of inventories during Financial Year 2015 which have not accounted for by the Company in its books of accounts till date. The matter is under investigation by the company.

Further, in terms of BAS 16 on Property, Plant and Equipment (PPE), items such as spare parts, stand by equipment and servicing equipment are recognized under PPE when they meet the definition of PPE. Certain stores, spares and Service Equipments meeting the definition of PPE in terms of BAS 16 has not been shown separately under PPE, rather shown under 'Inventories'. Further, the depreciation charge/provision due to technical or commercial obsolescence and wear & tear while an asset remains idle has not been considered.

The consequential effect of which on the financial statements of the company is not ascertainable.

- (ii) RAA (Royal Audit Authority, Bhutan) has conducted two Special Audits of the company i.e. first for the period from 1st January 2010 to 31st January 2015, the second audit for the period from 1st January, 2010 to 31st December 2015 and a regular audit for the period from 1st January, 2015 to 31st December 2015. The consequential effect of which on the financial statements of the company is not ascertainable. (Also refer note no. 28).

Emphasis of Matter

We draw attention to Note No. 34 regarding non confirmation/reconciliation of certain balances of Advances to Vendors and others, Trade Receivables, Sundry Creditors, Intra Group Company Balances, Advances received from Customers & others and other Current Liabilities.

Our opinion is not modified in respect of this matter.

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Dungsam Cement Corporation Limited as at 31st December, 2016 and its financial performance and its cash flows for the year then ended in accordance with Bhutanese Accounting standards:



Report on Other Legal and Regulatory Requirements

As required by Section 75 of the Companies Act of the Kingdom of Bhutan, 2000 read with section II of Schedule XIV thereto (the Minimum Audit Examination and Reporting Requirements), we enclose in the Annexure a statement on the matters specified there in to the extent applicable.

As required by Section 74(3) of the Act, we report that:

- (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- (ii) In our opinion, proper books of accounts as required by law, have been kept by the Company so far as appears from our examination of those books.
- (iii) The Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows dealt with by this report have been prepared in accordance with accounting principles generally accepted and are in agreement with the books of account.
- (iv) In our opinion, the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows comply with the Bhutanese Accounting Standards and provisions of the Companies Act of the Kingdom of Bhutan, 2000.

FOR PREM GUPTA & COMPANY
CHARTERED ACCOUNTANTS



PLACE: NEW DELHI

DATED: 04-04-2017

MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENTS

1. The Company has maintained proper records showing full particulars including quantitative details of fixed assets. The Company's internal Auditors had conducted Physical verification of the fixed assets during the year. The discrepancies noted were not material and the same have been not dealt with in the books of accounts pending verification at management level.
2. As informed to us, none of the fixed assets were revalued during the year under audit.
3. The Company has carried out physical verification of Inventories in respect of raw material, semi-finished product, and work in process, finished product, consumables, stores and spares at the yearend only and as per set procedures which are reasonable. However, the physical verification of the inventory needs to be conducted at regular intervals keeping in view the size and nature of the business of the Company. The discrepancies noted during the course of physical verification were found to be material in nature and the resultant effect of the same has been incorporated in the books of the accounts except consumables, stores and spares.
4. According to information and explanations given to us, the cost is determined on moving average for materials procured from third parties and on standard cost basis for semi-finished goods and finished goods and is valued at lower of standard cost or net realizable value.
5. The rate of interest and other terms and conditions of loans availed from companies under the same management are prima facie not prejudicial to the interest of the Company.
6. According to information and explanations given to us, the advances granted to Officers/Staff are in keeping with the provision of service rules and by and large, no excessive / frequent advances are granted.
7. In our opinion and according to the information and explanations provided to us, the Company has established the system of internal control 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 and regulation systems and procedures. However, in our opinion, the internal control system needs to be further strengthened w.r.t. to completeness and accuracy of inventories management, credit policy for customers/debtors/vendor, payment to and receipts from vendors.
8. The Company follows a system of competitive bidding commensurate with the size of the Company and the nature of its business for the purchase of goods and services.
9. According to the information and explanations given to us, the Company did not enter into any transaction of purchase and sales of goods and services with the directors or any other parties related to the directors or with companies or firms



in which the directors are interested. Accordingly, sub-clauses (a) and (b) of clause 13 is not applicable.

10. According to the information and explanations given to us, damaged or unserviceable stores have not been determined during the year. *In our opinion, the company needs to have a specific policy for periodical verification and write off of unserviceable and obsolete stores & stocks.*
11. In our opinion and according to the information and explanations given to us, records have been maintained by the Company for the production of finished goods and physical safeguards exist to prevent un-authorized or irregular movement of such goods from the Company. *However the system in this regard needs to be strengthened w.r.t periodical updation of records in line with para 7 and 10 above.*
12. The Company is maintaining records in respect of sales and disposal of realizable scraps. We have performed our audit function on the basis of random sampling related to sales and relied on the internal auditor's report.
13. The Company is generally regular in depositing rates and taxes, duties, royalties, provident fund and other statutory dues with appropriate authorities. During the year the Company is not required to make provision for corporate tax under the taxation policy as the company is having losses during the year.
14. According to the information and explanations given to us and on the basis of our observation, no undisputed statutory dues were outstanding as on the last day of the financial year except BST payable amounting Nu 1,106,565 which have not been deposited till date.
15. As per the information and explanations given to us and as per the test checks performed by us, we have not come across or been informed of any personal expenses being charged to the Company accounts except as payable under contractual terms.
16. *The system of recording receipts, issues and consumption of stores needs to be further improved to make it commensurate with its size and nature of its business.*
17. As informed to us, Company has written off substantial amount due to material loss/discrepancies in physical/book balances of inventories including finished goods, raw materials as reported in the physical verification report during the year.
18. According to the information and explanations given to us and on the basis of our checking, system of authorizing at proper levels and adequate system of internal controls commensurate with the size and nature of business for issue of stores, allocation of materials and labor to jobs needs to be improved to prevent possible frauds and misappropriation of funds.
19. As per the information and explanations given to us, the Company is following a reasonable system of price fixation taking into consideration the cost of production and market condition.
20. *The Company has made credit sales during the year. The company has formed credit policy. However the policy is silent in case recoveries are not made from customers within due time. Further, credit rating of the customers has also not been carried out.*



21. The system of screening commission agents is adequate considering the industry norms/ market conditions.
22. According to the information and explanations given to us and on the basis of our verification, the management of the liquid resources particularly Cash, Bank & Short term deposits are adequate.
23. According to the information and explanations given to us and on the basis of our checking, we have not come across any activity carried by the Company which is unlawful or ultra-vires to the Articles of Incorporation of the Company.
24. All the activities/ investment decisions are made subject to prior approval of the Board and after ascertaining technical and economic feasibility of those ventures.
25. According to the information and explanations given to us, the Company has established an effective budgetary control system.
26. As informed to us, standard costing system was in place and the variance analysis was carried out on periodic intervals and corrective actions were taken as and when required.
27. The details of remuneration and other payments made to the Board of Directors including the Chief Executive Officer by the Company are disclosed in the Notes to accounts. As explained to us by the management, no payments have been made to any relative of any director during the year.
28. According to the information and explanations given to us, the directives of the Board have been generally complied with.
29. On the basis of information and explanations given to us and based on the management representation, we are of the opinion that the officials of the Company have not transmitted any price sensitive information which is made publicly available, unauthorized to their relative/ friends/ associates or close persons which would directly or indirectly benefit themselves.
30. Clause 8, 9 of the Companies Act of Kingdom of Bhutan 2000 read with Section II of the Schedule XIV thereto the minimum audit examination and reporting requirements are not applicable to the Company during the year. In addition to the above clauses 1 to 13 for Finance and Investment Company, all clauses for Trading Company and other Service Sector Companies are not applicable.

COMPUTERISED ACCOUNTING ENVIRONMENT

1. In our opinion the organizational and system development controls and other internal controls are adequate relative to size and nature of Computer installations.
2. The Company has adequate safeguard measures and backup facilities.
3. As regards backup facilities and disaster recovery measures, we are given to understand that the backup files are kept at different locations.
4. The operational controls are found adequate to ensure correctness and validity of input data and output information.
5. Measures taken by the Company to prevent unauthorized access over the computer installations and files are generally adequate



31. GOING CONCERN PROBLEMS:

Based on the Company's financial statements for the year ended 31st December 2016, audited by us, the company has incurred losses during the year under audit. We have no reason to believe that company is not a going concern being the year under audit is third year under commercial production and have not yet achieved optimal capacity utilization. Accordingly, the financial statements have been prepared under the going concern basis.

32. RATIO ANALYSIS:

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

RATIOS	BASIS	2016	2015
Earnings per share	Profit after Tax/ No of Shares Issued)	N/A*	N/A*
Net Profit Ratio	(Net Profit/ Turnover *100)	N/A*	N/A*
Return on Assets %	(Net Profit/ Total Assets*100)	N/A*	N/A*
Return on Equity (%)	(Net Profit/ Owners Equity*100)	N/A*	N/A*
Current Ratio	(Current Assets/ Current Liabilities)	0.77	1.02

* Not applicable as company has incurred loss.

**33. COMPLIANCE OF COMPANIES ACT:**

The Company has generally complied with the requirements of Companies Act of the Kingdom of Bhutan, 2000 concerning conducting of meetings, filing requirements, maintenance of records, issue of shares, raising of loans and all other matters specified in the said Act except as mentioned in the compliance checklist signed by us on the even date.

34. ADHERENCE TO LAWS, RULES AND REGULATIONS:

Audit of the Company is governed by the Companies Act of Kingdom of Bhutan, 2000 and the scope of the audit is limited to examination and review of the financial statements as produced to us by the management.

During the course of audit, we have considered the compliance of provisions of the said Companies Act, Bhutanese Accounting Standards and its Articles of Incorporation except as mentioned in the compliance check list signed by us and some of the areas as mentioned above. *We are unable to state that the Company has been complying with other applicable laws (other than Companies Act of Kingdom of Bhutan, 2000) rules & regulations, systems, procedures and practices.*

FOR PREM GUPTA & COMPANY
CHARTERED ACCOUNTANTS



FRN: 000425N
(N.K. GARG)
PARTNER

PLACE: NEW DELHI

DATED: 04-04-2017

MEMBERSHIP NO. 080207

Financial Statement

DUNGSAM CEMENT CORPORATION LIMITED
STATEMENT OF FINANCIAL POSITION AS AT DEC 31, 2016

(Amount in Nu)

PARTICULARS	Notes	31/12/2016	31/12/2015
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	1	9,036,281,596	9,429,217,420
Intangible Asset	2	57,282,139	60,602,649
Capital Work-in-Progress	3	6,227,429	5,433,198
Deffered tax asset	24	897,640,523	679,497,811
Other Non-Current Assets	4	25,012,625	20,851,485
		10,022,444,313	10,195,602,562
Current Assets:			
Cash and Cash Equivalents	5	46,782,191	90,793,703
Trade & Other Receivables	6	568,334,726	583,178,609
Other Current Assets	7	106,682,963	119,683,961
Inventories	8	982,418,877	762,056,960
		1,704,218,757	1,555,713,233
TOTAL		11,726,663,070	11,751,315,795
EQUITY AND LIABILITIES			
Shareholder's Equity			
Share Capital	9	6,373,947,900	6,373,947,900
Retained Earning / (Loss)		(2,184,902,970)	(1,646,091,367)
		4,189,044,930	4,727,856,533
Current Liabilities			
Trade and Other Payables	10	705,828,246	417,288,818
Other Current Liabilities	11	1,503,728,137	1,034,241,061
Short-Term Borrowings	12	3,594	70,201,048
		2,209,559,977	1,521,730,928
Non-Current Liabilities			
Long-Term Borrowings	13	5,318,839,458	5,495,120,247
Other Long-Term Liabilities	14	9,218,705	6,608,088
		5,328,058,163	5,501,728,334
TOTAL		11,726,663,070	11,751,315,795

See accompanying notes to the financial statement 1-37

In-terms of our audit report of even date attached:

FOR PREM GUPTA & COMPANY
CHARTERED ACCOUNTANTS

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

(N.K. GARG)
PARTNER
MEMBERSHIP NO. 080207PLACE : NEW DELHI
DATED : 04.04.2017

(DORJI NORBU)
CHIEF EXECUTIVE OFFICER

(DASHO KARMA YEZER RAYDI)
CHAIRMAN

STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED DEC 31, 2016

Particulars	Note	(Amount in Nu)	
		For the year ended 31/12/2016	For the year ended 31/12/2015
Income			
Revenue from Manufacturing Sector	15	3,361,497,919	2,517,732,411
Other Revenue	16	25,726,682	61,698,031
Total Income		3,387,224,600	2,579,430,442
Expenditure			
Consumption of raw material and changes in inventory	17	556,297,194	489,237,660
Power & Fuel	18	897,831,832	767,013,440
Employee benefit expenses	19	130,151,338	111,037,064
Depreciation and amortisation	20	422,130,470	420,939,524
Other Expenses	21	1,505,857,284	1,156,519,210
Finance Cost	22	630,136,922	674,460,064
Total Expenditure		4,142,405,040	3,619,206,964
Profit/(Loss) Before Income Tax		(755,180,439)	(1,039,776,522)
Income Tax Income/(Expenses)	24	218,142,712	302,076,037
Profit/ (Loss) After Income Tax		(537,037,727)	(737,700,485)
Other Comprehensive income/(Loss)			
Actuarial Gain/(Loss) on post employment benefit obligations		(1,773,876)	1,622,184
Net Other Comprehensive Income/(Loss)		(1,773,876)	1,622,184
Total Comprehensive Income/(Loss)		(538,811,603)	(736,078,301)
Basic and Diluted Earnings per share	23	(8)	(14)

In-terms of our auditor report of even date attached:

FOR PREM GUPTA & COMPANY
CHARTERED ACCOUNTANTS

FOR AND ON BEHALF OF THE BOARD OF DIRECTOR



(N.K. GARG)
PARTNER
MEMBERSHIP NO. 080207

PLACE : NEW DELHI
DATED : 04.04.2017

(DORJI NORBU)
CHIEF EXECUTIVE OFFICER

(DASHO KARMA YEZER RAYE)
CHAIRMAN

DUNGSAM CEMENT CORPORATION LIMITED
STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DEC 2016

Particulars	(Amount in Nu.)	
	For the year ended 31/12/2016	For the year ended 31/12/2015
Cash Flow from Operating Activities		
Net Profit Before Tax	(538,811,603)	(736,078,301)
Adjustment for:		
Depreciation/amortisation	422,130,470	420,939,524
Interest on Borrowing	608,046,031	656,159,598
Provision for Deferred tax	(218,142,712)	302,076,037
Changes in Working Capital :	273,222,185	38,944,785
Adjustment for:		
(Increase)/Decrease in Trade Receivable	14,843,882	(408,449,789)
(Increase)/Decrease in Other Current Assets	13,000,999	32,656,224
(Increase)/Decrease in Inventories	(220,361,917)	(91,433,127)
(Increase)/Decrease in Other Non-Current Assets	(4,161,140)	(4,361,140)
Increase/(Decrease) in Trade Payables	288,539,428	(142,565,720)
Increase/(Decrease) in Other Current Liabilities	8,450,887	26,613,207
Increase/(Decrease) in Other Long-Term Liabilities	2,610,617	886,568
Cash generated from Operations	376,144,942	(547,508,992)
Less : Tax Paid	649,367,127	(508,564,208)
Net Cash used in Operating activities (A)	649,367,127	(508,564,208)
Cash Flow from Investing Activities		
Purchase of Fixed Assets and Capital Work in Progress	(26,668,368)	(28,653,023)
Fixed Deposit with Bank	-	-
Sale/withdrawal of Fixed Assets	-	-
Insurance claim received during the year	-	-
Net Cash used in Investing Activities (B)	(26,668,368)	(28,653,023)
Cash Flow from Financing Activities		
Issue of Share Capital	-	1,300,000,000
Short term Borrowings repaid	(70,197,454)	(466,605,070)
Long term Borrowings repaid/availed during the year	284,755,400	474,116,375
Interest Paid during the year	(608,046,031)	(656,159,598)
Cash flow from Financing Activities (C)	(393,488,085)	651,351,706
Net Increase/ (Decrease) in Cash & Cash Equivalents (A+B+C)	(44,011,512)	75,187,691
Cash & Cash Equivalents at the beginning of the year	90,793,703	15,606,012
Cash & Cash equivalents at the end of the year	46,782,191	90,793,703

Notes:

- The above Statement of Cash Flow has been prepared under the "Indirect Method" as set out in the Bhutanese Accounting Standard 7 on 'Statement of Cash Flows'
- Cash and Cash equivalents include cash in hand and bank balances in current accounts [Refer Note No. 3 to the Accounts].
- Figures in brackets indicate cash outflows.

In-terms of our audit report of even date attached:



FOR PREM GUPTA & COMPANY
CHARTERED ACCOUNTANTS
(N.K. GARG)
PARTNER
MEMBERSHIP NO. 080207

PLACE : NEW DELHI
DATED : 04.04.2017

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

(DORJI NORBU)
CHIEF EXECUTIVE OFFICER
(DASHO KARMA YEZER RAYDI)
CHAIRMAN

Statement of Changes in Equity
For the year ended 31 DEC, 2016
Attributable to the Owners of the Company

	No. of Shares (issued and fully paid up)	Ordinary Shares Per value per share	Total value of share	Retained Earning/(Loss)	Total
Balance as at 1 January 2016	63,739,479	100	6,373,947,900	(1,646,091,367)	4,727,856,533
Issue of share					
Profit/(Loss) After Income Tax				(540,585,479)	(540,585,479)
Other Comprehensive Income/(Loss)				(1,773,876)	(1,773,876)
Balance as at 31 Dec 2016	63,739,479		6,373,947,900	(2,164,550,722)	4,209,397,178

Statement of Changes in Equity
For the year ended 31 DEC, 2015
Attributable to the Owners of the Company

	No. of Shares (issued and fully paid up)	Ordinary Shares Per value per share	Total value of share	Retained Earning/(Loss)	Total
Balance as at 1 January 2015	50,739,479	100	5,073,947,900	(910,013,066)	4,163,934,834
Issue of share	13,000,000	100	1,300,000,000		1,300,000,000
Profit/(Loss) After Income Tax				(737,700,485)	(737,700,485)
Other Comprehensive Income/(Loss)				1,622,184	1,622,184
Balance as at 31 Dec 2015	63,739,479		6,373,947,900	(1,046,091,367)	5,327,856,533

	As at 31 DEC 2016	2015
Authorized Capital:		
80,000,000 Equity shares of Nu.100 each	8,000,000,000	8,000,000,000
20,000,000 Preference shares of Nu.100	2,000,000,000	2,000,000,000
Total	10,000,000,000	10,000,000,000

In terms of our audit report of even date attached.

FOR PREM GUPTA & COMPANY
CHARTERED ACCOUNTANTS



FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

(DASHO KARIMATZEEZ RAYDI)
CHAIRMAN

(DORJI NORBU)
CHIEF EXECUTIVE OFFICER

PLACE: NEW DELHI
DATED: 24.04.2017

DUNGSAM CEMENT CORPORATION LIMITED
NOTES FORMING PART OF STATEMENT OF FINANCIAL POSITION AS AT DEC 31, 2016

	(Amount in Nu)	
	31/12/2016	31/12/2015
Note 3: Capital Work-in-Progress		
Land & Site Development		1,520,926
Building & Civil Structures	5,481,729	1,880,582
Other Assets	745,700	2,031,690
Total	6,227,429	5,433,198

Note 4: Other Non-Current Assets (Unsecured, Considered Good)		
Security Deposits	22,359,719	18,359,719
Fixed Deposit with Bank (earmarked for gratuity liability)	1,895,768	1,895,768
Accrued Interest on Fixed Deposit (earmarked for gratuity liability)	757,138	595,998
Total	25,012,625	20,851,485

Note 5: Cash and Cash Equivalents		
Cash-in-hand	82,090	54,916
Balances with Banks in Current Accounts	46,700,101	90,738,787
Total	46,782,191	90,793,703

Note 6: Trade & Other Receivables (Unsecured, Considered Good)		
Trade & Other Receivables	573,382,109	586,017,923
Less provision for impairment	(5,047,382.33)	(2,839,314.19)
Total	568,334,726	583,178,609

Note 7: Other Current Assets (Unsecured, Considered Good)		
Advance payments-Employees	472,321	717,752
Advance to vendors	56,885,177	92,413,626
Less provision for impairment	(5,234,679.84)	
Net advances to vendors	51,650,498	92,413,626
Advance payments to third parties	18,975	397,792
Advance to Related Parties	548,672	1,308
Prepaid Taxes	29,084,726	8,090,080
Pre-paid Expenses	24,907,771	18,063,403
Total	106,682,963	119,683,961

Note 8: Inventories (As taken, valued and certified by the management)		
Raw Material	62,671,444	77,038,688
Fuel	209,150,141	202,313,404
Work in Progress	215,797,616	151,992,912
Finished Product	72,535,034	75,579,788
Stores, Spares & loose tools	422,264,642	255,132,168
Total	982,418,877	762,056,960



(Signature)

Note 9: Equity**Issued, Subscribed and Paid-up**

63,739,479 Equity shares @ Nu. 100 each fully paid up	6,373,947,900	6,373,947,900
Total	6,373,947,900	6,373,947,900

Terms/Rights attached to equity shares

The Company has only one class of Equity Shares having a par value of Nu. 100 per share. Each holder of Equity Shares is entitled to one vote per share. In the event of liquidation of the Company, the holders of Equity Shares will be entitled to receive remaining assets of the Company after distribution of all preferential amount. The distribution will be in proportion to the number of Equity Shares held by the share holders.

Note 10: Trade and Other Payables

Trade payable for Goods/Services & Expenses	581,648,527.40	400,364,618
Amounts due to Related Parties	120,812,938	15,260,415
BST payable	1,605,813	7,010
TDS payable	1,760,968	1,656,775
Total	705,828,246	417,288,818

Note 11: Other Current Liabilities

Current Maturities of Long-Term Borrowings	1,425,396,564	964,360,375
Advances received from Customers	48,322,857	29,429,020
Other advances	11,051,789	27,823,042
Retention Money payable	5,666,670	4,214,249
Provision for mines reclamation and restoration	6,717,453	
Other Miscellaneous Liabilities	6,572,804	8,414,374
Total	1,503,728,137	1,034,241,061

Note 12: Short-Term Borrowings**Working Capital Loan (Secured)**

Working Capital Loan from Related Party		
Working Capital Loan from BNB	3,594	70,201,048
Total	3,594	70,201,048

The loan is secured through Corporate Guarantee given by the Holding Company, Druk Holding & Investments limited and current assets.

Note 13: Long-Term Borrowings**Term Loan (Secured) - Non Current Portion**

Ngultrum Borrowing	1,858,839,458	2,035,120,247
Ngultrum Bonds	3,460,000,000	3,460,000,000
Total	5,318,839,458	5,495,120,247

Details of Security:**A. Consortium term loans in Ngultrum are secured by way of:**

(i) First mortgage on the project asset

B. For remaining Ngultrum borrowing and bonds, corporate guarantee is given by Druk Holding and Investments Ltd.

Note 14: Other Long-Term Liabilities

Gratuity Liability - Non Current Portion	9,218,705	6,608,088
Total	9,218,705	6,608,088



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	(Amount in Nu)							
	Freehold Land	Building & Civil Structure	Plant & Machineries	Furniture & Fixture	Office Equipment	Misc. Fixed Asset	Vehicles	Total
1. Property, Plant & Equipment								
Balance as at 1 January 2016:								
Cost	143,302,788	4,710,571,548	5,379,255,176	15,821,685	25,543,430	52,323,242	15,791,951	10,343,109,820
Accumulated Depreciation	-	289,019,944	572,029,739	9,535,361	14,146,778	17,210,122	11,050,456	913,892,400
Book Value as at 1 January 2016	143,302,788	4,421,551,604	4,806,825,437	6,286,324	11,396,652	35,113,120	4,741,495	9,429,217,420
Changes in book value during the year:								
Addition	-	4,419,514	-	3,730,530	6,084,393	11,769,868	-	26,004,304
Deletion/Adjustment	-	-	13,725	15,471	-	234,064	-	263,260
Depreciation on deletions and Adjustments	-	-	5,751	9,383	-	117,958	-	133,092
Depreciation for the year	-	137,301,667	265,386,510	1,816,625	4,503,072	8,021,095	1,580,990	418,809,960
Total Changes	-	141,921,181	265,400,886	5,572,008	10,587,465	20,142,865	1,580,990	445,210,615
Balance as at 31 Dec 2016:								
Cost	143,302,788	4,714,971,062	5,379,741,451	19,536,744	31,627,823	63,859,046	15,791,951	10,368,850,865
Accumulated Depreciation	-	426,521,612	838,310,698	11,342,603	18,649,850	25,113,259	12,631,446	1,332,569,268
Book value as at 31 Dec 2016	143,302,788	4,288,469,450	4,541,430,753	8,194,141	12,977,973	38,745,787	3,160,505	9,036,281,596

2. Intangible Assets

Balance as at 1 January 2016:	
Cost	66,410,082
Accumulated Amortization	5,807,433
Book value as at 1 January 2016	60,602,649
Changes in book value during the year:	
Addition	-
Deletion/Adjustment	-
Depreciation on deletions and Adjustments	-
Depreciation for the year	3,320,510
Total Changes	3,320,510
Balance as at 31 Dec 2016:	
Cost	66,410,082
Accumulated Amortization	9,127,943
Book value as at 31 Dec 2016	57,282,139



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DUNGSAM CEMENT CORPORATION LIMITED
NOTES FORMING PART OF STATEMENT OF FINANCIAL POSITION AS AT DEC 31, 2016

	(Amount in Nu)	
	For the year ended	For the year ended
	31/12/2016	31/12/2015
Note 15: Revenue from Manufacturing Sector		
Revenue from Sale of Cement	3,217,100,583	2,458,514,454
Revenue from Sale of Clinker	159,681,775	82,764,492
less : Discount/ Rebate	(15,284,439.50)	(23,546,535.00)
Total revenue from Mfg.	3,361,497,919	2,517,732,411
Note 16: Other Income		
Rental Income	4,273,889	3,819,817
Liquidated Damages	14,875,072	8,532,119
Income From Sale Of Scraps	-	5,130,810
Audit Recoveries	166,250	2,771,708
Miscellaneous Income	6,250,330	41,195,573
Guest House Receipts	-	43,979
Recoveries from Employees	-	12,724
Total	25,726,682	61,698,031

	For the year ended	For the year ended
	31/12/2016	31/12/2015
Note 17: Consumption of raw material and changes in inventory		
Consumption- Raw Materials	658,468,307	468,809,732
Consumption-Spare Parts	88,091,235	86,894,832
Consumption- Consumables	13,612,820	26,892,439
Consumption-Semi Finished Products	3,460,492,465	2,635,589,760
Cost of good manufacturing - Semi Finished Good	(4,289,947,758.44)	(2,734,596,192.25)
Cost of good manufacturing-Finished Goods	(1,962,040,576.04)	(8,617,040,119.94)
Cost of good sold - Semi Finished Good	185,053,589	64,301,030
Cost of good sold - Finished Good	2,122,616,211	1,399,397,466
Price Difference	279,950,901	7,158,988,713
Total	556,297,194	489,237,660

	For the year ended	For the year ended
	31/12/2016	31/12/2015
Note 18: Power & fuel expenses		
Electricity Charges - plant	203,836,063	171,159,195
Consumption- Fuel	693,995,769	595,854,245
Total	897,831,832	767,013,440

	For the year ended	For the year ended
	31/12/2016	31/12/2015
Note 19: Employee benefit expenses		
Allowances	27,716,720	16,055,028
Basic Pay	58,422,359	55,354,817
Uniform & Liveries	745,305	1,334,015
Leave Travel Concession	3,963,831	3,907,785
Overtime Allowance	7,181,352	6,963,607
Rep Allowance	229,131	83,246
Shift Allowance	2,174,520	2,276,110
Transfer Grant	229,131	83,246
Medical Expenses	8,576	29,404



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GPA Insurance	547,929	384,124
Subsidy to Dungsam Sport Club	360,000	480,000
Wages	14,901,519	431,798
Short-term training	128,743.00	124,232.75
Other Wages (Contingent Staff)	-	11,070,803
Training-Foreign training	512,256	643,343
Defined benefit plan expense	2,373,134	1,883,661
Leave encashment	4,422,343	4,142,494
Provident Fund -Matching Contribution	6,048,385	5,721,520
Gratuity	-	7,500
Carriage Charge of personal effect	186,106	60,332
Total	130,151,338	111,037,064

	For the year ended	For the year ended
	31/12/2016	31/12/2015
Note 20: Depreciation & amortization		
Depreciation	418,809,960	417,894,278
Amortization	3,320,510	3,045,247
Total	422,130,470	420,939,524

	For the year ended	For the year ended
	31/12/2016	31/12/2015
Note 21: Other expenses		
Operation & maintenance	141,331,432	118,567,039
Insurance	13,264,580	23,579,535
Material handling	26,775,796	18,841,521
Mining related expenses	189,686,140	134,829,474
Process loss	108,191,954	94,443,387
Selling & Marketing expenses	965,949,047	707,234,420
Administration expenses	59,252,046	56,881,852
River dredging Expenses	1,406,289	2,141,982
Pre-operative/Pre-Incorporation written off	-	-
Total	1,505,857,284	1,156,519,210

	For the year ended	For the year ended
	31/12/2016	31/12/2015
Note 22: Finance cost		
Interest on borrowings	513,119,248	563,078,871
Interest on loans from BoBL	62,555,662	67,347,230
Bank Charges - others	48,217	77,761
Bank Charges and fees paid to BoBL	660,796	737,036
Other Borrowing Cost	21,381,878	17,485,670
Interest on Working Capital	32,371,121	25,733,497
Total	630,136,922	674,460,064

	For the year ended	For the year ended
	31/12/2016	31/12/2015
Note 23: Earnings per share		
Profit/(loss) after tax	(537,037,726.97)	(737,700,484.58)
Other comprehensive income for the year	1,773,876.00	1,622,184.00
Profit used to determine basic earnings per share	(535,263,850.97)	(736,078,300.58)
Numbers of shares at the beginning of the year	63,739,479.00	50,739,479.00
Number of shares allotted	-	13,000,000.00
Number of shares at the end of the year	63,739,479	63,739,479
Weighted average number of ordinary shares in issue	63,739,479	53,989,479
Basic and Diluted Earnings per share	(8.40)	(13.63)



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Note 24: Reconciliation of Deferred Tax	For the year ended 31/12/2016	For the year ended 31/12/2015
Opening	(679,497,810.78)	(377,421,773.51)
Recognised during the year	(218,142,712.41)	(302,076,037.28)
Closing	(897,640,523.20)	(679,497,810.78)
Deferred Tax Assets	(1,510,890,391.22)	(1,065,688,144.27)
Deferred Tax Liabilities	613,249,868.03	386,190,333.49
Total	(897,640,523.20)	(679,497,810.78)
Deferred tax assets/liabilities in respect of	31/12/2016	31/12/2015
Depreciation	556,572,475	357,094,529
Impairment of Debtors	6,995,434.04	(851,794.26)
Pre incorporation expenses	-	(19,734,361.04)
Unabsorbed losses and credits	(1,461,208,431.89)	(1,016,006,184.94)
Total	(897,640,523.20)	(679,497,810.78)



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Reporting Entity

Dungsam Cement Corporation Limited (DCCL) is incorporated as public limited company under the Companies Act of the Kingdom of Bhutan 2000 on 10th September 2009. The principal activities of Dungsam Cement Corporation Limited cover manufacturing and selling of cement.

The DCCL is a limited liability company incorporated and domiciled in Bhutan. The company is a wholly owned subsidiary company of Druk Holding and Investments (DHI) Ltd.

The address of its principal place of business and Regd. Office is Nganglam, Pemagatshel, Bhutan.

Note 25: Significant accounting policies of Dungsam Cement Corporation Limited

i) Basis of preparation

The Accounting and Auditing Standards Board of Bhutan (AASBB) decided to adopt IFRS in phased manner. These standards are referred to as Bhutanese Accounting Standards (BAS). The first phase has already been introduced during 2013 to 2015 and second phase has been introduced in 2016 i.e. year under consideration. The financial statements of the Company have been prepared in accordance with applicable Bhutanese Accounting Standards. The statements have been prepared under the accrual, historical cost and going concern conventions.

The preparation of financial statements requires the use of accounting estimates. The areas involving higher degree of judgement or complexity significant to the financial statements are:

- Fixed assets: critical judgments are expected period of use, condition of the asset, technological advances, regulation, and residual values.
- Actuarial valuation of employee benefits: expected uptake of the gratuities and the discount rate used in the valuation.

ii) The functional currency of preparation is the Bhutanese Ngultrum.

iii) Foreign currency translation

Foreign currency transactions that are completed within the accounting period are translated into Bhutan Ngultrum using the exchange rates prevailing at the date of settlement. Monetary assets and liabilities in foreign currencies at balance sheet date are translated at the rates of exchange prevailing at balance sheet date.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.



iv) Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation and impairment, if any. Cost includes purchase price, taxes and duties, labour cost, direct financing costs, direct overheads for self constructed assets, borrowing costs, other direct costs incurred up to the date the asset is ready for its intended use including initial estimate of dismantling and site restoration cost.

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

Assets costing Nu.5,000 and below are expensed off when put to use. Assets that are fully depreciated but still in use are recorded at Nu.1 for each asset for the purpose of monitoring.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Building & Civil Structure	33 years
Plant & Machinery	20 years
Furniture & Fixtures	7 years
Office Equipment	5 years
Vehicle	7 years
Misc Fixed Assets	2-7 years

Building includes semi-permanent buildings. Useful life of semi-permanent buildings is estimated at 10 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 recognised within 'Other Income' or 'Other expenses' as the case may be, in the income statement.

v) Intangible assets

Acquired SAP ERP software, Central Control Room Software, Website and other Licences are capitalised on the basis of the costs incurred to acquire and bring it to use the specific software. These costs are amortised over their estimated useful lives of 20 years.



Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

vi) Impairment of Assets

The carrying amounts of assets are reviewed at each Statement of Financial Position date if there is any indication of impairment based on internal / external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its estimated recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

vii) Capital-Work-In-Progress

Costs of the fixed assets not ready for their intended use at the Statement of Financial Position date together with all related expenses are shown as Capital Work-in-Progress. The Capital Work in Progress is recorded as fixed asset only when it starts generating economic benefits and its cost ascertained based on the completion certificate issued by the concerned authority.

viii) 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. These are classified as non-current assets. The company's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet.

ix) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using moving average price for the materials procured from third parties and on standard cost basis for semi-finished and finished goods. The cost of finished goods and work in progress comprises of raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs.

x) Trade and other receivables

Trade and other receivables are initially recognised 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. Receivables are reviewed regularly for impairment.



xi) Cash and cash equivalents

In the Statement of Cash Flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

xii) Trade and other payables

Trade and other payables are initially recognised 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.

xiii) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in Other Comprehensive Income. In this case, the tax is also recognised in Other Comprehensive Income.

The current income tax charge is calculated on the basis of the tax laws enacted at the balance sheet date in Bhutan.

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 recognised, 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 rates (and laws) that have been enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

xiv) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of a major capital project, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.



All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

xv) Employee benefits**a) Retirement Benefits**

Under defined contribution scheme

Employees belong to a defined contribution Benefit plan managed by a separate entity. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Under Defined Benefit Scheme

The company makes retirement payments based on the final salary and years of service.

The gratuity and leave encashment is accrued on the basis of actuarial valuation. Changes in service and interest are charged to the Profit and Loss Account. Changes to actuarial valuation are charged to the Statement of Comprehensive Income.

b) Other benefits

Other short-term employee benefits expected to be paid in exchange of the services rendered by employee is recognized during the period when the employee renders the service. This benefits includes salary, wages, short-term compensatory absences and bonus.

xvi) Provisions and Contingent Liabilities

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, 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.

Liabilities for reclamation and restoration costs w.r.t mined out area are recognized based on the Certificate of Mining Engineer.

The amount recognized is the present value of the estimated future expenditure determined using existing technology at current prices and escalated using appropriate inflation rate till the expected date of reclamation and restoration and discounted upto the reporting date using the appropriate risk free discount rate.



Any change in the present value of the estimated reclamation and restoration costs other than the unwinding of discount is adjusted to the decommissioning allowance and the carrying value of the provisions. The unwinding of discount on allowance is charged in the Statement of profit and loss as finance cost.

xvii) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and taxes. The company recognises revenue when the amount of revenue can be reliably measured and when it is probable that future economic benefits will flow to the company.

xviii) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The company leases certain property, plant and equipment. Leases of property, plant and equipment where the company has substantially transferred all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

xix) Events after Balance Sheet Date

Material events occurring after the Statement of Financial Position date are taken into cognizance.

xx) Comparative information

Where necessary certain comparative information has been reclassified in order to provide a more appropriate basis for comparison.



26. There is contingent liability regarding claim against the company not acknowledged as debt amounting to Nu. 2,009,100 from Dzambala Suppliers.
27. The Company has following pending civil suits:
- In the Court of Chief Judicial Magistrate, Kamrup at Guwahati against Dewan Engineering Private Limited for recovery of outstanding amount of Nu 2,839,315.19. The case is still under trial in the Guwahati court.
 - The case of M/s Dzambala Suppliers is pending in Royal Court of Justice, Honorable Supreme Court of Bhutan.
28. Management upon detection of some irregular transactions in December 2014 had reported the matter to the Board with recommendation to carry out independent audit. As requested by the DCCL Board, the Royal Audit Authority (RAA) has conducted two special audits: (i) First one from 9th February to 6th April 2015 for the period covering from 1st January 2010 to 31st January 2015, (ii) Second one from 22nd July to 22nd September 2015 for the period covering 1st January 2010 to 31st December 2015, and a regular audit for the period from 1st January 2015 to 31st December 2015.
- The first special audit report (AIN:13021) dtd. 25th June 2015 highlighted that Nu. 21,711,040.49 were fraudulently siphoned off from DCCL as a result of poor internal control and poor financial control, weak internal audit functions and procedural lapses. Action is being taken on the second special audit report (AIN:13707) dtd. 31st March 2016. Matter is sub-judice in Nganglam court, Pemagatshel.
29. Current Assets and Loans & Advances have the value at which these are stated in the Statement of Financial Position, unless otherwise stated and adequate provisions for all known liabilities have been made and are not in excess of the amount reasonably required.
30. The valuation in respect of Gratuity and Leave Encashment has been carried out by independent actuary, Royal Insurance Corporation of Bhutan, Thimphu as per BAS 19 - Employee Benefits for accounting and disclosure of employee benefits.

A. Summary of the key results of Gratuity for the year ended 31 December 2016 are presented below:

A1. Change in defined benefit obligation (DBO)	31-Dec-2016	31-Dec-2015
DBO at the beginning of the current period	6,608,087	5,721,519
Current service cost	2,001,597	1,598,388
Past service cost	-	-
Interest cost	442,472	413,186
Benefits paid by the plan	(1,416,919)	(424,750)
Benefits paid by the employer	-	-
Actuarial (gains)/losses due to plan experience	593,617	(700,256)



Actuarial (gains)/losses due to change in demographic assumptions	(75,173)	-
Actuarial (gains)/losses due to change in financial assumptions	1,065,023	-
DBO at the end of the current period	9,218,704	6,608,087

A2. Change in fair value of plan assets	31-Dec-2016	31-Dec-2015
Fair Value of Assets at the beginning of current period	4,136,130	4,399,740
Contributions paid into the plan	-	-
Expected return on the plan assets	257,075	314,052
Benefits paid by the plan	(1,416,919)	(424,750)
Return on plan assets greater or (less) than discount rate	(95,935)	(152,913)
Fair Value of assets at the end of the current period	2,880,351	4,136,130

A3. Income statement	31-Dec-2016	31-Dec-2015
Current service cost	2,001,597	1,598,388
Past service cost	-	-
Net interest cost on net DB liability/(asset)	185,397	99,133
Net cost for the year recognised in income statement	2,186,994	1,697,521

A4. Other comprehensive income (OCI)	31-Dec-2016	31-Dec-2015
Actuarial (gains)/losses due to liability experience	593,617	(700,256)
Actuarial (gains)/losses due to liability assumption changes	989,850	-
Return on plan assets (greater) or less than discount rate	95,935	152,913
Remeasurement (gains)/losses recognized in OCI	1,679,402	(547,343)

A5. Defined benefit cost	31-Dec-2016	31-Dec-2015
Current service cost	2,001,597	1,598,388
Past service cost	-	-
Net interest cost on net DB liability/(asset)	185,397	99,133
Remeasurement (gains)/losses recognized in OCI	1,679,402	(547,344)
Total Defined Benefit Cost	3,866,396	1,150,178

A6. Development of net financial position	31-Dec-2016	31-Dec-2015
Defined benefit obligation	(9,218,704)	(6,608,087)
Fair value of plan assets	2,880,351	4,136,130
Funded status - (deficit)/surplus	(6,338,353)	(2,471,957)
Net defined benefit asset/(liability)	(6,338,353)	(2,471,957)

A7. Reconciliation of net financial position	31-Dec-2016	31-Dec-2015
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Net defined benefit liability/(asset) at the beginning of current period	2,471,957	1,321,779
Amount recognized in the income statement	2,186,994	1,697,521
Amount recognized in the OCI	1,679,402	(547,343)
Contributions paid into the plan	-	-
Benefits paid by employer	-	-
Net defined benefit liability/(asset) at the end of current period	6,338,353	2,471,957

A8. Expected benefit payments for the year ending	in Nu.
December 31, 2017	1,677,658
December 31, 2018	2,513,404
December 31, 2019	1,920,064
December 31, 2020	2,219,182
December 31, 2021	2,528,105
December 31, 2022 to December 31, 2026	19,677,312

A9. Estimated term of liability (Years)	15.58
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A10. Scheme Asset Allocation	Amount	Percentage
Term Deposits	2,652,906	92%
Cash	227,445	8%
Total	2,880,351	100%

A.11 Sensitivity Analyses	In Nu.	
	Defined Benefit Obligation	Net Effect on DBO
1. Discount Rate		
Base Discount Rate of 7.5%	9,218,704	-
Discount rate of 8% (+0.5%)	8,711,241	(507,463)
Discount rate of 7% (-0.5%)	9,774,471	555,767
2. Salary Escalation Rate		
Base Salary Escalation Rate of 7%	9,218,704	-
Salary Escalation Rate of 8% (+1%)	9,700,576	481,872
Salary Escalation Rate of 6% (-1%)	8,703,721	(514,983)



3. Attrition Rate		
Base Attrition Rate of 5%	9,218,704	-
Attrition Rate of 6% (+1%)	9,124,918	(93,786)
Attrition Rate of 4% (-1%)	9,279,154	60,450

B. A summary of the key results of Leave encashment for the year ended 31 December 2016 are presented below:

B1. Change in defined benefit obligation (DBO)	31-Dec-2016	31-Dec-2015
DBO at the beginning of the current period	3,085,842	3,230,082
Current service cost	1,861,446	967,408
Past service cost	-	-
Interest cost	219,658	232,170
Benefits paid by the plan	-	-
Benefits paid by the employer	(314,132)	(268,976)
Actuarial (gains)/losses due to plan experience	(984,267)	(1,074,842)
Actuarial (gains)/losses due to change in demographic assumptions	76,429	-
Actuarial (gains)/losses due to change in financial assumptions	1,002,312	-
DBO at the end of the current period	4,947,288	3,085,842

B2. Income statement	31-Dec-2016	31-Dec-2015
Current service cost	1,861,446	967,408
Past service cost	-	-
Net interest cost on net DB liability/(asset)	219,658	232,170
Remeasurement (gains)/losses	94,474	(1,074,842)
Net cost for the year recognised in income statement	2,175,578	124,736

B3. Development of net financial position	31-Dec-2016	31-Dec-2015
Defined benefit obligation	(4,947,288)	(3,085,842)
Fair value of plan assets	-	-
Funded status - (deficit)/surplus	(4,947,288)	(3,085,842)
Net defined benefit asset/(liability)	(4,947,288)	(3,085,842)



B4. Reconciliation of net financial position	31-Dec-2016	31-Dec-2015
Net defined benefit liability/(asset) at the beginning of current period	3,085,842	3,230,082
Amount recognized in the income statement	2,175,578	124,736
Contributions paid into the plan	-	-
Benefits paid by employer	(314,132)	(268,976)
Net defined benefit liability/(asset) at the end of current period	4,947,288	3,085,842

B5. Expected benefit payments for the year ending	<i>in Nu.</i>
December 31, 2017	324,377
December 31, 2018	437,273
December 31, 2019	282,627
December 31, 2020	287,448
December 31, 2021	292,385
December 31, 2022 to December 31, 2026	1,738,505

B6. Estimated term of liability (Years)	<i>in Nu.</i>
	13.63

B7. Sensitivity Analyses	In Nu.	
	Defined Benefit Obligation	Net Effect on DBO
1. Discount Rate		
Base Discount Rate of 7.5%	4,947,288	-
Discount rate of 8% (+0.5%)	4,677,937	(269,350)
Discount rate of 7% (-0.5%)	5,243,656	296,368
2. Salary Escalation Rate		
Base Salary Escalation Rate of 7%	4,947,288	-
Salary Escalation Rate of 8% (+1%)	5,594,741	647,454
Salary Escalation Rate of 6% (-1%)	4,403,764	(543,524)
3. Attrition Rate		
Base Attrition Rate of 5%	4,947,288	-
Attrition Rate of 6% (+1%)	4,980,826	33,538
Attrition Rate of 4% (-1%)	4,910,531	(36,756)



31. Related Party Disclosures

- (i) Name of the related party where control exists irrespective of whether transactions have occurred or not:

Druk Holdings and Investment Ltd. (DHI)

- (ii) Related parties with whom transactions have taken place during the year:

Key managerial personnels:

- a. Dasho Sangay Khandu, Ex Chairman
- b. Dasho, Karma Yezer Raydi, Chairman
- c. Dasho, Tobgyal Wangchhuk, Director
- d. Mr. Sonam Topgay, Director
- e. Mr. Yonten Namgyal, Director
- f. Mr. Minjur Dorji, Director
- g. Mr. Sherab Namgay, Director
- h. Mr. Dorji Norbu, CEO & Director
- i. Mr. Pema Wangdhee, Ex Director
- j. Mr. Sangay Wangdi, Ex Director
- k. Mr. Chimi P Wangdi, Ex Director

- (iii) No transactions were done with relatives of Key Managerial Personnel during the year.

- (iv) Fellow subsidiaries with whom transactions have been made during the year:

- a. Bhutan Telecom Limited
- b. Bank of Bhutan Limited
- c. Bhutan Power Corporation Limited
- d. Dungsam Polymers Limited
- e. Druk Green Power Corporation Limited
- f. Druk Air Corporation Limited
- g. State Trading Corporation of Bhutan Limited
- h. Penden Cement Authority Limited
- i. Wood Craft Centre Limited
- j. State Mining Corporation Limited
- k. Bhutan Hydropower Services Corporation Limited
- l. Druk Holding & Investments Limited
- m. Construction Development Corporation Limited



(Nu. in millions)		
Nature of transaction	31.12.2016	31.12.2015
Bank of Bhutan Limited		
Interest & bank charges	63.22	68.08
Margin money deposits	0.55	0.69
Bond	1414.92	1,199.59
Bhutan Power Corporation		
Electricity Charges	205.61	176.4
Interest	0	9.74
Lease rent	0.5	0.96
Bhutan Telecom Limited		
Telephone and internet charges	2.80	2.08
Purchase of asset	0.12	0
Misc. Expenses	0.05	0
Druk Holdings & Investments Limited		
Guarantee fee	20.45	15.37
Interest	38.99	15.95
Dungsam Polymers Limited		
Rental Income	0.72	0.75
Purchase of PP Bag	114.75	90.89
State Trading Corporation of Bhutan Limited		
Spares & consumables	11.64	4.17
Purchase of office equipment	1.70	0
Drukair Corporation Limited		
Air ticket	1.38	0.99
Druk Green Power Corporation Limited		
Interest	13.81	16.48
Spares & service charge	0.12	0.27
Penden Cement Authority Limited		
Sales of Clinker	21.44	0
Wood Craft Centre Limited		
Purchase of Furniture	0.48	0
State Mining Corporation Limited		
Purchase of Coal	62.57	0
Testing Charges	0.01	0
Bhutan Hydropower Services Corporation Limited		
Spares	0.06	0
Construction Development Corporation Limited		
Sales of Cement	7.63	0



(Nu in millions)

Related Party	Nature of Transactions	Outstanding balance as on 31.12.2016	Outstanding balance as on 31.12.2015
Druk Holdings and Investments Limited	Payable	885.38	165.73
Bank of Bhutan Limited	Payable	600.97	644.58
Bhutan Telecom Limited	Payable	0.22	0.21
Bhutan Power Corporation Limited	Payable	19.96	0.48
State Trading Corporation Limited	Payable	0.09	1.05
Dungsam Polymers Limited	Payable	15.48	2.25
Druk Air Corporation Limited	Payable	0.00	0.02
Druk Green Power Corporation Limited	Payable	402.54	306.52
Wood Craft Centre Limited	Payable	0.02	0.00
State Mining Corporation Limited	Payable	47.40	0.00
Construction Development Corporation Limited	Receivable	3.56	0.00
Dungsam Polymers Ltd.	Receivable	0.73	0.00
Penden Cement Authority Ltd.	Receivable	0.43	0.00

Corporate Guarantee is given by the Holding Company - Druk Holding and Investments Ltd. for the followings:

- Bond I : Nu. 1,260,000,000
 - Bond II : Nu. 700,000,000
 - Bond III : Nu. 1,500,000,000
 - Working capital loan : Nu. 3,594
32. During the year the Company has assessed the carrying amount of the assets vis-a-vis their recoverable values and no impairment is envisaged at the Statement of Financial Position date.
33. The Company owns freehold land measuring 199.752 acres as per the new Land Title Certificate issued by National Land Commission on 6th January 2015.
- Land registered under DCCL is valued at notional cost of Nu. 195,776,935.20 (for 199.752 acres @ Nu. 980,100 per acre based on the Land Compensation Rates 2009 of the Government for Town C Category) as per the decision of the 11th Board Meeting in March 2011.
34. Certain Balance of advances to Vendors and others, Trade Receivables, Sundry Creditors, Intra Group Company Balances, Advances received from Customers & others and other Current Liabilities, are subject to confirmation and reconciliation and adjustments will be made as and when amount are ascertained.



35. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

36. Managerial Remuneration:

(Nu in millions)

Particulars	31.12.2016	31.12.2015
Chief Executive Officer's remuneration	1.44	1.41
Director's Sitting Fee	0.39	0.35
Travelling Expenses(CEO)	1.07	0.45

The above remuneration is based on the actual payment.

37. Auditors remuneration: (Nu in millions)

Particulars	31.12.2016	31.12.2015
Audit Fees	0.11	0.1
Other audit expenses	0.25	0.11

FOR PREM GUPTA & COMPANY
CHARTERED ACCOUNTANTS

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS



(N.K. Garg)
PARTNER
MEMBERSHIP NO. 080207

(DORJI NORBU)
CHIEF EXECUTIVE OFFICER

(DASHO KARMA YEZER RAYI)
CHAIRMAN

PLACE: NEW DELHI
DATED: 04.04.2017

