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Dungsam Cement Corporation Limited

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ANNUAL REPORT 2021

ANNUAL REPORT 2021

DUNGSAM CEMENT CORPORATION LIMITED

The year in review

On behalf of the Board and the Management, I would like to take this opportunity to convey our heartfelt gratitude and appreciation to all our valued shareholders and business partners for their unwavering support and cooperation extended to the company during the financial year 2021.

The year 2021 was another challenging year as the COVID19 pandemic continued to disrupt the manufacturing industries as a result of lockdowns and travel restrictions. From the starting of the year, we had to face the National Lockdown 2.0 from December 23, 2020 to January 15, 2021 when it was the peak season for the cement market.

Despite following strict protocols and constant surveillance by DCCL as well as from the Dungkhag Covid19 Taskforce, COVID19 positive cases emerged from DCCL's Security containment area. The DCCL's security service was outsourced to Heruka Security Services. The factory had to face complete shutdown and Nganglam town was under lockdown from June 19 to July 11, 2021.

Since the lapses were from the security firm, the company terminated the contract and decided to have its own security division to ensure ownership and loyalty to the company. A total of 20 security guards were recruited.

In terms of the overall financial performance, it has slightly improved as compared to the previous year. The loss before income tax reduced from Nu 313.78 million in 2020 to Nu 265.00 million in 2021 although both the years were severely affected by the pandemic.
In the year 2021, the Company produced a total of 484,588 MT of clinker and 451,588 MT of cement an increase of 2% and 4% respectively from 2020.

Considering the challenges of engaging non-national workers during the pandemic, DCCL recruited a total of 35 loaders and packers (all Bhutanese) on regular contract for three years. Besides, our own employees have developed the capacity of refractory bricks lining and other technical skills which were earlier thought to be the job of non-national workers. These are some of the positive impacts of the pandemic.

The entire family of DCCL joins me in extending our gratitude and appreciations to all the stakeholders, customers, business partners and Druk Holding and Investment Limited, who have supported us during this difficult year.

Lastly, on behalf of the employees of DCCL, I would like to assure our valued shareholders that there will be a shift in bottom line from 2022.

Tshering Tenzin
(Interim Chief Executive Officer)

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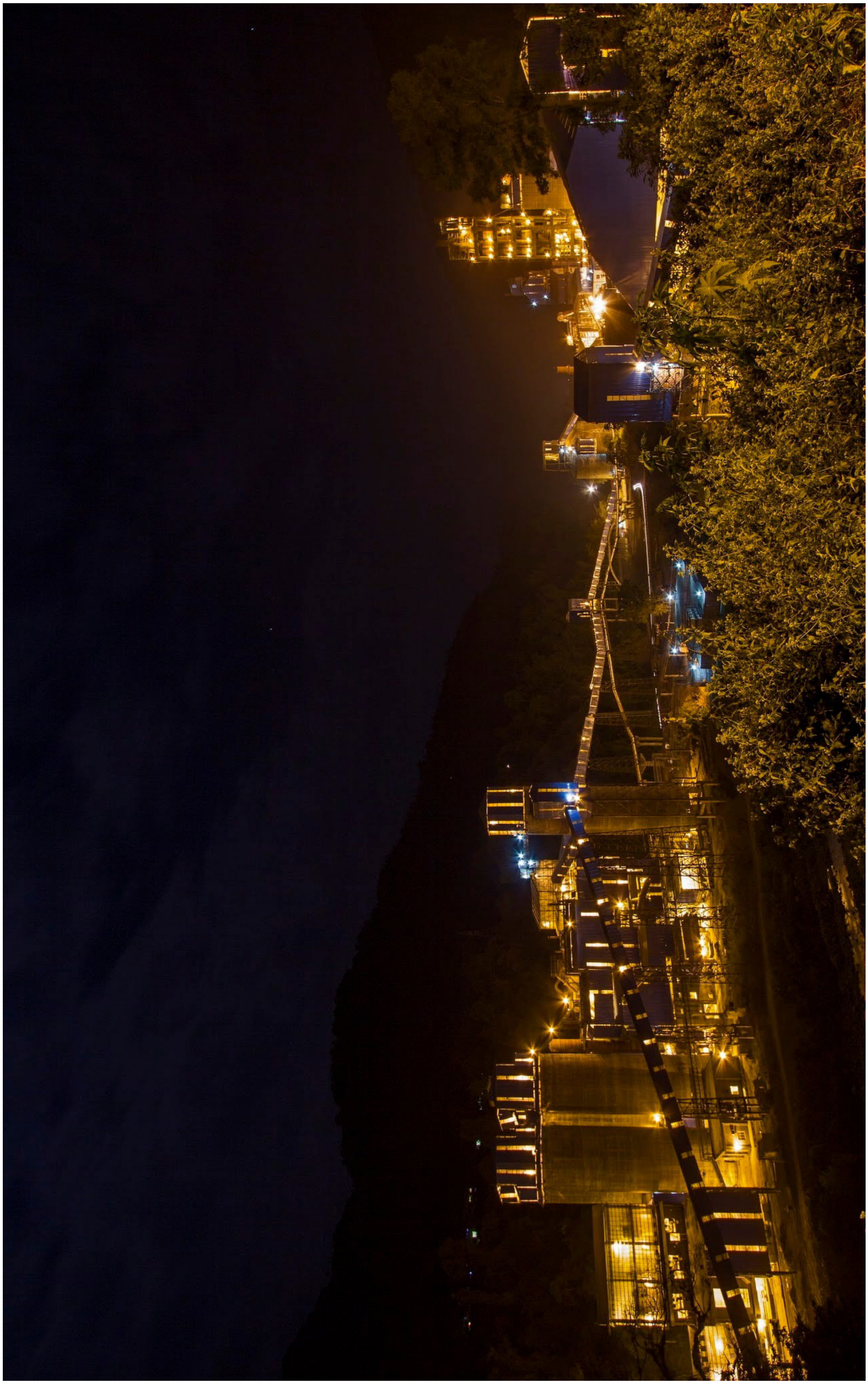


COMPANY PROFILE

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 2000/2016 as a wholly owned subsidiary of Druk Holding and Investment Limited (DHI), which is an investment arm of the Royal Government of Bhutan.

The company was commissioned in the year 2014and the Commercial Operation Date (CoD) was declared as January 1, 2014.

The plant has an installed capacity of 3,000 MT of clinker productions per day and 4,130 MT of cement productions per day making it the biggest cement producer in the country. The company produces three types of cement viz. Ordinary Portland Cement (OPC), Portland Pozzolona Cement (PPC) and Portland Slag Cement (PSC). The products are marketed under the brand name “Dragon Cement”.About80% of the cement produced is marketed in India and 20% of the cement produced is sold in the domestic market. As of now the company is in its 9th year of operation and given its potentials, it aspires to become one of the major profit-generating companies under DHI.

The plant is located at Chengkari, Nganglam, under Pemagatshel Dzongkhag in eastern Bhutan at an approximate distance of about 150 KM in North-West of Guwahati, Assam, India. It has obtained permanent license from the Bhutan Standard Bureau (BSB) and Bureau of Indian Standards (BIS) to market its cement in Bhutan and India.

The Company had been ISO 9001:2015 certified by Bureau Veritas (BV), a certifying agent based in India, and consequently, all processes and operations are streamlined as per the ISO Standards.

DRAGON
CEMENT

STRENGTH OF THE THUNDER DRAGON

MISSION

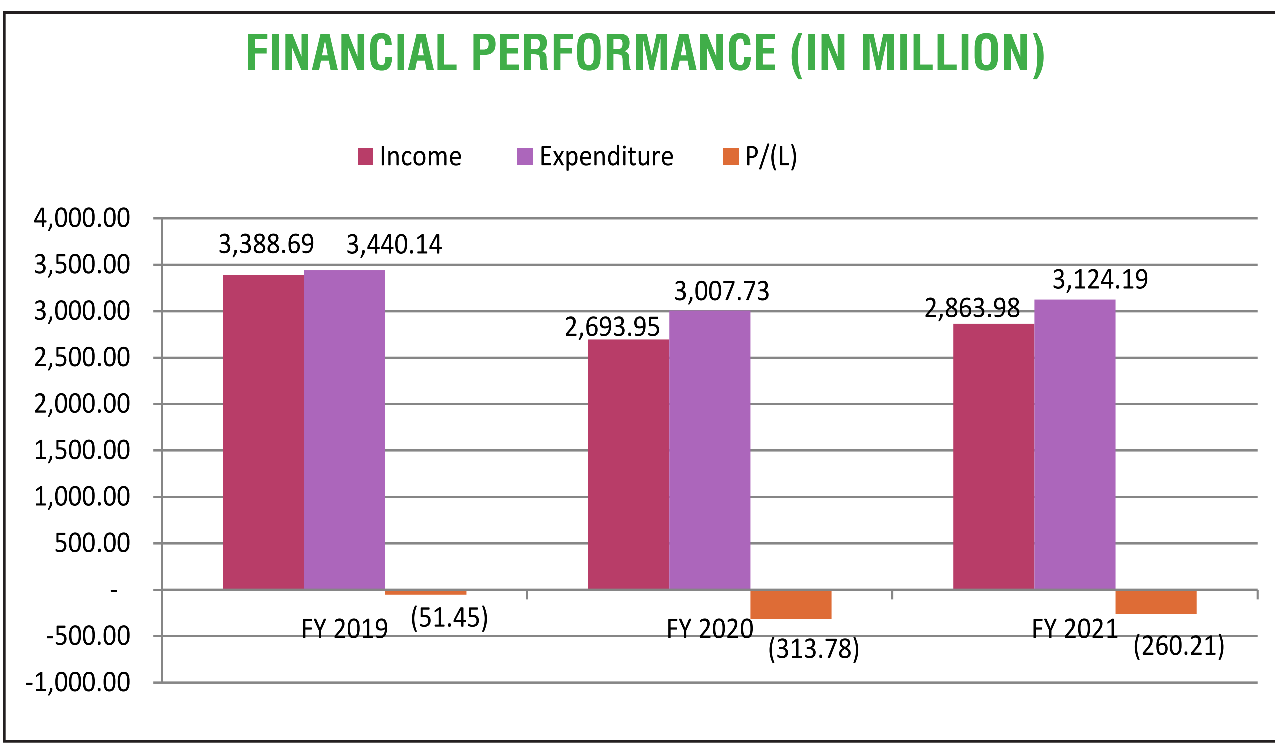
To provide value to the shareholders and meet customer satisfaction through the manufacture and sale of quality cement in a sustainable manner.

VISION

To be the leading manufacturer and supplier of quality cement in the region.

CORE VALUES

E – Excellence and Quality
T – Team Work
H – Honesty
I – Integrity
C – Commitment and safety
S – Service Oriented



DIRECTORS PORTFOLIO
(DCCL Board of Directors)

Dasho Ugen Chewang – Chairman DCCL Board.

Dasho Ugen Chewang is the current Chairman of Druk Holding and Investments (DHI) and has received Masters in Business Administration in Business Management and Accounting from Syracuse University, New York, USA. He served as Auditor General for more than nine years. He serves as a Non-Independent Director on DCCL Board.

Dasho (Dr.)Tobgyal Wangchhuk– Director DCCL Board.

Dasho (Dr.)TobgyalWangchhuk 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. Tashi Penjore obtained his Bachelor of Science (General) from Sherubtse College, Kanglung, Bhutan and Masters in Public Policy from Australian National University, Australia and Masters in International Development from Duke University NC USA. He served as Trainee officer in Royal Institute of Management, Assistant Meteorologist DRADS Ministry of Agriculture (2002-2009), also served as the Zimponwogm, Office of Gyalpoi Zimpon (OGZ), HMSKidu Fund and, presently serving as the Director of Department of Law and Order, Ministry of Home and Cultural Affairs, Thimphu.

Mr. Tashi Penjore – Director
DCCL Board

Mr. Dorji Nima is the Director of CPD at DHI. He heads the performance planning, monitoring and evaluation for the DHI Group. He has a Master's degree in Business Administration (MBA) from Australian Graduate School of Entrepreneurship, Melbourne, Australia. He received Aus AID scholarship to pursue MBA in Australia and RGoB scholarship to pursue Bachelor of Business Administration degree from Madras University, India in 2001. Mr. Dorji serves as the nominee board director from DHI.

Mr. Dorji Nima – Director
DCCL Board

Ms. Dechen Yangden – Director
DCCL Board

Ms. Dechen Yangden obtained her Bachelor Degree in Civil Engineering from University of Wollongong, Australia and Masters of Philosophy in Urban Infrastructure Management from Yokohama National University, Japan. She served as Assistant Engineer in BUDP, MoWHS (2002-2005), also served as Executive Engineer, MoWHS(2011 – 2014) and, presently serving as the Chief Engineer, Water and Sanitation Division, MoWHS, Thimphu. She has a wide range of experience of 16 years in specialized technical fields such as planning, designing and implementation of urban infrastructure.

Ms. Tshering Lham – Director
DCCL Board

Ms. Tshering Lham obtained her Bachelor of Commerce (Honors) Degree from Sherubtse College, Kanglung, Bhutan, and MBA (Corporate Strategy & Economic Policy) from Maastricht School of management, Netherlands. She served asProgram Officer, Credit and Investment Department in National Pension and Provident Fund (NPPF), Thimphu (2006-2009), also served asHead, Armed Force Pension and Provident Fund (NPPF) (2010 – 2012) and, presently serving as theDy. Chief Portfolio Investment Division, NPPF, Thimphu.

Mr.Tshering Tenzin
Interim CEO

Mr. Tshering Tenzin obtained Bachelors of Technology in Electrical Engineering from REC Hamirpur, University of Himachal Pradesh and Master in Business Administration from Asian Institute of Management (AIM), Manila, Philippines. He served in Bhutan Power Corporation for 10 years; during his entire tenure, he took charge of Rural Electrification Projects, constructed with assistance from various multinational funding. He also served as General Manager for Corporate Planning and Business Development in CDCL and also had held senior positions in DHI-INFRA which was later merged with CDCL. He has extensive experience in Project Management, Contract and Procurement. Currently, he is serving as Chief Executive Officer of Dungsam Polymers Limited and Interim Chief Executive Officer of Dungsam Cement Corporation Limited.

HEAD OF DEPARTMENTS

From Left to Right: Mr. Phurba Thinley – General Manager, Finance and Accounts Department; Mr. Samdrup – General Manager, Plant and Mines Department; Mr. Tenzin Namgyel – General Manager, Corporate Service Department; Mr. Sonam Dendup – General Manager, Sales and Marketing Department.

Mr. Phurba Thinley – General Manager (Finance and Accounts)

Mr. Phurba Thinley, GM FAD obtained his Bachelor's Degree in Commerce (Hon.) from Sherubtse College, Bhutan and Masters in Financial Management from University of Mahidol, Thailand. He served as Senior Finance Officer under deputation in Punatsangchhu Hydroelectric Project Authority – II. Before joining Dungsam Cement Corporation Limited he served as Manager, Bhutan Power Corporation Limited.

Mr. Samdrup – General Manager (Plant and Mines)

Mr. Samdrup, General Manger (Plant and Mines Department) obtained his Bachelor of Science from Sherubtse College and Master of Science from Asian Institute of Technology (AIT), Bangkok, Thailand. He served as Head – Quality Division 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), Gomtu, Samtse.

Mr. Tenzin Namgyel –General Manager (Corporate Services Department)

Mr. Tenzin Namgyel, GM of CSD obtained his Bachelor of Arts (Hons.) in Buddhist Philosophy and Literature from Sherubtse College. While working in Bhutan Broadcasting Service Corporation (BBS) as a Reporter and Sub-Editor, he pursued Diploma in Broadcast Journalism from Radio Netherlands Training Centre in the Netherlands. After working in BBS for three years, he joined Kuensel Corporation Ltd as a Bilingual Reporter and later assumed the post of Chief Reporter. Before obtaining Post Graduate Diploma in Print Journalism from Asian College of Journalism in Chennai and Masters in Journalism from Cardiff University, UK, he obtained Diploma in Climate Change and Politics from Denmark. He also attended Security Studies in Asia-Pacific Centre for Security Studies (APCSS) in Hawaii, USA.

Mr. Sonam Dendup – General Manager (Sales and Marketing Department)

Mr. Sonam Dendup, GM SMD obtained his BA(Hon) Geography fromSherubtse College, Bhutan in 2001 and Diploma in Administration and Master of Public Policy both from Australian National University (ANU) in 2007-2008. Additionally, has also undergone certificate course on Development Management from Royal Institute of Management (RIM), Simtokha, Thimphu upon being successful in RCSC Exam. Prior to joining Dungsam Cement Corporation Limited, he has served as Regional Transport Officer of Samdrup Jongkhar under RSTA, Deputy Chief Planning Officer,Chief Administrative Officer under the Ministry of Information and Communications. He also served as Director for City Bus Service under Bhutan Postal Corporation Limited and Project Director of ChiphenRigpel project (ICT project funded by the Government of India).

DIRECTORS REPORT

DIRECTOR'S REPORT – DCCL 2021

Dear Shareholder,

The Board, Management and employees are pleased to report your company's performance for the period 1st January 2021 to 31st December 2021.

Impact of COVID-19

The hope of changing the bottom line did not materialize again as the COVID-19 pandemic continued to pose threats to the humankind by emerging in different forms. While the international border remained closed, the export and import of essential goods were allowed through strict Covid-19 protocols enabling operation of the plant under strict protocols.

As the Indian trucks plying to DCCL were considered to be of high risk, the company had to make special arrangements. The export loaders and security guards had to be kept in separate containment areas. Besides, the company had to escort Indian vehicles on daily basis between Integrated Check Post (ICP) and DCCL factory.

Despite high security measures and strict protocols, emergence of positive cases from the DCCL containment area forced the company to abruptly stop the export sales. The dispatch of cement for the export market was completely suspended from 20th June to 25th July 2021 causing an opportunity loss of about Nu. 192 million. This has adversely affected the performance of the company, as otherwise it was on the path of the breakeven.

On the other hand, we must also acknowledge the positive impact brought about by the pandemic to the company. The changing of brick lining in the rotary kiln and replacement of bag house filters, which cost in excess of Nu. 2 million per instance is now managed in-house. Further, the packing and loading works which were carried out by the Indian workforce prior to the pandemic is also being managed by the Bhutanese nationals, thus reducing dependency on the foreign workers.

Operational highlights

In 2021, DCCL produced a total of 451,588 MT of Clinker and 484,588 MT of cement and sold 488,787 MT of cement and 64,061 MT of clinker, recording an increase of about 3% and 41% respectively from 2020.

Following the outbreak of COVID-19 at DCCL, the company constructed self containment areas with full barricades, washrooms and installed CCTV cameras as recommended by the COVID-19 Taskforce. The company incurred Nu.4.98 Million as COVID-19 response expenses.

Financial highlights

1. Revenue

In 2021, the company generated total revenue of Nu. 2,864.01 million Compared to Nu. 2,693.95 million in 2020, an increase by 6% (or Nu. 170.07 million).

The incremental of total revenue owes to increase in sales of cement by 13,760 MT and Clinker by 18,566 as compared to FY 2020. Further in the FY 2021, the company shows an increase in liquidated damages of Nu. 15.45 M and an interest from fixed deposit Nu. 9.2 M as compared to FY 2020.

2. Expenditure

The total expenditure during the year was Nu. 3,131.75 million only as compared to Nu. 3,007.73 million in 2020, an increase of 4% (or Nu. 124.01 million).

As the clinker production for the year increased by 8,795 MT from FY 2020, leading to increase in coal consumption by 10,986 MT (by 25% from 2020) leading to the increase in the cost by Nu 63.7M. However, it may be noted that the average rate per MT of coal reduced by Nu. 177 per MT.
Moreover, H.S.D rate has increased from an average of Nu.45.34 per litre in FY 2020 to Nu.64.4/ litre in FY 2021. Owing to the frequent shutdown of the plant during the year, the H.S.D consumption has increased by 5% in FY 2021 as compared to the previous year, and increased the cost by Nu. 4.53M during the year. Also, as there was slight increase in the sales of cement, the consumption of cement bags also increased by Nu.19.42 M from FY2020 during the year.

During the year the company received Nu. 115.37M financial waiver under Druk Gyalpos' Relief Kidu for interest on loans, guarantee fee, and Brand & Management fees.

3. Profit/(Loss) Before Tax

Despite the best efforts put in by everyone, the company registered a loss of Nu. 267.73 million for the year. The situation could have been still worse, had it not been for the continuous production and supplies to the export market, hydro-power and Gyalsung projects despite the setbacks due to pandemic. The operating loss (Before depreciation and taxation during the year stands at Nu. 35.66 million.

HR and other Systems

Based on the endorsement of the DCCL Board in its 78th Board Meeting held 15th November 2021, Mr. Tshering Tenzin (Chief Executive Officer of Dungsam Polymers Ltd) was appointed as the Interim Chief Executive Officer of Dungsam Cement Corporation Limited (DCCL) with effect from 16th November 2021 after resignation of the former Chief Executive Officer. Mr. Karma Gayleg who served as Deputy Chief Executive Officer left the company upon completion of his term in November 2021.

In order to fill in the vacuum created by Indian workers, the company immediately recruited a total of 34 Bhutanese loaders and packers in addition to 20 security guards who were employed after the termination of Heruka Security Services in June 2021. The security service has been improved after it has been operating under the sole purview of the company.

Corporate Governance

The Company complied with the 2016 CG Code issued by DHI and also the statutory requirement as specified in the Companies Act of the Kingdom of Bhutan, 2016.

The Company's Board, comprised of seven board directors, had convened eight Board meetings, five Audit Committee meetings and one Board Level Human Resource Committee meeting during the year. It has successfully implemented all the directives of the Board and the Board Committees.

Corporate Social Responsibility

In its continued effort as a corporate entity to give back to the community, DCCL contributed 360 bags of cement amounting to Nu. 106,200/- to Eastern Covid-19 Taskforce, Samdrup Jongkhar, for constructions of various check-posts and outposts.

Further, towards the constructions and renovation of religious sites, the company had provided 1,000 bags of cements worth Nu. 2, 75,000/-. Similarly, DCCL contributed LCD Screen 55'(4K) to the Nganglam Dungkhag Covid-19 Task Force to be used in the Control Room. The total of 435 bags of cement was also contributed towards the community agencies for maintenance, construction of check-post and Covid-19 purposes.

Statutory Audit

Appointed by Royal Audit Authority, M/s T.K. Ghose and Co., Kolkata, India conducted the audit virtually considering the restrictions posed by the current Covid-19 Pandemic. The entire audit was conducted successfully from January 29th to 8th April, 2022.
We are pleased to report that there is no qualified opinion stated in the audit report. However, there are two emphasis of matters for the period, which are related to Covid-19 Pandemic and physical verification of fixed assets by an independent third party.
Further, as mandated, the Internal Audit Section of the company conducted regular auditing of the Company's activities and ensured the internal check and control system and proper management of its resources.

Key Challenges & Way Forward

a) While the government has allowed to operate the plant under strict Covid-19 protocols, the sale of cement and sourcing of raw materials such as coal, iron ore, fly ash and gypsum, and critical spares remained one of the biggest challenges in 2021 due to series of lockdowns and restrictions imposed both within Bhutan and India.

b) The Covid-19 Pandemic had seriously affected the business during the year where the company could not adequately create the bond redemption reserve.

c) Due to Covid-19 restrictions, the company was not able to avail annual maintenance services for the machines and equipment from the authorized service providers. While there might be cost savings, there could be some damaging effects to the machines and equipment as they are meant to be serviced on regular basis.

Acknowledgement

Finally, on behalf of the DCCL Board, the Management and the employees of the company, I would like to take this opportunity to sincerely thank DHI and other shareholders for their continued support and guidance.

We would like to extend our sincere gratitude to the Chairman of the Eastern Command COVID – 19 Task Force (EC-C19TF), Dewathang and the Chairperson of COVID-19 Task Force, Nganglam Dungkhag for their continued support for the company's business transactions during the pandemic year.

We are also grateful to the Royal Government of Bhutan, the various ministries, departments and local agencies for their continued support and co-operation.

We also record our gratitude to the Government of India and their respective agencies for extending their kind co-operation to DCCL.

The Board would like to thank His Majesty for the Druk Gyalpos' Relief Kidu on the enormous interest waiver extended to the company. I would also like to thank DCCL management and employees for their efforts and dedicated hard work in improving the performance of the company.

Finally, the company would like to thank all the customers for their trust in our Dragon brand and staying with us.

Tashi Delek!
For and on behalf of the DCCL Board

[Dasho Ugen Chewang]
Chairman

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

Dungsam Cement Corporation Limited (DCCL) as a DHI owned company aims to achieve high Corporate Governance (CG Code) standards and ensure compliance with legislation, regulation and DHI CG Code 2016.

DCCL has also complied with the Companies Act of the Kingdom of Bhutan 2016 and other statutory requirements of the Royal Government of Bhutan.

CONSTITUTION OF THE BOARD AND ITS MEETINGS

Constitution of the Board of Directors:

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

No	Name	Addresses	Designation	Date of appointment	Status of Independent and non-independent Director
1.	Dasho Ugen Chewang	Druk Holding & Investments Limited (DHI)	Chairman	March 2021	Non-Independent
2.	Dasho (Dr.)Tobgyal Wangchhuk	Changkhap, HMS Kidu Fund	Director	March 2018	Independent
3.	Mr. TashiPenjore	Director, Department of Law and Order	Director	March 2019	Independent
4.	Mr. Dorji Nima	Director,PMD, Druk Holding and Investments Limited	Director	June 2019	Non-Independent
5.	Ms. Dechen Yangden	Chief Engineer, Department of Engineering Services, MoWHS	Director	June 2019	Independent
6.	Ms. TsheingLham	Dy. Chief Portfolio Investment Division, NPPF, Thimphu.	Director	July 2020	Independent
7.	Mr. Sonam Jigme	CEO, Dungsam Cement Corpora-tion Limited	CEO/Director	June 2020	Non-Independent

Board Meetings:

To enhance good governance and provide appropriate policy directives to the company, eight (8) Board meetings were convened during the FY 2021. In all the Board meetings, quorum was maintained as required. The details of the board attendance are as follows:

Board Meeting serial No.	Dates	Members Present	Leave of absence
72	March 10, 2021	1. Dasho Karma YezerRaydi 2. Mr. Tashi Penjore 3. Mr. Dorji Nima 4. Ms. Dechen Yangden 5. Mr. Sonam Jigme	1. Dasho (Dr) Tobgyal Wangchuk 2. Ms. Tshering Lham
73	April 23, 2021	1. Dasho Ugen Chewang 2. TashiPenjore 3. Mr. Dorji Nima 4. Ms. Dechen Yangden 5. Mr. Sonam Jigme	1. Dasho (Dr) Tobgyal Wangchuk 2. Mr. Yeshey Rangrik Dorjee 3. Ms. Tshering Lham
74	June 4, 2021	1. Dasho Ugen Chewang 2. Mr. Yeshey Rangrik Dorjee 3. Mr. Dorji Nima 4. Ms. Dechen Yangden 5. Mr. Sonam Jigme	1. Dasho (Dr) Tobgyal Wangchuk 2. Mr. Tashi Penjore 3. Ms. Tshering Lham
75	August 15, 2021	1. Dasho Ugen Chewang 2. Dasho (Dr) Tobgyal Wangchuk 3. Mr. Dorji Nima 4. Ms. Dechen Yangden 5. Mr. Yeshey Rangrik Dorjee 6. Mr. Sonam Jigme	1. Mr. Tashi Penjore 2. Ms. Tshering Lham
76	September 10, 2021	1. Dasho Ugen Chewang 2. TashiPenjore 3. Mr. Dorji Nima 4. Ms. Dechen Yangden 5. Mr. Yeshey Rangrik Dorjee 6. Mr. Sonam Jigme	1. Dasho (Dr) Tobgyal Wangchuk 2. Ms. Tshering Lham
77	October 28, 2021	1. Dasho Ugen Chewang 2. Dasho (Dr) Tobgyal Wangchuk 3. Mr. Dorji Nima 4. Ms. Dechen Yangden 5. Mr. Yeshey Rangrik Dorjee 6. Mr. Sonam Jigme	1. Mr. Tashi Penjore 2. Ms. Tshering Lham
78	November 15, 2021	1. Dasho Ugen Chewang 2. Dasho (Dr) Tobgyal Wangchuk 3. Mr. Dorji Nima 4. Mr. Tashi Penjore 5. Mr. Yeshey Rangrik Dorjee	1. Mr. Sonam Jigme 2. Ms. Tshering Lham 3. Ms.Dechen Yangden
79	December 14, 2021	1. Dasho Ugen Chewang 2. Mr. Dorji Nima 3. Ms. Dechen Yangden 4. Ms. Tshering Lham 5. Mr. Tshering Tenzin	1.Dasho(Dr) Tobgyal Wangchuk 2. Mr. Tashi Penjore 3. Mr. Yeshey Rangrik Dorjee

Board Sub-committee Meetings and Procedures:

Board Audit Committee Meetings (BAC)

Besides eight (8) board meetings, five (5) Board Audit Committee meetings were also conducted. In all the BAC meetings, quorum was maintained as required. The details of the board attendance are as follows:

BAC Meeting No.	Dates	Members Present	Leave of Absence
31	March 8, 2021	1. Mr. Dorji Nima 2. Mr. Tashi Penjore 3. Ms. Dechen Yangden	1. Ms. Tshering Lham
32	July 16, 2021	1. Mr. Dorji Nima 2. Mr. Tashi Penjore 3. Ms. Dechen Yangden	1. Ms. Tshering Lham
33	September 29, 2021	1. Mr. Dorji Nima 2. Mr. Tashi Penjore 3. Ms. Dechen Yangden	1. Ms. Tshering Lham
34	October 25, 2021	1. Mr. Dorji Nima 2. Ms. Dechen Yangden	1. Mr. Tashi Penjore 2. Ms. Tshering Lham
35	December 07, 2021	1. Mr. Dorji Nima 2. Ms. Dechen Yangden	1. Mr. Tashi Penjore 2. Ms. Tshering Lham

Board Human Resource Committee (BHRC)

BHRC Meeting serial No.	Dates	Members Present	Leave of absence
72	December 24, 2021	1. Mr. Tashi Penjore 2. Mr. Dorji Nima 3. Mr. Tshering Tenzin	1. Mr. Yeshey Rangrik Dorjee 2. Ms. Dechen Yangden

Board Remuneration

As per the CG standards the board directors are entitled for certain remuneration for every board meeting as sitting fees. The details of the remunerations paid for the board directors are as follows:

Sl. no	Board Meetings Held	Board Directors	Remuneration paid (Nu)	Attendance
1	72nd Board Meeting Venue: Zoom online conference Date: March 10, 2021	Chairman Dasho Karma YezerRaydi	8,000	Present
		Dasho (Dr.)TobgyalWangchhuk	NA	Absent
		Mr. TashiPenjore	8,000	Present
		Mr. Dorji Nima	8,000	Present
		Ms. Dechen Yangden	8,000	Present
		Ms. Tshering Lham	NA	Absent
		Mr. Sonam Jigme	8,000	Present
2	73rd Board Meeting Venue: Zoom online conference Date: April 23, 2021	Chairman Dasho Ugen Chewang	8,000	Present
		Dasho (Dr.)TobgyalWangchhuk	NA	Absent
		Mr. TashiPenjore	8,000	Present
		Mr. Dorji Nima	8,000	Present
		Ms. Dechen Yangden	8,000	Present
		Ms. Tshering Lham	NA	Absent
		Mr. Yeshey Rangrik Dorjee	NA	Absent
		Mr. Sonam Jigme	8,000	Present
3	74th Board Meeting Venue: Zoom online conference Date: June 4, 2021	Chairman Dasho Ugen Chewang	8,000	Present
		Dasho (Dr.)TobgyalWangchhuk	NA	Absent
		Mr. TashiPenjore	NA	Absent
		Mr. Dorji Nima	8,000	Present
		Ms. Dechen Yangden	8,000	Present
		Ms. Tshering Lham	NA	Absent
		Mr. Yeshey Rangrik Dorjee	8,000	Present
		Mr. Sonam Jigme	8,000	Present
4	75th Board Meeting Venue: Zoom online conference Date: August 5, 2021	Chairman Dasho Ugen Chewang	8,000	Present
		Dasho (Dr.) TobgyalWangchhuk	8,000	Present
		Mr. TashiPenjore	NA	Absent
		Mr. Dorji Nima	8,000	Present
		Ms. Dechen Yangden	8,000	Present
		Ms. Tshering Lham	NA	Absent
		Mr. Yeshey Rangrik Dorjee	8,000	Present
		Mr. Sonam Jigme	8,000	Present

5	76th Board Meeting Venue: Zoom online conference Date: September 10, 2021	Chairman Dasho Ugen Chewang	8,000	Present
		Dasho (Dr.) TobgyalWangchhuk	NA	Absent
		Mr. TashiPenjore	8,000	Present
		Mr. Dorji Nima	8,000	Present
		Ms. Dechen Yangden	8,000	Present
		Ms. Tshering Lham	NA	Absent
		Mr. Yeshey Rangrik Dorjee	8,000	Present
		Mr. Sonam Jigme	8,000	Present
6	77th Board Meeting Venue: Zoom online conference Date: October 28, 2021	Chairman Dasho Ugen Chewang	8,000	Present
		Dasho (Dr.)TobgyalWangchhuk	8,000	Present
		Mr. TashiPenjore	NA	Absent
		Mr. Dorji Nima	8,000	Present
		Ms. Dechen Yangden	8,000	Present
		Ms. Tshering Lham	NA	Absent
		Mr. Yeshey Rangrik Dorjee	8,000	Present
		Mr. Sonam Jigme	8,000	Present
7	78th Board Meeting Venue: Zoom online conference Date: November 15, 2021	Chairman Dasho Ugen Chewang	8,000	Present
		Dasho (Dr.)TobgyalWangchhuk	8,000	Present
		Mr. TashiPenjore	8,000	Present
		Mr. Dorji Nima	8,000	Present
		Ms. Dechen Yangden	NA	Absent
		Ms. Tshering Lham	NA	Absent
		Mr. Yeshey Rangrik Dorjee	8,000	Present
		Mr. Sonam Jigme	NA	Absent
8	79th Board Meeting Venue: Zoom online conference Date: December 14, 2021	Chairman Dasho Ugen Chewang	8,000	Present
		Dasho (Dr.)TobgyalWangchhuk	NA	Absent
		Mr. TashiPenjore	NA	Absent
		Mr. Dorji Nima	8,000	Present
		Ms. Dechen Yangden	8,000	Present
		Ms. Tshering Lham	8,000	Present
		Mr. Yeshey Rangrik Dorjee	NA	Absent
		Mr. Tshering Tenzin	8,000	Present

Annual General Meeting (AGM)

The 12thAGM for the financial year ended 2021 was convened on April 20, 2022 at Board Room, Druk Holding and Investments Limited (DHI), Thimphu through zoom conference. The following agenda were deliberated during the 12th AGM:

12.01 Adoption of the 12th Annual General Meeting Agenda;

12.02 Confirmation and adoption of the minutes of the 11th Annual General Meeting;

12.03 Presentation of the Directors Report for FY 2021;

12.04 Consideration and adoption of Audited Accounts and Audit Report for the financial year ended December 31, 2021;

12.05 Declaration of Dividend to the shareholders, if any;

12.06 Payment of management remuneration and directors' fee;

12.07 Appointment and fixing of the Remuneration of the Statutory Auditors;

12.08 Retirement and Appointment of Board Directors;

12.09 Review of Annual Compact 2021

12.10 Any other matter

During the 12th AGM, there has been change in the constitution of the board.

New appointment of Directors:

The meeting also noted the new appointment of following board directors as per the letter no. 5/DHI/CPD-CGRD/Boards/2022/148 dated April 5, 2022, as follows:

Sl. No.	Name	Designation/Address	Remarks
1.	Dasho Pema Chewang	Secretary/ NLC	To replace Dasho Ugyen Chewang – Chairman, DHI
4.	Ms. Tshering Lham	Investment Division, NPPF	Reappointed for another term
5.	Ms. Dechen Yangden	Chief Engineer, DoES, MoWHS	Continue (term not completed)
6.	Mr. Tashi Penjore	Director, Dept. of Law and Order, MoHCA	Continue (term not completed)
7.	Mr. Dorji Nima	Director, CPD, DHI	Continue (term not completed)

Retirement of Board Directors during the FY 2021

Section 138 of the Companies Act of the Kingdom of Bhutan states that "Unless the Articles or any other provisions of law provides for retirement of all the directors at every annual general meeting, not less than one-third of the total number of directors of a public company shall retire by rotation and the remaining directors in case of such company shall, in default of and subject to any provisions in Articles, also be appointed by the company in general meeting".

Therefore, as per the provision stated in the Companies Act, one-third of the total number of Board Directors has retired from the Board.

Sl. No.	Name	Designation/Address	Remarks
1.	Dasho Ugen Chewang	Chairman, DHI (Chairman of the Board)	Retire from the Board
2.	Mr. Yeshey Rangrik Dorjee	Dzongda, PemaGatshel	Retire from the Board
3.	Dasho (Dr. Tobgyal Wangchhuk	HM's, Secretariat	Retire from the Board
4.	Mr. Sonam Jigme	CEO, DCCL	Retired from the Board

Risk Management System

The DCCL Risk management framework was implemented in 2016 after the endorsement by the board during the 51st board meeting. A risk register template was developed and distributed by DHI to the DHI Companies to encourage enterprise risk management within the company. DCCL has assigned and designated a Risk officer who is assigned to compile a risk report for management's information and action.

SL. No.	Identified Risk	Mitigation	Location
1	Frequent power fluctuation from grid damaging plant & equipment	1. Bhutan Power Corporation Ltd (BPC) needs to improve power reliability	Management
2	Exposure of staffs to radioactive radiation.	1. Display of warning signboard at the hazardous areas; 2. Radioactive handling training of personnel involved in operation and maintenance of the equipment; 3. Proper use of PPE at all times in work place.	Head, Chemical Lab Section
3	Delay in backup and maintenance services by the OEM/suppliers/dealers	1. Needs to keep strong policy for maintenance and backup services. 2. Needs to have strong and binding agreements between the parties 3. Maintaining adequate critical spares 4. Timely renewal of the contract (AMC)	Procurement & Material Management Division
4	Frequent strikes	1. Internal route for domestic 2. Negotiate with Government of India with the help from RGoB	Management & Head, Logistic Division
5	High employee attrition & turnover	1. Rewarding incentives & bonus for the top performers 2. Providing adequate housing and recreational facilities 3. Training & qualification upgradation 4. Retaining of experience employees	Management & Head, HRAD

6	Impact on environment due to dust release from the plant and fugitive emission.	1. Regular checking of functioning of bag filters. 2. Carrying out stack emission monitoring on weekly basis 3. Concreting of plant areas	Head, OHSE & Process & Production Division
7	Impact of highly inflammable liquid, fire and explosion hazard	1. Fire alarm system for immediate action 2. Development & implementation of workplace SOP	Head, OHSE Section
8	Delay in delivery due to strike and Covid-19 pandemic.	1. Involving Indian counterparts 2. Maintaining cordial relationship with relevant stakeholders.	Head, PMMD & Management
9	Ad-hoc order of spare parts by the end user	1. Frequent discussion with the plant core team about their purchase requisitions and getting updates on plant health. 2. Daily inspection of critical materials 3. Screening of purchase requisitions from the section level	Head, PMMD and the user department
10	Stoppage of Raw Materials due to delay in payment.	1. Payment release to supplier on priority basis. 2. Sourcing from multiplier suppliers.	General Manager, CSD
11	Unavailability of continuous raw materials (coal, Fly ash, iron ore and slag)	1. Sourcing directly from mines holder/ operators. 2. Securing quota from Government of India. 3. Reviewing & amendment of contract agreement of exiting suppliers on timely basis.	Head, PMMD

Corporate Social Responsibility (CSR)

In its continued effort as a corporate entity to give back to the community, take part in philanthropic causes, and provide social values of far-reaching impact, DCCL contributed 360 bags of cement to Eastern Covid-19 Taskforce, Samdrup Jongkhar for constructions of various check post and outpost.

Further, towards the constructions and renovation of Chortens and Lhakhangs, the company had provided 1,000 bags of cements. Similarly, DCCL contributed LCD Screen 55'(4K) worth of Nu. 52,470.00 to the Nganglam Drungkhag COVID-19 Task Force to be used in the Control Room and total of 435 bags of cement were contributed towards the community agencies and sector for maintenance, construction of check-post and covid-19 purpose.

Particular	Bags	Narrations
Religion	1,000.00	Cement issued to Tharpaling Monastary , Samdrup Choling foundation , Tabacha Goenpa,
Covid-19 purpose	360.00	Eastern Covid-19 taskforce , Samdrup Jongkhar
	1 TV 55'(4K)	Nganglam Covid-19 taskforce
Community	435.00	RBA, Desuung , BPC & DPL

Policies and practices of CEO and board evaluation

The evaluation of CEO and the board is coordinated and carried out by DHI as per their DHI Guidelines.

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS
DUNGSAM CEMENT CORPORATION LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Dungsam Cement Corporation Limited (the Company), which comprise the statement of financial position as at 31st December 2021, the statement of comprehensive income, Statement of changes in equity and Statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31st December 2021, its financial performance and its cash flows for the year then ended in accordance with Bhutanese Accounting Standards (BAS).

Basis for Opinion

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

Emphasis of Matter

We draw the attention of the shareholders in respect of the following observation,

(i) Due to COVID 19 pandemic and related travel restrictions, we could not physically verify the fixed assets acquired & developed during the year, inventories and cash balance and are unable to satisfy ourselves by alternative means concerning the same as at 31st December 2021, which are stated in the statement of financial position at Nu. 105,835,938.98, Nu. 721,764,165 & Nu. 45,258 respectively. As a result of these matters, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded fixed assets, inventories and cash balance, and the elements making up the statement of comprehensive income, statement of changes in equity and statement of cash flows.

(ii) The Company maintains a Fixed Asset Register based on which regular physical verification, useful life and depreciation is calculated. The Company did not get the useful life of the assets evaluated by an independent third party, which may impact the depreciation and related profitability.

However, our opinion is not modified in respect of these matters.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

For the audit of the Financial Statements we did not find any significant issue to be reported under K.A.M.

Other Matter

Due to the ongoing COVID 19 pandemic and travel restrictions the audit has been conducted by electronic means.

T. K. GHOSE & CO.
Regn. No.
302002E
Chartered Accountants

Responsibilities of Management and Those Charged with Governance for the Financial Statement

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

T.K. GHOSE & CO. Regn. No. 302002E Chartered Accountants

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

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

Report on Other Legal and Regulatory Requirements

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

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

a) We have obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit;

b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books;

c) 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 are in agreement with the books of accounts and returns.

d) Based on the information, explanations and management representations received during the course of our audit, the Company has complied with other legal and regulatory requirements to the extent applicable to the Company.

For T.K. Ghose & Co.
Chartered Accountants

T. K. GHOSE & CO. Regn. No. 302002E Chartered Accountants

Gaurab Basu
Partner
M. No. 060518
Firm Registration No. 302002E
UDIN: 22060518AHPWHP8302

Date: 11/04/2022
Place: Kolkata

Appendix I

Annexure referred to in our audit report of even date on Minimum Audit Examination and Reporting Requirements (to the extent applicable)

General

In our opinion and according to information and explanations given to us, we report that:

1. The Companies has adhered to the Corporate Governance Guidelines and Regulations as applicable to them.
2. The Governing Board of the Company has pursued a prudent and sound financial management practice in managing the affairs of the Company.
3. The financial statements are prepared applying the Bhutanese Accounting Standardsissued by the Accounting and Auditing Standards Board of Bhutan (AASBB).
4. Proper books of accounts have been maintained and financial statements are in agreement with the underlying accounting records.
5. Adequate records as specified under section 228 of the Companies Act of Bhutan 2016 have been maintained.
6. Applicable mandatory obligations social or otherwise are being fulfilled.
7. Deferred Tax Liabilities (DTL) is recognized assuming that the Company would be able to utilize the DTA inthe succeeding years.

Matters pertaining to a manufacturing, mining or processing company:

1. The Company has generally maintained Property, Plant & Equipment (PPE) Register showing full particulars including quantitative details and situation of PPE. However, physical verification of Furniture & Fixture, Office Equipment & Plant and Machinery was not done during the year. Also, verification of fixed assets by an independentthird party professional firm was not conducted. Also, refer our Management Report for other discrepancies.
2. None of the fixed assets of the Company have been revalued during the year under audit.
3. The procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the company and the nature of its businesssubject to our observations in Management Audit Report.

   Considering the value of the inventory we feel once a year verification is not reasonable and the frequency should increase to once a half year.
4. The method of valuation of inventory for the company is adequate and commensurate with the size and nature of business subject to our observations in Management Report.
5. Due to the ongoing COVID 19 pandemic our audit was conducted in online mode, hence physical verification of the inventory could not be conducted.
6. The Company is following a reasonable system of recording the receipts, issues and consumption of material and store. The issue of material and stores to respective departments can be tracked from the system.
7. At the end of the accounting year, the Company has carried out a quantitative reconciliation in respect of all the major items of inventories.
8. The obsolete, damaged, slow moving and surplus goods/ inventories has been identified by the management. Where the value of such items are significant, adequate provision has been raised.

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Regn. No.
302002E
Chartered Accountants

9. Obsolete inventories amounting to Nu. 1,111,571.05 has been written off during the year 2021.

10. Appropriate approval of the Board/ appropriate authority has been obtained for writing off the amount of material loss/ discrepancies in the physical balances of inventories including finished goods, raw materials, and stores & spares base on the power authorised by the Delegation of Power (DOP) of the Company.

11. The stocks have been valued based on the applicable Accounting Standards issued by the Accounting and Auditing Standard Board of Bhutan (AASBB) subject to our observations in Management Report.. The basis of valuation is the same as in the preceding year.

12. The Company has taken working capital loan of Nu. 250,000,000 from Dagachu Hydropower Corporation Ltd& Nu. 300,000,000 from Druk Green Power Corporation Limited during the year.

13. The Company has not granted any loans, secured or unsecured, to companies, firms and other parties and/ or to the companies under the same management.

14. Interest free advances given by the Company to outside parties and the employees have been generally adjusted/ recovered as per stipulation. Reasonable steps have been taken by the Company for recovery of the principal amounts, interest thereon (wherever applicable).
    Advances have been granted to officers/staff generally in keeping with the provisions of service rules. Excessive/frequent advances are granted and/or accumulation of large advances against any particular individual are generally avoided.

15. In our opinion and according to the information and explanations given to us in course of the audit, the Company has generally established reasonably adequate system of internal controls to ensure completeness, accuracy and reliability of accounting records, to carry out the business in an orderly and efficient manner, to safeguard the assets of the Company as well as to ensure adherence to the applicable rules/ regulations and systems and procedures.However further steps may be taken to improve the internal control processes.

16. A reasonable system of authorisation at proper level is there for the issue of stores and allocation of materials and labour to job. The system of internal control (though it needs strengthening) prevalent is commensurate with the size of the company and nature of its business.

17. In course of our audit we have observed that the Company, in general, has a system of obtaining competitive biddings/quotations from more than one party in respect of purchase of property, plant and equipment and other assets.

18. Transactions for purchase and sale of goods and services with the director(s) or any other party(ies) related to the director(s) or with company or firms in which the director(s) are directly or indirectly interested are disclosed by the company in note no. 41 of the financial statements. As these transactions have been made at prices, which are reasonable having regard to the prevailing market prices or at prices at which such transactions have been made with other parties and are not prejudicial to the interest of other shareholders and the Company.

19. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices, we have neither come across any personal expenses (other than contractual and/or as per customary business practices), which have been charged to the Statement of Comprehensive Income nor have we been informed about such cases by the management.

20. The operational condition of the inventories verified has not been ascertained and no provision for loss if any arising due to its condition has not been provided in the books of accounts.

21. As informed to us, there is reasonable system of ascertaining and identifying point ofoccurrence of breakage/damages of raw materials, packaging materials and finishedproducts i.e. while in transit, during processing, during loading/unloading, instorage and during handlingetc. so that responsibility could be fixed andcompensation sought from those responsible.

22. As explained to us, the Company has reasonable record for production of finished goods and adequate safeguards exist to prevent unauthorized or irregular movement of goods from the Company.

23. Based on the records maintained by the company and produced before us, the company is maintaining reasonable records for sale and disposal of realizable by-products and scraps.
24. According to the records maintained by the company and produced to us, the Company has generally been regular in depositing rates and taxes, provident fund and other statutory dues with the appropriate authoritiessubject to our Management Audit Report.
25. According to the information and explanations given to us and on the basis of our observation, the followingundisputed statutory dues were outstanding as on 31.12.2021

    - Bhutan Sales Tax: Nu. 9,227,781

26. The Company has a reasonable system of allocation of man-hours to jobs/ contracts to commensurate with the size and nature of business of the Company.
27. In our opinion, there is a reasonable system of price fixation taking into account the cost of production and the market conditions as decided by the Sales Committee of the Company from time to time.
28. The Company has made credit sales during the year. The Company has formed acredit and collection policy.However, the policy is silent in case recoveries are not made from customers within due time and securitydeposit to be given by a customer. The Company does not have a policy of credit rating of customers.
29. The company has a process of regular evaluation of the commission agent on regular basis based on the industry norms/ market condition.
30. In our opinion, the Company, in general, has a system of following up with debtors and other partiesexcept in few cases for recovery of outstanding dues. As explained to us, age wise analysis of debtors is regularly carried out and follow up actions undertaken. However, year-end balance confirmations have not been obtained in some of the cases.
31. In our opinion, and on the basis of information and explanations given to us, the management of liquid resources, particularly cash/bank etc. are, in general, reasonably adequate and excessive amounts are not lying idle in non-interest-bearing accounts.
32. According to the information and explanations given to us, and on the basis of available records and information, we are of the opinion that the financial activities carried out by the Company during the year are prima facie lawful and intra-vires to the Articles of Association of the Company.
33. We are given to understand that Capital investment decisions are made with prior approval of the Board and investments in new projects are made only after ascertaining the technical and economic feasibility of such new projects.
34. The present system of budgeting, in our opinion, is generally reasonable.
35. Standard costing system is being established but variance analysis is not being carried out by the company at regular intervals.
36. The Directors have not been paid any remuneration other than sitting fees. The details of remuneration and other payments to the Managing Director/ CEO are disclosed in the accounts, is stated in Note No. 41. Based on the review of the records relating to the performance of the Board meetings, we have not come across any cases of disclosure of interest where payments have been made in cash or in kind to any of the directors and their relatives (including spouse(s) and child/children) by Company directly or indirectly, other than those mentioned above, nor have we been informed any of such case by the management.
37. As represented to us, the directives of the Board have generally been complied with.
38. We are given to understand by the management that the officials of the Company are refrained from transmitting any sensitive information which are not publicly available, unauthorized to their relatives/ friends/associates or close persons which will directly or indirectly benefit themselves.

T. K. GHOSE & CO. Regn. No. 302002E Chartered Accountants

39. According to the information and explanations given to us, the Company has a reasonable system of ascertaining cost of its goods to enable it to make proper pricing decisions. However, pricing of its goods is largely market driven.

40. On the basis of information and explanations given to us, proper agreements are executed and that the terms and conditions of leases are reasonable and the same are applied if machinery/equipment are acquired on lease or leased out to others.

COMPUTERISED ACCOUNTING ENVIRONMENT

1. The Company has implemented "SAP", which seems to be fully stabilized to ensure effective internal control over operations but in our opinion a system audit should be carried out to ensure the same
2. According to the information and explanation given to us, the Company has adequate safeguard measures of its data and back up facilities for its data and maintains the same at a different location.
3. The Company is maintaining appropriate backup facilities and disaster recovery measure at a different location.
4. The operational controls are found to be adequate to ensure correctness and validity of input data and output information subject to our Management Report.
5. The Company has implemented proper measures for prevention of unauthorized access over the computer installation and files.
6. The data migration system is effectively managed by the Company.

Facts for unfavourable/qualified answers:

Such statements are in bold italics and self-explanatory and require no further elaboration.

GENERAL

1. Going Concern Issues:

On review of the state of affairs as reflected by the Company's Statement of Financial accepted auditing standards, we have no reason to believe that the Company is not a going concern on the date of the Statement of Financial Position (i.e. 31st December 2021).

2. Ratio Analysis:

Included in a separate Annexure.

3. Compliances with the Companies Act of Bhutan, 2016

The company has generally complied with the requirements of the Companies Act of Bhutan, 2016concerning conducting of meetings, filing requirements, maintenance of records, issue of shares, raisingof loans and all other matters specified in the said Act except as mentioned in the compliance checklistsigned by us on the even date.

4. Adherence to Laws, Rules and Regulations

The audit of the Company is governed by the Companies Act of Bhutan, 2016 and the scope of audit is limited to examination and review of the financial statements, as produced to us by the management.

In the course of audit, we have reviewed compliance to the Companies Act and its Articles of Association however, we are unableto state that the company has been complying with other applicable laws, rules and regulations, system,procedures and practices.

T. K. GHOSE & CO.
Regn. No.
302002E
Chartered Accountants

For T.K. Ghose& Co.
Chartered Accountants

GaurabBasu
Partner
M. No. 060518
Firm Registration No. 302002E
UDIN: 22060518AHPWHP8302

Date: 11/04/2022
Place: Kolkata

Annexure on Ratio Analysis

RATIO	BASIS	FY 2021	FY 2020
Earnings per share	PAT/ No of Shares Issued	(4.70%)	(8.1%)
		Per Share	Per Share
Net Profit Ratio (%)	PAT/ Turnover *100	(12.6%)	(22.79%)
Return on Assets (%)	PAT/ Total Assets*100	(3.7%)	(6.25%)
Return on Equity (%)	PAT/ Owners Equity*100	(4.7%)	(8.08%)
Debt to Equity Ratio	Total Debt/Equity	0.79	0.74
Net Worth	Total Asset – Total Liabilities	2,197.86	2,549.85
		Nu. Millions	Nu. Millions
Gearing Ratio	Total Debt/Gross Value of Fixed Assets	0.56	0.53
Current Ratio	Current Assets/ Current Liabilities	0.69	0.85
Working Capital	Current Assets – Current Liabilities	(500.91)	(231.50)
		Nu. Millions	Nu. Millions
Average Collection Period Ratio	Total Receivable/Sales*365	30.61	37.29
		Days	Days

DUNGSAM CEMENT CORPORATION LIMITED
STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31,2021

PARTICULARS	Notes	(Amount in Nu)	
		31/12/2021	**31/12/2020**
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	2	7,632,805,762	7,854,639,932
Intangible Asset	3	40,679,589	44,000,099
Capital Work-in-Progress	4	-	97,830
Deferred tax asset	31	-	
Investments	5	628,300,001	455,242,473
Trade & Other Receivables	6(a)	10,830,875	13,566,783
Loans & Advances	7(a)	3,860,112	
Other Non-Current Assets	8	39,547,197	22,835,472
		8,356,023,536	**8,390,382,589**
Current Assets:			
Inventories	9	721,764,165	842,472,157
Trade & Other Receivables	6(b)	227,289,541	270,653,519
Loans & Advances	7(b)	30,299,955	
Cash and Cash Equivalents	10	51,244,969	59,744,582
Other Current Assets	11	76,150,070	105,370,964
		1,106,748,701	**1,278,241,223**
Asset classified as held for sale	12	410,736	66,736
TOTAL		**9,463,182,972.60**	**9,668,690,548**
EQUITY AND LIABILITIES			
Shareholders Equity	13	7,473,947,900	7,473,947,900
Retained Earning /(Loss)		(5,276,088,674)	(4,924,102,343)
		2,197,859,226	**2,549,845,557**
Non-Current Liabilities			
Borrowings	14	4,944,406,836	4,996,656,924
Defered tax liabilities(net)	32	653,204,727	569,726,558
Trade and Other Payables	15(a)	7,362,938	
Employee benefit liabilities	16(a)	46,702,599	
Other Long-Term Liabilities	17	5,985,419	42,720,556
		5,657,662,518	**5,609,104,037**
Current Liabilities			

T. K. GHOSE & CO.
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Chartered Accountants

Current Borrowings	18	987,524,558	560,000,000
Trade and Other Payables	15(b)	545,445,330	920,695,274
Employee benefit liabilities	16(b)	17,407,191	4,516,862
Other Current Liabilities	19	57,284,149	24,528,818
		1,607,661,228	**1,509,740,954**
TOTAL		**9,463,182,973**	**9,668,690,548**

See accompanying notes to the financial statements 1-51

FOR T.K GHOSE & COMPANY
CHARTERED ACCOUNTANTS
FRN: 302002E

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

T. K. GHOSE & CO.
Regn. No.
302002E
Chartered Accountants

(GAURAB BASU)
PARTNER
MEMBERSHIP NO. 060518

(TSHERING TENZIN)
INTERIM CHIEF EXE. OFFICER

(DASHO UGEN CHEWANG)
CHAIRMAN

DATED: 11th April, 2022
PLACE: Kolkata
UDIN: 22060518AHPWHP8302

DUNGSAM CEMENT CORPORATION LIMITED
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2021

Particulars	Notes	Current Year 31/12/2021	Previous Year 31/12/2020
Income			
Revenue from sale of Cement	20(a)	2,549,985,371	2,490,846,865
Revenue from sale of Clinker	20(b)	243,555,008	158,399,300
Other Revenue	21	70,478,796.91	44,705,873
Total Income		**2,864,019,176**	**2,693,952,038**
Expenditure			
Consumption of raw materials & Consumables	22	365,012,215	419,127,540
Changes in Inventory of work in progress and finished goods	23	72,159,568	(73,940,059)
Power & Fuel	24	1,022,958,657	968,553,284
Employee benefit expenses	25	222,091,854	210,604,271
Depreciation & Amortisation	26	303,388,907	306,526,463
Selling & Marketing Expenses	27	392,151,424	407,345,126
Operation & Maintainence Expenses	28	159,170,722	228,113,748
Other Expenses	29	242,852,419	200,381,429
Finance Cost	30	351,962,630	341,021,177
Total Expenditure		**3,131,748,396**	**3,007,732,979**
Profit /(Loss) Before Income Tax		**(267,729,220)**	**(313,780,941)**
Income Tax Income/(Expenses)	31	(83,478,169)	(290,027,237)
Profit/ (Loss) After Income Tax		**(351,207,389)**	**(603,808,177)**
Other Comprehensive income/(Loss)		-	-
Actuarial Gain/(Loss) on post employment benefit obligations		(778,940)	(33,550)
Net Other Comprehensive Income/(Loss)		**(778,940)**	**(33,550)**
Total Comprehensive Income/(Loss)		**(351,986,329.17)**	**(603,841,727)**
Basic and Diluted Earnings per share	**32**	**(4.70)**	**(8.08)**

FOR T.K GHOSE & COMPANY
CHARTERED ACCOUNTANTS
FRN: 302002E

T. K. GHOSE & CO. Regn. No. 302002E Chartered Accountants

(GAURAB BASU)
PARTNER
MEMBERSHIP NO. 060518

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

(TSHERING TENZIN)
INTERIM CHIEF EXE. OFFICER

(DASHO UGEN CHEWANG)
CHAIRMAN

DUNGSAM CEMENT CORPORATION LIMITED
STATEMENT OF CASH FLOW FOR THE YEAR ENDED DECEMBER 31, 2021

		(Amount in Nu.)
Particulars	**For the year ended 31/12/2021**	**For the year ended 31/12/2020**
Cash Flow from Operating Activities		
Net Profit after Tax	**(351,986,329)**	**(603,841,727)**
Adjustement for :		
Depreciation/amortisation	303,388,907	306,526,463
(Gain)/Loss on disposal of PPE	(368,278)	
Retirement/Scrapping of Inventories & PPE	28,793,330	
Interest expenses on Borrowing	349,833,723	333,398,138
Unwinding interst (income)/expense on discounts	1,640,432	
Provision for doubtful debts and others liabilites	(2,529,830)	
Income from Liabilities no longer required written back	1,629,462	
Provision for Deferred tax	83,478,169	290,027,237
Adjustment of Defer Tax	(1.21)	
Operating profit before working capital changes	**413,879,585**	**326,110,110**
Adjustement for :		
(Increase)/Decrease in Trade Receivables and Other Receivables	46,099,885	79,835,307
(Increase)/decrease in loans and advances(Current & Non Current)	(34,160,067)	
(Increase)/Decrease in Other Non-Current Assets	(16,711,725)	(3,544,772)
(Increase)/Decrease in Other Current Assets	29,220,894	(54,231,308)
(Increase)/Decrease in Inventories	120,707,993	235,168,601
Increase/(Decrease) in Trade Payables	(366,986,638)	17,495,700
Increase/(Decrease) in Employee Liabilities	59,592,928	
Increase/(Decrease) in Other Long Term Liabilities	(36,735,137)	6,625,586
Increase/(Decrease) in Other Current Liabilites	32,755,331	(24,594,067)
Net cash generated from operating activities before income tax	**(166,216,536)**	**256,755,046.62**
Less: Tax Paid	-	
Net Cash from Operting activities (A)	**247,663,049**	**582,865,156**
Cash Flow from Investing Activities		
Purchase of PPE & Intangible assets and CWIP	(78,136,398)	(74,606,288)
Fixed Deposit with Bank	(208,096,237)	(262,132,934)
Proceed from/withdrawal of Assets	(28,769,052)	-
Interest received during year	35,038,710	
Insurance claim received during the year		

Net Cash from Investing Activities (B)	**(279,962,977)**	**(336,739,222)**
Cash Flow from Financing Activities		
Issue of Share Capital	-	-
Short term Borrowings repaid	427,524,558	(510,000,000)
Long term Borrowings repaid/availed during the year	(52,250,088)	606,269,703
Interest Paid during the year	(351,474,155)	(333,398,138)
Net cash generated from/use in financing activities (C)	**23,800,315**	**(237,128,435)**
Net Increase/ (Decrease) in Cash & Cash Equivalents (A+B+C)	**(8,499,612)**	**8,997,499**
Cash & Cash Equivalents at the beginning of the year	59,744,582	50,747,083
Cash & Cash equivalents at the end of the year	**51,244,969**	**59,744,582**

1. 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'.
2. Cash and Cash Equivalents include cash in hand and bank balances in current accounts [Refer Note No. 10 to the Accounts].
3. Figures in brackets indicate cash outflows.

In-terms of our audit report of event date attached.

FOR T.K GHOSE & COMPANY
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(DASHO UGEN CHEWANG)
CHAIRMAN

DUNGSAM CEMENT CORPORATION LIMITED
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2021

Attributable to the Owners of the Company

Particulars	Ordinary Shares			Retained earnings/ (Loss)	Total
	No. of Shares (issued and fully paid up)	Par value per share	Total value of share		
Balance as at January 01, 2020	**74,739,479**	**100**	**7,473,947,900**	**(4,320,260,616)**	**3,153,687,284**
Issue of share during the year	-	-	-	-	-
Profit/ (Loss) After Income Tax				(603,808,177)	(603,808,177)
Other Comprehensive income/ (Loss)				(33,550)	(33,550)
Balance as at December 31, 2020	**74,739,479**	**100**	**7,473,947,900**	**(4,924,102,343)**	**2,549,845,557**
Balance as at January 01, 2021	**74,739,479**	**100**	**7,473,947,900**	**(4,924,102,343.11)**	**2,549,845,557**
Issue of share during the year	-	-	-	-	-
Profit/ (Loss) After Income Tax				(351,207,389)	(351,207,389)
Other Comprehensive in-come/(Loss)				**(778,940)**	**(778,940)**
Balance as at December 31, 2021	**74,739,479**	**100**	**7,473,947,900**	**(5,276,088,672)**	**2,197,859,228**

Authorized Capital

Particulars	31/12/2021	31/12/2020
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 each	2,000,000,000	2,000,000,000
Total	**10,000,000,000**	**10,000,000,000**

Equity shares issued by the company are of same class and the same rights attached.

FOR T.K GHOSE & COMPANY
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(TSHERING TENZIN)
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(DASHO UGEN CHEWANG)
CHAIRMAN

Note 01: NOTES TO FINANCIAL STATEMENTS

A. General Information:

Dungsam Cement Corporation Limited (DCCL) subsidiary of Druk Holding & Investments (DHI), A Royal Government of Bhutan undertaking. The Company has been incorporated and registered under The Companies Act of the Kingdom of Bhutan 2000(revised to Companies Act of Bhutan 2016) as limited liability on 10th September 2009. The registered office of the Company is located in Nganglam, Pemagatshel, Bhutan. The Company is engaged in manufacturing and selling of cement(OPC-43, PPC and PSC) within country and export to India. The Company also sells Clinker to India.

The Company's financial statements are prepared in accordance with and are fully compliant with the Bhutanese Accounting Standards (BAS), except as stated otherwise in the financial statements. The financial statements of the Company for the year ended December 31, 2020 were authorized for issue by the Board of Directors on dated 20-April-2022

B. Significant accounting policies:

1.1) Basis of preparation:

These financial statements are general purpose financial statements that have been prepared in accordance and in compliance with the Bhutanese Accounting Standards and the relevant provisions of The Companies Act of Kingdom of Bhutan.

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

1.2) The functional/presentation currency:

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

1.3) 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 recognized in the Statement of Comprehensive Income.

1.4) Property, plant and equipment:

Property, plant and equipment (PPE) is initially recognized at cost. The company follows cost model for PPE and are stated at cost less accumulated depreciation and where applicable accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Only those costs are recognized as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the entity and the cost can be measured reliably.

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Subsequent expenditures relating to property, plant and equipment is capitalized only when it is probable that future economic benefits associated with these will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the retired part is derecognized.

The spare parts and servicing equipment are normally treated as inventory and expensed off as and when consumed. However, major spare parts and stand-by equipment which qualifies as PPE fulfilling the value more than Nu. 500,000/- and are expected to be used for a period of more than one year are capitalized as Critical and Capital Spares. However the Depreciation is charged on basis of following nature of spares by identifying Critical Spares and Capital Spares.

a. Critical Spares to ensure smooth operation of Plant & Machinery without interruptions which Plant cannot operate. The depreciation of such will be immediately charged over the life of main assets.
b. Capital spares are replacement parts and that will be installed and put into use at a later date. The deprecation of such will be charged as and when it is installed; on the life of the main asset.

Land is not depreciated. Company provides depreciation on property, plant and equipment on straight-line method over the useful lives of the assets which are as follows:

Asset Class	Useful life
Building and civil structure	35 years
Plant and machinery	30 years
Furniture and fixtures	7 years
Office equipment	7 years
Vehicle	10 years
Other equipment	7 years

Building includes semi-permanent buildings. Useful life of semi-permanent buildings and civil structure is estimated at 10 years.

The other equipment include Infrastructure for Power. Useful life of Infrastructure for power is estimated at 7-20 years.

Assets in nature of tools, tackles, implements, equipment's which are consumables in nature and expected useful is not more than a year assets costing Nu. 5,000 and below are expensed off. Assets that are fully depreciated but still in use are recorded at Nu.1 for each asset for the purpose of monitoring.
Residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. The residual values are not more than 5% of the original cost of the asset.
Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized under other income or other expenses as the case may be, in the statement of comprehensive income.

1.5) Intangible assets:

Acquired SAP ERP software, central control room software, website and other licenses are capitalized on the basis of the costs incurred to acquire the specific software. These costs are amortized over their estimated useful lives of 20 years. Costs associated with maintaining computer software programs are recognized as an expense as incurred.

Intangible assets are derecognized either at the time of their disposal or when no future economic benefit is expected from their use or disposal. Any gain or loss, recognized through profit or loss, is calculated as the difference between the net considerations received in the disposal with the carrying amount, and are recognized in the Statement of Comprehensive Income.

1.6) Impairment of assets:

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs

GHOSE & CO. Regn. No. 302002E Chartered Accountants of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

1.7) Capital- Work- In-Progress:

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

1.8) Financial assets:

a) Initial measurement:

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

b) Classification and subsequent measurement:

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

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

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

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

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

ii. Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.
After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the profit or loss. The losses arising from impairment are recognized in the profit or loss. This category generally applies to trade and other receivables, bank deposits, security deposits, investment in government securities, bonds, cash and cash equivalents, employee loans, etc.

Financial instruments measured at fair value through other comprehensive income:

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

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

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

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Financial instruments measured at fair value through profit and loss:

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

c) Derecognition of financial assets:

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

i. The rights to receive cash flows from the asset have been transferred, or

ii. The company retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.

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

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

d) Income recognition:

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

1.9) Financial liability:

a) Initial recognition and measurement:

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

b) Subsequent measurement:

The measurement of financial liabilities depends on their classification, as described below:
Financial liabilities at fair value through profit or loss:

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

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

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

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All other changes in fair value of such liability are recognized in the statement of profit or loss. The company has not designated any financial liability as at fair value through profit and loss.

Financial Liability at Amortized cost:

This category mainly includes borrowings, trade payables & other payables, security deposit, lease liabilities and debt instruments. The financial liabilities at amortized cost are recognized when the Company becomes a party to the contractual clauses of the instrument and are initially measured at fair value adjusted for directly attributable transaction costs. Financial liabilities are subsequently measured at amortized cost using the effective interest rate method.

Borrowings:

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

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

Trade and other payables:

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

c) Derecognition:

Financial assets are derecognized whenever one of the following conditions is met:

i. the contractual right to receive the cash flows associated with the asset expires;

ii. the Company has transferred substantially all the risks and rewards associated with the asset, transferring its rights to receive the cash flows of the asset or assuming a contractual obligation to pay such cash flows to one or more beneficiaries under a contract that meets the requirements provided by IFRS 9 (the "pass through test");

iii. the Company has not transferred or retained substantially all the risks and rewards associated with the asset but has transferred control over the asset.

Financial liabilities are derecognized when they are extinguished, i.e. when the contractual obligation has been discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in statement profit or loss.

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

1.10) Inventories:

Inventories are stated at the lower of cost and net realizable value. Cost is determined using moving average price for the materials procured from third parties. Cost of inventories is recognized including other incidental

expenses incurred in acquiring inventories and bringing them to their existing location and condition. The standard cost is used 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). The Inventory consists of Raw Materials, Fuel, Work in Progress, Finished Products, Capital Spares, Asset Spares and Stores, Spares, loose tools and other inventories.
The company assess the inventories as Fast, Slow and Non-moving items during physical verification. Company further reviews the inventories which has value more than Nu. 500,000/- and useful life more than one year as insurance/capital spares.

The company establish the following criteria to identify the inventories as fast, slow and non-moving for each category of Inventory:

i) Inventory- Spare Parts:

Under Inventory Spares we have critical/insurance and non-critical spares which are to be maintained as standby and servicing equipment for all time.

a) Non Moving: Inventories whose consumption is nil in last 5 years or more.

b) Slow Moving: Inventories whose consumption whose consumption during the last 5 year is less than 30% of the sum of opening stock and purchases during the last 5 years.

c) Fast Moving: All other inventories that do not fall under the above two categories shall fall under this category.

ii) Inventory- Consumables:

Under inventory consumables, there are items which are to be consumed within the short span of time i.e., 1-2 years from the date of purchase.

a) Non Moving: Inventories whose consumption is nil in last 2 years or more.

b) Slow Moving: Inventories whose consumption whose consumption during the last 2 year is less than 30% of the sum of opening stock and purchases during the last 2 years.

c) Fast Moving: All other inventories that do not fall under the above two categories shall fall under this category.

iii) Inventory- Capital Spares/Materials:

Asset inventories are those items which are PPE in nature and shall be immediately capitalized once it's put to use.

a) Non Moving: Those inventories which is lying more than 1 year after its purchase.

b) Fast Moving: Those inventories which are consumed/issued within a year.

The criteria, i.e., the threshold percentage of consumption for designating an inventories as Fast, Slow and Non-Moving shall be amended as desired by the company on time to time.

iv) Treatment for Slow/Non-Moving:

(i) Non-moving inventories classified as obsolete/unserviceable shall be auctioned off.

(ii) Non-moving inventories classified as incomplete shall be retrofitted and to make it complete inventories or set.

(iii) Surplus inventories shall as per Management decision will be reviewed for further course of action.

(iv) New procurement for Surplus/Non/slow moving shall be initiated only if the existing stock does not meet the intended purpose.

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1.11) Cash and cash equivalents:

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

1.12) Current and deferred income tax:

a.) Current income taxes:

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income where tax is also recognized in other comprehensive income. Current tax assets and liabilities for the current period are measured at the amount expected to be recoverable from or payable to the Income tax authority based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted on the reporting date by the Income Tax Authority.

b.) Deferred tax:

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax 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 realized or the deferred income tax liability is settled. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

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

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

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

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

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

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

1.13) 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.

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

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

1.14) Financial Liability at Amortized cost:

Financial liabilities at amortized cost represented by trade and other payables, security deposits and retention money are initially recognized at fair value, and subsequently carried at amortized cost using the effective interest rate.

1.15) Employee benefits:

Employee benefits are accrued in the period in which the associated services are rendered by employees of the company as detailed below:

a. Defined Contribution Plan (Pension and Provident Fund):

As required by National Pension & Provident Fund, both the employee and employer make monthly contributions to the provident fund, which is a Defined Contribution Plan, equal to a specified percentage of employee's basic salary. The company has no further obligations under the plan beyond its monthly contributions. The company does not have any legal or constructive obligation to pay further contributions if the Fund does not have sufficient assets to pay all of the employee's entitlements. Obligation for contributions to the plan is recognized as an employee benefit expense in profit or loss when the contribution to the Fund becomes due.

b. Defined Benefit Plans (Gratuity):

The liability or asset recognized in the balance sheet in respect of defined benefit gratuity plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by actuaries using the projected unit credit method.
The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit and loss.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service cost.

c. Short Term Benefits:

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. All employee benefits payable wholly within twelve months of rendering the service are classified as short term employee benefits and they are recognized in the period in which the employee renders the related service. The Company recognizes the undiscounted amount of short term employee benefits expected to be paid in exchange for services rendered as a liability (accrued expense) after deducting any amount already paid.

d. Earned Leave Encashment:

The employees of the company are entitled for earned leave. The employees can carry forward a portion of the unutilized earned leave subject to the limit set as per PCAL service manual and utilize it in future periods or compensated in cash during retirement or termination of employment for the unutilized accrued earned

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leave based on the salary at the time . The company's net obligation in respect of the earned leave is calculated by estimating the amount of future benefits that the employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The calculation is performed annually by a qualified actuary and amount of obligation is provided in profit or loss. The plan is unfunded.

1.16) Provisions and Contingent Liabilities:

Provisions are recognized 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 up-to 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.

1.17) Leases:

As a lessee:

Lease where the company, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease inception at the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in borrowings or other financial liabilities as appropriate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the company as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

As a lessor:

Lease income from operating leases where the company is a lessor is recognized in income on a straight-line basis over the lease term unless the receipts are structured to increase in line with expected general inflation to compensate for the expected inflationary cost increases. The respective leased assets are included in the balance sheet based on their nature.

1.18) Non–current assets held for sale:

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and contractual rights under insurance contracts, which are specifically exempt from this requirement.

Non-current assets are not depreciated or amortized while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognized.

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Non-current assets classified as held for sale and the assets of a disposal company classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal company classified as held for sale are presented separately from other liabilities in the balance sheet.

1.19) Revenue recognition:

Revenue from customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services, stated net of discounts, commission and taxes and royalty collected on behalf of government.

Sale of goods:

The Company recognizes revenue when the entity satisfies a performance obligation by transferring a promised good or service (i.e., an asset) to a customer and the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Company. An asset is assumed to be transferred to customer when (or as) the customer obtains control of that asset. Incremental cost incurred by the company for obtaining as contract with customer is recognized as assets if the recovery of such cost is expected. Such assets are amortized on a systematic basis that is consistent with the transfer to the customer of the goods to which the asset relates.

Liquidated damages and penalties:

Liquidated damages and penalties occur when contractors/suppliers fail to meet the key performance indicators set out in their contract with the Company. Income resulting from claims for liquidated damages and penalties are recognised when it can be reliably measured and probable that the economic benefits will flow to the Company.

Interest income:

Interest income from investment are recognized at the applicable effective interest rate. When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument but does not consider the expected credit losses.

1.20) Unpaid Cheque:

Cheques issued but not presented and appearing in the bank reconciliation should be considered as "stale" cheques after six months from date of cheques. All such stale cheques appearing in the bank reconciliation statement should be transferred to 'Unpaid Cheques' Account and parked for 3 years that if no claims are made during this period the amount will recognized as income from liabilities no longer required.

1.21) Unclaimed/Unpaid Liabilities:

The company will review all outstanding liabilities or unclaimed payables in each reporting period and if it is established that any amount shall not payable, these amounts should be transferred to Unpaid and Unclaimed Liabilities Account.
If the unclaimed balances of vendors are determined that shall form no longer the liabilities of the company, the same shall be recognized as income from liabilities no longer required after expiry of 3 years with exception to litigation. In case of any subsequent claims, the same shall be debited to Miscellaneous Expenses during the period of refund.

1.22) Earnings per share:

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period is adjusted for events of bonus issue; bonus element in a rights issue to existing shareholders; share split; and reverse share split (consolidation of shares). For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period, are adjusted for the effects of all dilutive potential equity shares.

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C. Critical accounting estimates and assumptions:

The preparation of financial statements is in conformity with BAS/BFRS that requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are:

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts in the financial statements. Although the Company regularly assesses these estimates, actual results could differ materially from these estimates. Changes in estimates are recorded in the year in which they become known. Actual results may differ from management's estimates if these results differ from historical experience or other assumptions do not turn out to be substantially accurate, even if such assumptions were reasonable when made.

The said estimates are based on the facts and events, that existed as at the date of statement of financial position, or that occurred after that date but provide additional evidence about conditions existing as at the statement of financial position date. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying values of assets and liabilities within the next financial year are discussed below.

i) Useful lives of property, plant and equipment:

The costs of property, plant and equipment are depreciated on a straight-line basis over their respective useful lives. Management estimates the useful lives of these assets as detailed in the accounting policy. Changes in the expected level of usage, technological developments, level of wear and tear could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised and could have an impact on the profit in future years.

ii) Fair Value measurement of Financial Instruments:

When the fair value of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the Discounted Cash Flow (DCF) model etc. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

iii) Retirement benefit obligations:

The costs of retirement benefits and present value of the retirement benefit obligations are determined using actuarial valuations. An actuarial valuation involves making various number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate, anticipation of future salary increases, etc. as estimated by independent actuary appointed for this purpose by the Management which may differ from actual developments in the future.

iv) Contingent Asset/Liabilities:

The Company creates a provision when there is a present obligation arising as result of past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of obligation at the balance sheet date and are not discounted to its present value. A disclosure for a contingent liability/asset is made when there is a present obligation arising as a result of past event that probably will not require an outflow/inflow of resources or where a reliable estimate of the obligation cannot be made.

v) Provision for Doubtful Debt/Bad Debts/Advances/Claims/Receivables:

The position of doubtful Debts are reviewed and monitored from time to time. However, the amounts which are doubtful of recovery after expiry of 3 years are recognized fully as Bad debts by creating a charge against provision for doubtful debts.

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In the following reporting period after all the means of recovery is exhausted and reasonably established. The company takes appropriate action to write off or reverse from the provision. In case of subsequent recovery, the same is credited to Miscellaneous Income.

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DUNGSAM CEMENT CORPORATION LIMITED
NOTES FORMING PART OF STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31,2021

Note 2: Property, Plant & Equipment

	Freehold Land	Building & Civil Structure	Plant & Machineries	Furniture & Fixture	Office Equipment	Other Equip-ments	Vehicles	Total
Balance as at 1 January 2021:								
Cost	144,502,788	4,741,716,453	5,411,104,560	19,404,044	26,330,011	103,683,138	55,321,961	10,502,062,955
Accumulated Depreciation	-	959,640,349	1,563,662,719	16,093,490	20,438,526	65,661,493	21,926,446	2,647,423,023
Book Value as at 1 January 2021:	**144,502,788**	**3,782,076,104**	**3,847,441,841**	**3,310,554**	**5,891,485**	**38,021,646**	**33,395,515**	**7,854,639,932**
Changes in book value during the year:								-
Addition	-	26,895,477	66,669,759	1,076,814	1,324,144	7,501,484	2,368,262	105,835,939
Deletion/Adjustment	-	15,134,873	21,927,592	113,115	1,066,433	7,381,291	2,598,250	48,221,554
Depreciation on deletions and Adjustment	-	2,990,643	7,769,134	107,369	944,156	6,286,458	2,522,083	20,619,843
Depreciation for the year	-	130,473,798	155,816,102	923,837	1,591,540	7,195,339	4,067,782	300,068,397
Total Changes	**-**	**175,494,790**	**252,182,587**	**2,221,134**	**4,926,273**	**28,364,572**	**11,556,377**	**474,745,733**
Balances as at 31 December 2021:								
Cost	144,502,788	4,753,477,057	5,455,846,726	20,367,744	26,587,721	103,803,332	55,091,972	10,559,677,340
Accumulated Depreciation	-	1,087,123,504	1,711,709,688	16,909,959	21,085,909	66,570,374	23,472,144	2,926,871,578
Book value as at 31 December 2021:	**144,502,788**	**3,666,353,553**	**3,744,137,039**	**3,457,785**	**5,501,812**	**37,232,958**	**31,619,828**	**7,632,805,762**

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DUNGSAM CEMENT CORPORATION LIMITED
NOTES FORMING PART OF STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31,2021

Note 3: Intangible Assets

(Amount in Nu)

Balance as at 1 January 2021:	
Cost	66,410,081.99
Accumulated Amortization	22,409,982.99
Book value as at 1 January 2021	44,000,099.00
Changes in book value during the year:	
Addition	-
Deletion/Adjustment	-
Depreciation on deletions and Adjustment	-
Depreciation for the year	3,320,510.00
Total Changes	**3,320,510.00**
Balances as at 31 Decemeber 2021:	
Cost	**66,410,081.99**
Accumulated Amortization	25,730,492.99
Book value as at 31 December 2021:	**40,679,589.00**

Note 4: Capital Work-in-progress

(Amount in Nu)

Balance as at 1 January 2021	**97,830.00**
Additions	**-**
Capitalization	97,830.00
Expense-off	
Book value as at 31 December 2021:	**0.00**

Note 5: Investments

(Amount in Nu)

Particulars	31/12/2021	31/12/2020
Fixed Deposit with Bank (earmarked for gratuity liability)	2,863,052	2,863,052
Accrued Interest on Fixed Deposit (earmarked for gratuity liability)	758,669	536,783
Bond Redemption Reserve Fund	563,430,000	424,559,999
Accrued Interest on Fixed Deposit (Bond Redemption Reserve)	61,248,280	27,282,639.83
Total	**628,300,001**	**455,242,473**

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Note 6(a): Trade & Other Receivables-Non Current

Particulars	31/12/2021	31/12/2020
(Unsecured, Considered Good)		
Trade Receivables	16,685,066	
Less: provision for impairment of trade receivables	(9,604,190.82)	
Net Trade Receivables	**7,080,875.31**	
Other Receivables	3,750,000	13,566,783
Less: provision for impairment of other receivables		
Net Other Receivables	**3,750,000**	
Total	**10,830,875**	**13,566,783**

Provision for doubtful debts on outstanding receivables from customers are provided for each of the customers as on the reporting date doubtful of recovery after expiry of 3 years.

Note 6(b): Trade & Other Receivables-Current

Particulars	31/12/2021	31/12/2020
(Unsecured, Considered Good)		
Trade Receivables	227,229,966	271,724,988
Less: provision for impairment of trade receivables		(4,839,248.17)
Other Receivables	59,575	4,328,949
Less: provision for impairment of other receivables		(561,170.00)
Total	**227,289,541**	**270,653,519**

Note 7(a): Non Current- Loans and Advances

Particulars	31/12/2021	31/12/2020
(Unsecured, Considered Good)		
Advance payments-Employees	319	
Advance to vendors	3,859,793	
Less provision for impairment		
Net advances to vendors	**3,860,112**	
Advance payments to third parties	-	
Advance to Related Parties	-	
Total	**3,860,112**	**-**

Note 7(b): Current - Loans and Advances

Particulars	31/12/2021	31/12/2020
(Unsecured, Considered Good)		
Advance payments-Employees	4,453,008	
Advance to vendors	25,846,947	
Less provision for impairment		
Net advances to vendors	30,299,955	
Advance payments to third parties	-	
Advance to Related Parties	-	
Total	**30,299,955**	**-**

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Note 8: Other Non-current Assets

Particulars	31/12/2021	31/12/2020
(Unsecured, Considered Good)		
Security Deposits	15,836,011	
Unamortised mine expenditure	23,711,186	22,835,472
Total	**39,547,197**	**22,835,472**

Note 9: Inventories

Particulars	31/12/2021	31/12/2020
(As taken, valued and certified by the management)		
Raw Materials	34,443,349.	3,949,279
Fuel	28,553,853	836,076
Work in Progress	205,587,018	414,567,201
Finished Products	86,872,935	132,955,835
Asset Spares	17,162,569	2,594,798
Stores, Spares & loose tools	349,144,441	287,568,968
Total	**721,764,165**	**842,472,157**

Note 10: Cash and Cash Equivalents

Particulars	31/12/2021	31/12/2020
Cash-in-hand	45,258	5,662
Balances with Banks in Current Accounts	51,199,711	59,738,920
Total	**51,244,969**	**59,744,582**

Note 11: Other Current Asset

Particulars	31/12/2021	31/12/2020
(Unsecured, Considered Good)		
Advance payments-Employees	-	2,556,985
Advance to vendors	-	34,492,935
Less provision for impairment		(1,673,942)
Net advances to vendors	-	32,818,993
Advance payments to third parties	-	-
Advance to Related Parties	-	-
Prepaid Taxes	57,111,415	45,277,502
Pre-paid Expenses	19,038,656	24,717,484
Total	**76,150,070**	**105,370,964**

There are no restricted cash and cash equivalents

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Note 12: Asset classified as held for sale

Particulars	31/12/2021	31/12/2020
Property, plant & equipment	410,736	66,736
Total	**410,736**	**66,736**

Some items of property, plant and equipment has been classified as held for sale during the year. The Company has classified such assets at the lower of carrying amount and fair value less cost to sell. The fair value has been derived by using the market approach whereby the Company has estimated the net relizable value of such assets.

Note 13: Equity share capital

Particulars	31/12/2021	31/12/2020
Issued, Subscribed and Paid-up		
74,739,479 Equity shares @ Nu. 100 each fully paid up	7,473,947,900	7,473,947,900
Total	**7,473,947,900**	**7,473,947,900**

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.

Authorized Capital

Particulars	31/12/2021	31/12/2020
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 each	2,000,000,000	2,000,000,000
Total	**10,000,000,000**	**10,000,000,000**

Note 14: Long-Term Borrowings

Particulars	31/12/2021	31/12/2020
Term Loan (Secured) - Non Current Portion		
Ngultrum Borrowing	2,524,266,836	2,576,516,924
Ngultrum Bonds	2,420,140,000	2,420,140,000
Total	**4,944,406,836**	**4,996,656,924**

Details of Security

Term loans in Ngultrum are secured by way of first mortgage on all the present and future assets of the company
For remaining Ngultrum borrowing and bonds corporate guarantee is given by Druk Holding and Investments Ltd.

See accompanying Note 35 of financial statements on details of borrowings

Note 15 (a): Non Current - Trade and Other Payables

Particulars	31/12/2021	31/12/2020
Trade payable for Goods/Services & Expenses	537,110	
Amounts due to Related Parties	(23,802.00)	
Total Trade payable	513,308	
Security Deposits	5,369,583	
Salary related payable to Employees		
Retention Money payable	1,480,047	
Total	**7,362,938**	

Note 15 (b): Current - Trade and Other Payables

Particulars	31/12/2021	31/12/2020
Trade payable for Goods/Services & Expenses	228,231,336	297,142,349
Amounts due to Related Parties	302,557,835	482,660,383
Total Trade payable	530,789,171	779,802,732
Security Deposits	5,168,438	6,308,113
Salary related payable to Employees	96,890	8,525,778
Retention Money payable	9,390,831	7,842,724
Current Maturities of Long-Term Borrowings		118,215,926
Total	**545,445,330**	**920,695,274**

Note 16(a): Employee Benefit Liabilities(Non-Current)

Particulars	31/12/2021	31/12/2020
Post employment benefit obligation	37,853,616.00	33,642,395
Leave encashment obligation	8,848,983.00	7,601,463
Provision for mines reclamation and restoration		1,476,698
Total	**46,702,599.00**	**42,720,556**

Note 17: Other Long Term Liabilities(Non-Current)

Particulars	31/12/2021	31/12/2020
Provision for mines reclamation and restoration	1,941,604	
Other accounts payable - Non Current	72,800	
Unpaid & Unclaimed Liabilities(Non-Current)	3,971,015	
Total	**5,985,419**	

Note 18: Short-Term Borrowings

Particulars	31/12/2021	31/12/2020
Working Capital Loan (Secured)		
Working Capital Loan from Related Party	550,000,000	400,000,000
Working Capital Loan from NPPF	310,000,000	160,000,000
Current Maturities of Long-Term Borrowings	127,524,558	-
Total	**987,524,558**	**560,000,000**

See accompanying Note 36 of financial statements on details of borrowings

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Note 19: Other Current Liabilities

Particulars	31/12/2021	31/12/2020
Advances received from Customers & Others	12,939,336	13,278,166
Other Accounts payable - current	33,898,818	
Unpaid Cheque	6,060	
BST payable	9,227,781	5,031,573
TDS Payable		32,643
Other Miscellaneous Liabilities		6,186,436
Other Provision	1,212,154	
Total	**57,284,149**	**24,528,818**

Note 20(a): Revenue from Sale of Cement

Particulars	31/12/2021	30/12/2020
Revenue from Sale of Cement	2,615,938,926	2,556,781,015
less : Discount/Rebate	-	(276,545)
Less: Commission	(65,953,555)	(65,657,605)
Revenue from Sale of Cement	**2,549,985,371**	**2,490,846,865**

Note 20 (b): Revenue from Sale of Clinker

Particulars	31/12/2021	30/12/2020
Revenue from Sale of Clinker	243,555,008	158,399,300
Revenue from Sale of Clinker	243,555,008	158,399,300

Note 21: Other Income

Particulars	31/12/2021	30/12/2020
Rental Income	3,391,213	4,427,921
Liquidated Damages & Penalties	26,213,458	10,766,039
Income From Sale of Scraps	368,278	11,420
Audit Recoveries	-	-
Miscellaneous Income	3,796,453	3,680,757
Interest Income	35,038,710	25,819,736
Income from Sale of Quartzite	41,222	-
Liablities no longer required	1,629,462	
Price Difference-Material	-	0
Total	**70,478,797**	**44,705,873**

Note 22: Consumption of raw materials & Consumables

Particulars	31/12/2021	30/12/2020
Consumption- Raw Materials	352,476,761	411,343,470
Consumption- Consumables	12,535,454	7,784,070
Total	**365,012,215**	**419,127,540**

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Note 23: Changes in inventory of work in progress and finished goods

Particulars	31/12/2021	30/12/2020
Consumption-Semi Finished Products	3,525,523,182	3,538,643,898
Cost of goods manufactured - Semi Finished Good	(4,176,399,933)	(3,969,325,871)
Cost of goods manufactured-Finished Goods	(1,656,714,657)	(1,807,377,405)
Cost of goods sold - Semi Finished Good	216,887,825	163,247,303
Cost of goods sold - Finished Good	1,709,648,976	1,880,969,368
Price Difference	453,214,175	119,902,648
Total	**72,159,568**	**(73,940,059)**

Note 24: Power & fuel expenses

Particulars	31/12/2021	30/12/2020
Electricity Charges - plant	172,350,288	186,207,804
Consumption- Fuel	850,608,369	782,345,481
Total	**1,022,958,657**	**968,553,284**

Note 25: Employee benefit expenses

Particulars	31/12/2021	30/12/2020
Salary & Allowances	168,662,350	163,332,838
Special Incentive	5,870	-
Leave Travel Concession	7,205,933	6,655,585
Salary Indexation to Employees	2,574,244	2,530,535
Repatriation Allowance	611,255	386,401
Transfer Grant	611,255	384,959
Defined benefit obligation - Gratuity	8,335,746	7,202,354
Leave encashment	10,612,969	7,517,884
Provident Fund -Matching Contribution	16,316,230	15,471,831
Gratuity	872,695	-
Carriage Charge of personal effects	213,653	105,726
Employee Related Expenses & Welfare Expenses	249,740	316,783
Total	**222,091,854**	**210,604,271**

Note 26: Depreciation & amortization

Particulars	31/12/2021	30/12/2020
Depreciation	300,068,397	303,205,953
Amortization	3,320,510	3,320,510
Total	**303,388,907**	**306,526,463**

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Note 27: Selling & Marketing Expenses

Particulars	31/12/2021	30/12/2020
Marketing & Sales Promotion Expenses	1,222,910	711,460
Consumption of Packing Materials	122,599,353	103,171,344
Handling Charges-Cement & Depo Rent	10,637,839	8,025,312
Freight Outward-Cement	252,606,576	289,987,102
Selling Expenses	319,803	4,843,006
Bad Debts	4,764,943	606,902
Total	**392,151,424**	**407,345,126**

Note 28: Operation & Maintenance Expenses

Particulars	31/12/2021	30/12/2020
Consumption-Spare Parts	88,661,072	92,075,804
Operation & maintenance-Direct	53,880,984	118,714,539
Operation& maintenance-Indirect	16,628,666	17,323,404
Total	**159,170,722**	**228,113,748**

Note 29: Other expenses

Particulars	31/12/2021	30/12/2020
P&M- Insurance	11,585,950	12,883,680
Material handling	17,504,069	18,365,753
Mining related expenses	159,919,291	110,604,432
Retirement/Scrapping of Inventories	1,191,619	9,824,243
Retirement/Scrapping of Assets	27,601,711	16,284,217
Fees & subscriptions	5,406,154	5,530,282
Travelling expenses	1,591,387	2,338,948
Administration expenses	18,052,239	24,549,873
Total	**242,852,419**	**200,381,429**

Note 30: Finance cost

Particulars	31/12/2021	30/12/2020
Interest on borrowings	58,951,432	75,839,004
Coupon on Bonds	205,014,000	205,011,056
Interest on loans from BoBL	66,605,963	20,540,427
Bank charges - others	339,861	126,741
Bank charges and fees paid to BoBL	147,114	308,465
Other borrowing cost	1,500	5,603,570
Interest on Working Capital	19,262,329	32,007,650
Interest/Unwinding Cost	1,640,432	1,584,263
Total	**351,962,630**	**341,021,177**

See accompanying Note 36 of financial statements on details of Interst Cost on borrowings

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Note 31: Earnings per share

Particulars	31/12/2021	30/12/2020
Profit/(Loss) after tax	(351,207,389)	(603,808,177)
Numbers of shares at the beginning of the year	74,739,479	74,739,479
Number of shares allotted	-	-
Number of shares at the end of the year	74,739,479	74,739,479
Weighted average number of ordinary shares in issue	74,739,479	74,739,479
Basic and Diluted Earnings per share	**(4.7)**	**(8.1)**

Note 32: Deferred tax liability/ (asset)

Particulars	31-Dec-21	31-Dec-20
Property, plant and equipment	1,488,597,784.47	1,274,630,429.53
Total deferred tax liability	1,488,597,784.47	1,274,630,429.53
Trade receivables and other receivables	(2,881,257.25)	(1,451,774.45)
Advance to Vendor	-	(502,182.68)
Unused tax loss (refer note (i) below)	(832,511,800.28)	(702,949,914.78)
Total deferred tax asset	**(835,393,057.52)**	**(704,903,871.91)**
Net deferred tax liability	**653,204,726.95**	**569,726,557.62**

"(i) In assessing the relizability of deferred tax assets, the Company considers the extent to which, it is probable that the deferred tax asset will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable profits during the periods in which those temporary differences and tax loss carry-forwards become deductible. The Company considers the expected reversal of deferred tax liabilities and projected future taxable income in making this assessment.

As the Company has a history of tax losses, the Company has recognised a deferred tax asset only to the extent that it has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available."

(b) Tax expense

Particulars	31-Dec-21	31-Dec-20
(a) Income tax expenses	-	-
Current tax	-	-
Current tax on profit for the year	-	-
Current tax adjustment for earlier years	-	-
Total current tax expenses	-	-
Deferred tax:	-	-
Decrease/(increase) in deferred tax assets	(130,489,185.62)	70,375,539.10
(Decrease)/increase in deferred tax liabilities	213,967,354.94	219,651,697.50
Total deferred tax expenses	**83,478,169.32**	**290,027,236.60**
Income tax expenses	**83,478,169.32**	**290,027,236.60**

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(c) Numerical reconciliation between tax expense (income) and the product of accounting profit multiplied by the tax rate

Particulars	31-Dec-21	31-Dec-20
Tax expenses		
- Current tax		
- Deferred tax	83,478,169.32	290,027,236.60
Total tax expense	83,478,169.32	290,027,236.60
Profit before tax	(267,729,219.85)	(313,780,940.79)
Income tax expense/(income) calculated at 30%	(80,318,765.96)	(94,134,282.24)
Impact of expenses (net) disallowed under tax laws for which no deferred tax has been recognised	1,136,436.80	109,721.08
Impact of deferred tax asset being recognised for tax losses of earlier years		
Impact of reversal of deferred tax asset recognised in earlier year as the same has lapsed	163,587,798.60	383,649,411.85
Other differences	(927,300.12)	402,385.91
Reconciled with tax expense as above	**83,478,169.32**	**290,027,236.60**

(d) Tax losses

Particulars	31-Dec-21	31-Dec-20	Expiry date
Unused tax losses for which no deferred tax asset has been recognised			
- for the year 2019	0	-	31-Dec-22
- for the year 2020	0	-	31-Dec-23
- for the year 2021	0	-	31-Dec-24
Potential tax benefit @ 30%	**0**	**-**	

Note: The tax losses can be carried forward till 3 years.

33. Operating Profit/(Loss):

In the financial year (FY) 2021, company has incurred the operating profit (before depreciation and tax) of Nu.35,659,687.53only as compared to operating losses of Nu. (7,254,478.08) only in FY 2020. The company was earning operating profits till FY 2019. The company mainly suffered operating loss in FY 2020 due to the impact of lockdown, where more then a month sales to export market were completely on halt due to the enforcement of numerous Covid protocols and strict restriction of vehicle movement.

The imposition of lockdown in FY 2021 has severely impacted the sales. The company's sales to all market segment were plummeted and especially export sales were severely affected.

The company is expected to break even in the financial year 2022 and confident of its ability to continue as a going concern. Further, in the FY 2022 Company has duly considered the post Covid trends and projected the budget. The company is optimistic to earn profit before tax of Nu. 99.66 M in FY 2022.

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34. Reclassification of Items in Financial Statement:

The company has changed the classification of items in its financial statements. The reclassified comparative amounts is disclosed as under:

i. Statement of Financial Position:

a. Loans & Advance:

In FY 2021, Loans and Advances are stated/classified separately in the face of Balance Sheet under Non-Current Asset and Current Asset respectively. However in FY 2020 the same were classified under Other Current Asset of Balance Sheet. The comparative itemsunder Loans and Advances of financial statementare shown below:

Particular	FY 2021	FY 2020
Non-Current Asset	3,860,112.15	-
Advance payments-Employees	319.21	-
Advance to vendors	3,859,792.94	-
Current Asset	30,299,955.00	37,049,920.71
Advance payments-Employees	4,453,008.21	2,556,985.39
Advance to vendors	25,846,946.79	34,492,935.32

b. Current Borrowings:

In FY 2021, Current Maturities of Long-Term Borrowings are classified under Current Borrowing of Balance Sheet. However, in FY 2020 it was classified under Trade and Other Payables. The comparative items under Current Borrowings of financial statement are shown below:

Particular	FY 2021	FY 2020
Current Borrowings	987,524,558	560,000,000
Working Capital Loan from Related Party	550,000,000	400,000,000
Working Capital Loan from NPPF	310,000,000	160,000,000
Current Maturities of Long-Term Borrowings	127,524,558	-

a. Trade and Other Payables:

In FY 2021, Trade and Other payables are stated/classified separately in the face of Balance Sheet under Non-Current Liabilities and Current Liabilities respectively. However in FY 2020, Trade and other payables were all classified under current liabilities of Balance Sheet. Similarly, in FY 2020 Current maturities of long-term borrowing were classified under trade & other payable, however in FY 2021 it is classified under Current Borrowings.The comparative items under Trade and Other Payables of financial statement are shown below:

Particular	FY 2021	FY 2020
Non-Current Liabilities	7,362,937.90	
Trade payable for Goods/Services & Expenses	537,109.71	
Amounts due to Related Parties	(23,802.00)	
Security Deposits	5,369,583.07	
Retention Money payable	1,480,047.12	
Current Liabilities	545,445,329.91	920,695,273.76
Trade payable for Goods/Services & Expenses	228,231,336.27	297,142,349.13
Amounts due to Related Parties	302,557,834.90	482,660,383.32
Security Deposits	5,168,437.83	6,308,113.07

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Salary related payable to Employees	96,890.00	8,525,778.40
Retention Money payable	9,390,830.91	7,842,723.72
Current Maturities of Long-Term Borrowings		118,215,926.1

b. Employee Benefit Liabilities:

In FY 2021, Employee Benefit liabilities are stated/classified separately in the face of Balance Sheet under Non-Current Liabilities and Current Liabilities respectively. However, in FY 2020 it was classified under Other Long-Term Liabilities. The comparative items under Employee Benefit liabilities of financial statement are shown below:

Particular	FY 2021	FY 2020
Non-Current Liabilities	46,702,599.00	41,243,858.00
Post-employment benefit obligation	37,853,616.00	33,642,395.00
Leave encashment obligation	8,848,983.00	7,601,463.00
Current Liabilities	17,407,190.86	-
Post-employment benefit obligation	8,263,692.90	-
Leave encashment obligation	1,241,470.00	-
Provision for Employee Benefits	7,902,027.96	-

ii. Changes in Statement of Cash Flow(SCF):

As per reclassification of Balance sheet in FY 2021 and the minimum requirement of Statement of SCF as per the BAS 7 the statement of cash flow in FY 2021 has been stated significantly to enhance the year on year comparability of trends in financial information.In FY 2021 underSCF,(Gain)/Loss on disposal of property PPE, Retirement/Scrapping of Inventories & PPE, Unwinding interest (income)/expense on discounts, Adjustment of Defer Tax, Changes in loans and advances, Changes in Employee Benefit Liabilities,proceed from/withdrawal of Assets and Interest received during year are stated appropriately.

35. Bond Redemption Reserve:

i. Bond Series-I: As per Bond Prospectus Clause 4.15 of Bond Redemption Reserve, the company will create Redemption Reserve Account to be maintained with a commercial bank and deposit 20% of the bond amount Nu. 44,028,000/- only from the sixth year of the bond issue. The company has completed the sixth year 30th April 2020 and created redemption reserve of Nu. 4,440,000/- only.

ii. Bond Series-II: As per Bond Prospectus Clause 4.14 of Bond Redemption Reserve, The Company will create Redemption Reserve Account to be maintained with a commercial bank and deposit 20% of the bond amount Nu. 140,000,000/- only from the sixth year of the bond issue. The company has completed the sixth year 5th November 2020 and no redemption reserve has been maintained as on 31.12.2021.

iii. Bond Series-III: As per Bond Prospectus Clause 4.16 of Bond Redemption Reserve, The Company will create Redemption Reserve Account to be maintained with a commercial bank and deposit 25% of the bond amount Nu. 750,000,000/- only from the fourth year of the bond issue. The company has completed the sixth year 23rd June 2021 and created redemption reserve of Nu. 558,990,000/- only out of total redemption amount.

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36. Borrowings:

The detail of Borrowings includingRepayment andInterestfor the year is as under:

Lender	Balance as on 01.01.2021	Disbur. date	Maturity Date	Ints. Rate	Repaid in FY 2021	Additional Loan in FY 2021	Interest Paid in FY 2021	Closing Loan Balance as on 31.12.2021
Term Loan:	2,694,732,850				42,941,456	-	125,557,394	**2,651,791,394**
BOB TL Nu. 600M	572,875,702	29-Nov-2019	29-Nov-2030	7.60%	17,699		21,730,361	**572,858,003**
BOB TL Nu. 610M	610,000,000	30-Nov-2020	30-Nov-2030	7.60%	42,373,381		44,875,601	**567,626,619**
NPPF TL Nu. 1560M	1,511,857,148	9-Sep-2019	9-Sep-2030	7.80%	550,376		58,951,432	**1,511,306,772**
Short Term Loan:	560,000,000				400,000,000	700,000,000	19,262,329	**860,000,000**
BTL 400(ICL)	400,000,000	1-Sep-20	31-Aug-21	5%	400,000,000		4,931,507	**-**
NPPF WCL	160,000,000	27-Mar-19	30-June-22	10%			8,000,000	**160,000,000**
NPPF 150 WCL		15-Sep-21	14-Sep-22	7.50%		150,000,000	3,328,767	**150,000,000**
DHPC 250 (ICL)		31-Aug-21	31-Jul-22	3.50%		250,000,000	2,948,630	**250,000,000**
DGPC 300 (ICL)		31-Dec-21	30-Dec-22	6.50%		300,000,000	53,425	**300,000,000**
Bond:	2,420,140,000				-	-	205,014,000	**2,420,140,000**
Bond-I	220,140,000	30-Apr-14	29-Apr-24	10%			22,014,000	**220,140,000**
Bond-II	700,000,000	5-Nov-14	4-Nov-24	9%			63,000,000	**700,000,000**
Bond-III	1,500,000,000	24-Jun-15	23-Jun-22	8%			120,000,000	**1,500,000,000**
Total	**5,674,872,850**				**442,941,456**	**700,000,000**	**349,833,723**	**5,931,931,394**

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37. Benefit of Interest Waiver:

i. As per the Press Release from Prime Minister's Office on 22nd April 2021, Banks offered 50% interest waiver for another 15 months starting from April 2021 to June 2022.Accordingly in FY 2021, the benefit of 50% interest waiver was availed by company on BOBL Term Loan, NPPF Term Loan and Working Capital Loan

ii. In financial year 2021, as per the guideline of RMA issued on Monetary Measures published on 14th April 2020. Bhutan Telecom limited has provided 100% interest waiver on Intercorporate Loan w.e.f. April, 2021 - 31st August 2021 (loan maturity date).

iii. In view of the impact of the COVID-19 pandemic to the company, DHI has also waived the Brand and Management fees which actually is 1% on EBITA on preceding financial year of the company.

iv. DHI has provided 100% guarantee fee waiver on Bond I, Bond II and Bond III in FY 2021.

In FY 2021, the total financial benefits on account of waiver to company is Nu.115, 370,126.28 only as segregated below:

a. Total interest waiver-	Nu. 97,353,026.08
b. Total guarantee fee waiver-	Nu. 14,820,892.34
c. Total brand management fees waiver-	Nu. 3,196,207.86

38. Contingent Assets:

The contingent assets are not provided to the following pending civil suit:

i. In the Court of Chief Judicial Magistrate, Kamrup, Guwahati against Dewan Engineering Private Limited for recovery of outstanding amount of Nu 2,839,315.19. On February 2014, Legal representative Of DCCL (Mr. Indu Bhushan) had filed the petition in the Court of Chief Judicial Magistrate, Kamrup, Guwahati. After numbers of trails over the past 5 years, the Court finally awarded the judgment dated 13/11/2020. The judgment was in favor of Dewan Engineering. As advised by the legal representative the case has been appealed to the session court (Upper Court) dated March 16, 2021. Accordingly, the hearings in the upper court is awaited under trial in the Guwahati court.

ii. In the Larger Bench, High Court, Thimphu against VI-U Angami & Sons for recovery of outstanding amount of Nu 450,000/- only and against Gakhyil Supply Agency for recovery of outstanding amount of Nu 4,7649,66.20 only. The issue started in the year 2017 regarding the credit sales facilitated to Gakhyil Supply Agency even after TPA agreement. After his failure to clear the debt amounting to Nu. 5,214,966.20/- only (including Nu. 450,000/- only receivable against VI-U Anagami) as of 30th June 2017 the issue was registered to Royal Court of Justice, Nganglam Dungkhag Court on 19/04/2018. After 5 months of rigorous case hearing the Hon'ble Court delivered its Judgment on 27/09/2018 wherein it stated Mr. Kunga Tenzin C/o Ms. GSA to clear the debt balance in 5 months' time after the passing of the judgment by Hon'ble Dungkhag Court.

However, Mr. Kunga Tenzin appealed to Pemagatshel Dzongkhag Court regarding the issue and the first hearing was conducted on 22/04/2019. In after 6 months' time of submitting rebuttals to the Hon'ble Court, the Hon'ble Dzongkhag Court held its Judgment on 16/10/2019 stating Mr. Kunga Tenzin to clear the debt balance of Nu. 5,214,966.20 only as on 31/12/2019.

Against the Judgment passed by the Hon'ble Dzongkhag Court Mr. Kunga Tenzin appealed to High Court of Bhutan on 05/12/2019. The closing hearing was held on 23/01/2020 by the Hon'ble High Court of Bhutan, and judgment was passed on 13/11/2020 wherein it stated Mr. Kuenga Tenzin C/o Ms. GSA to clear the debt balance in 4 months' time after the passing of the judgment by Hon'ble High Court, Bench II.

After judgment delivered from the Hon'ble High Court Bench II, Mr. Kunga Tenzin appealed to High Court Larger Bench on 27/08/2021. With the following due process of law, Hon'ble Court held the closing hearing on 02/09/2021. As of now we are awaiting the Judgment from Larger Bench, High Court. The case

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is still under trial.

iii. In the Dzongkhag Court, Pemagatshel against Druk Lengo cement Agent for recovery of outstanding amount of Nu 281,124.20 only. The issuearoused between DCCL and owner of Druk Lengo Cement Agent, Mr. Kencho Drukpa in the year 6th August 2019, after he failed to make payment which is receivable by DCCL with regard to credit sales. After Nganglam court has adjudicate and persuade several hearings, judgment was passed on 27th November 2021, which is ordered him to make payment above mention amount within 1 month. Against the Judgment passed by the Nganglam Dungkhag Court, the defendant has appealed to Pemagatshel District Court, and still waiting for appeal hearing to start.

iv. The first hearing was started in the year 23th August 2019 with the issue facilitated to shortage of cement. Since court has delivered the judgment accordingly with the procedure, the defendant Tenzin Wangda has ordered to pay amount of Nu. 1,004,416.65/-only within 6 months. With the judgment rendered from Nganglam Dungkhag Court in 11/06/2021, the defendant has not satisfied with the judgment and he has appealed to Pemagatshel District Court. The legal proceeding is underway.

The first hearing was started in the year 31st March 2021 regarding the credit sales. After his failure to clear the debt amounting to Nu.1,969,228.22/-only. Following the several months of rigorous case hearing the Nganglam Dungkhag Court has delivered its judgment on 6th September 2021 wherein it stated Mr. Tenzin Wangda to clear debt balance in 6 months' time after the passing of the judgment by Hon'ble Dungkhag Court. However, Mr. Tenzin Wangda appealed to Pemagatshel Dzongkhag Court regarding the issue. As of now we are waiting for the appeal hearing to start

39. In the opinion of the Board current assets, loans & advances shall have a value on realization in the ordinary course of business at least equal to the amount at which they are stated in the Statement of Financial Position, unless otherwise stated and adequate provisions for all known liabilities have been made.

40. Employee Benefits:

Provision for all defined employee benefits such as gratuity, transfer grant, repatriation allowance & carriage charges and leave encashment has been made on the basis of actuarial valuation of their liabilities carried out by and independent, M/s Druk Infinity Consulting as required by BAS-19 on "Employee Benefit".

i. Expense recognized in the Statement of Comprehensive Income:

Particulars	Gratuity		Transfer Grant		Repatriation Allowance	
	31-Dec-21	31-Dec-20	31-Dec-21	31-Dec-20	31-Dec-21	31-Dec-20
Current Service Cost	5,678,271	5,024,065	489,075	278,226	489,075	278,226
Loss/(Gain) on settlement						
Interest on DBO	2,657,475	2,178,289	122,180	106,733	122,180	108,175
Less: Interest on plan asset						
Immediate recognition of gains/losses – Other long term employee						
Expenses recognized in profit or loss	8,335,746	7,202,354	611,255	384,959	611,255	386,401

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Particulars	Carriage Charge		Leave encashment	
	31-Dec-21	31-Dec-20	31-Dec-21	31-Dec-20
Current Service Cost	194,270	79,409	2,028,031	550,945
Past Service Cost				
Loss/(Gain) on settlement				
Interest on DBO	19,383	26,317	(41,801)	43,563
Less: Interest on plan asset				
Immediate recognition of gains/losses – Other long term employee benefits			8,626,739	6,923,376
Expenses recognized in profit or loss	213,653	105,726	10,612,969	7,517,884

ii. Amount recognised as Other Comprehensive Income:

Particulars	Gratuity		Transfer Grant		Repatriation Allowance	
	31-Dec-21	31-Dec-20	31-Dec-21	31-Dec-20	31-Dec-21	31-Dec-20
Actuarial (gain) or loss due to experience adjustments	(291,667)	(84,541)	365,895	64,923	365,895	27,426
Actuarial (gain) or loss due to changes in financial assumptions	30,315		(267)		(267)	
Actuarial (gain) or loss due to changes in demographic assumptions						
Return on plan assets (greater) or less than discount rate						
Expenses recognized as OCI	(261,352)	(84,541)	365,628	64,923	365,628	27,426

Particulars	Carriage Charge		Leave encashment	
	31-Dec-21	31-Dec-20	31-Dec-21	31-Dec-20
Actuarial (gain) or loss due to experience adjustments	308,871	25,742	8,628,678	6,923,376
Actuarial (gain) or loss due to changes in financial assumptions	164		(1,939)	
Actuarial (gain) or loss due to changes in demographic assumptions			8,626,739	6,923,376
Return on plan assets (greater) or less than discount rate				
Expenses recognized as OCI	309,035	25,742	0	0

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iii. Reconciliation of Changes in Present Value of Defined Benefit Obligation:

Particulars	Gratuity Liability		Transfer Grant Liability		Repatriation Allowance Liability	
	31-Dec-21	31-Dec-20	31-Dec-21	31-Dec-20	31-Dec-21	31-Dec-20
DBO at the beginning of period	33,845,164	27,729,881	1,696,350	1,421,863	1,696,350	1,421,863
Add: Current Service Cost	5,678,271	5,024,065	489,075	278,226	489,075	278,226
Add: Past Service Cost						
Add: Interest cost	2,657,475	2,178,289	122,180	106,733	122,180	108,175
Less: Benefits paid by the plan						
Less: Benefits paid by the employer	(1,253,445)	(1,002,530)	(338,200)	(175,395)	(338,200)	(139,340)
Actuarial (gain) or losses due to experience adjustment	(291,667)	(84,541)	365,895	64,923	365,895.00	27,426.00
Actuarial (gain) or losses due to change in financial assumptions	30,315		(267)		(267)	
Actuarial (gain) or losses due to change in demographic assumptions						
DBO at the end of period	40,666,113	33,845,164	2,335,033	1,696,350	2,335,033	1,696,350
Current Liability	**6,063,322**	**3,173,340**	**902,221**	**377,415**	**902,221**	**377,415**
Non-Current Liability	**34,602,792**	**30,671,824**	**1,432,812**	**1,318,935**	**1,432,812**	**1,318,935**

Particulars	Carriage Charge Liability		Leave encashment liability	
	31-Dec-21	31-Dec-20	31-Dec-21	31-Dec-20
DBO at the beginning of period	460,434	391,857	8,062,422	7,511,477
Add: Current Service Cost	194,270	79,409	2,028,031	550,945
Add: Past Service Cost				
Add: Interest cost	19,383	26,317	(41,801)	43,563
Less: Benefits paid by the plan				
Less: Benefits paid by the employer	(201,993.00)	(62,891)	(8,584,938)	(6,966,939)
Actuarial (gain) or losses due to experience adjustment	308,871	25,742	8,628,678	6,923,376
Actuarial (gain) or losses due to change in financial assumptions	164		(1,939)	
Actuarial (gain) or losses due to change in demographic assumptions				
DBO at the end of period	781,129	460,434	10,090,453	8,062,422
Current Liability	395,929	127,733	1,241,470	460,959
Non-Current Liability	385,200	332,701	8,848,983	7,601,463

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iv. Actuarial Assumption:

Particulars	Gratuity		Transfer Grant		Repatriation Allowance	
	FY 2021	FY 2020	FY 2021	FY 2020	FY 2021	FY 2020
Method used	Projected unit credit (PUC)					
Discount rate	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
Salary growth rate	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%
Mortality rate	100% of IALM (2012-14)	100% of IALM (2006-08)	100% of IALM (2012-14)	100% of IALM (2006-08)	100% of IALM (2012-14)	100% of IALM (2006-08)
Employee turnover rate	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%

v. Risk exposure:

The valuing a defined benefit plan isfundamentally an exercise in estimating the future cost of the benefit, the exact value for which only time will reveal. It relies on a set of financial and demographic assumptions along with prevalent regulatory framework in valuing liability. Through it is a defined benefit plan, the company is exposed to a number of risks, the most significant of which are discussed herein.

Discount rate risk:

The present value of the defined benefit obligation is heavily dependent on the discount rate. As such, the quantity is highly sensitive to the discount rate and a slight decrease in this assumption parameter will result in an ultimate cost that is significantly higher and vice versa.

Salary growth risk:

As the Transfer Grant benefit is a final-pay scheme, the actual cost of the plan will depend on the growth rate of salary over the years. As such, a higher than expected growth in salary will result in a cost which is higher than the estimate. Similarly, a slower salary growth will result in actual liability being lower than projected.

Employee turnover risk:

Employer turnover experience of DCCL will have a significant impact on the design of the benefit and consequently the overall cost of the plan. Furthermore, deviation in actual experience from assumption would also lead to change in the liability of the plan.

Demographic risk:

In the absence of credible scheme-specific data, the IALM 2012-14 mortality rate has been used in projecting the benefits. Thus, deviation of the actual experience from the rates used will result in change in the cost of the plan.

Regulatory risk:

The present value of the defined benefit obligation has been arrived at using the current set of regulatory frameworks. As such, any change in the relevant rules and regulations concerning Transfer Grant benefit such as increase in ceiling, introduction of floor, change in vesting period or benefit accrual rate would eventually alter the liability.

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Liquidity risk:

Finally, there is a risk that DCCL may not be able to honor the Transfer Grant payments in the short-run due to liquidity constraints

41. Related Party Disclosures:

The Company is a subsidiary of Druk Holding & Investments (DHI) (a Royal Government of Bhutan undertaking). The company considers for the purpose of disclosure required under BAS 24, the related parties are mainly parties that are under same holding companies in a position of control over directly or indirectly, in which the holding company has a significant influence to exercise. The related parties also include board of directors and key management personnel. The key management personnel comprise of management personnel who have the power and direct or indirect responsibility for the planning, management and control of the activities of the company.

The fellow subsidiaries are shown below:

i. Bank of Bhutan Limited
ii. Bhutan Board Product Ltd.
iii. Bhutan Telecom Limited
iv. Bhutan Power Corporation Limited
v. Bhutan Hydropower Services Corporation Limited
vi. Construction Development Corporation Limited
vii. Druk Air Corporation Limited
viii. Druk Green Power Corporation Limited
ix. Druk Green Power Corporation Limited
x. Dungsam Polymers Limited
xi. Koufuku International Ltd.
xii. Menjong Sorig Pharmaceuticals Corporation Ltd.
xiii. Natural Resources Development Corporation Ltd
xiv. Penden Cement Authority Limited
xv. State Mining Corporation Limited
xvi. State Trading Corporation of Bhutan Limited
xvii. Tangsibji Hydro Electric
xviii. Thimphu Tech Park Limited

The related parties' transactions entered with fellow subsidiaries mainly involves the provision of services, the sourcing of financial resources, utilities services and administrative activities. All these transactions are part of routine operations. The transactions are carried out in the interest of the company and are settled on an arm's length basis, i.e. on the same market terms as similar to the agreements entered into between two independent parties.

The following tables summarize commercial, financial and other relationships between the Company and related parties:

i. The nature of transaction with fellow subsidiaries are shown below:

Nature of Transaction	31-Dec-21	31-Dec-20
Bank of Bhutan Limited:		
Interest, Coupon & bank charges	173,439,617.34	127,195,572.72
Interest income for Bond redemption reserve	33,965,639.77	24,851,047.95
Bond redemption reserve	149,450,073.60	237,060,000.00
Bhutan Power Corporation Ltd.:		
Electricity charges	173,117,049.58	186,955,462
Fees and Subscriptions	422,885.65	517,986

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Repair & Maintenance Office Equipment/others	0	34,013
Bhutan Telecom Limited:		
Telephone and internet charges	1,605,904.04	1,773,892
Interest on borrowing	6,575,342.48	20,000,000
Misc. expenses	0	11,950
Druk Holdings & Investments Limited:		
Guarantee fee	0	5,008,570
Dungsam Polymers Limited:		
Purchase of PP bag	124,211,676.80	103,560,447
State Trading Corporation of Bhutan Limited		
Spares & consumables	-	13,067
Purchase of office equipment	52,745.00	101,860
Running & Maintenance of Vehicle	607,746.02	868,443
Purchase of vehicle	2,319,516.77	0
Druk Green Power Corporation Limited:		
Interest	53,424.66	37,617,251
Spares & service charge	0	179,400
State Mining Corporation Limited:		
Purchase of Coal	532,678,171.31	369,760,148
Purchase of Gypsum	26,403,114.78	28,161,903
Construction Development Corporation Ltd.:		
Sales of cement	33,499,133.36	18,822,182
Thimphu Tech Park Limited:		
Fees and Subscriptions	1,561,355.76	1,388,744
Dagachhu Hydro Power Corporation Ltd.:		
Interest	2,948,630.12	0

ii. The borrowing balances with related parties as on 31.12.2021:

Lender	Closing Loan Balance as on 31.12.2021	Closing Loan Balance as on 31.12.2020
Term Loan:	1,140,484,622	1,182,875,702
BOB TL Nu. 600M	572,858,003	572,875,702
BOB TL Nu. 610M	567,626,619	610,000,000
Short Term Loan:	550,000,000	550,000,000
DHPC ICL Nu. 250M	250,000,000	250,000,000
DGPC ICL Nu. 300M	300,000,000	300,000,000

iii. The balances with related parties as on 31.12.2021:

Related Party	Nature of Transactions	Outstanding balance as on 31 Dec 2021	Outstanding balance as on 31 Dec 2020
Druk Holdings and Investments Limited	Payable	0.00	1,440,332.34
Bank of Bhutan Limited	Payable	1,318,580,161.35	1,244,655,790.15
Bhutan Telecom Limited	Payable	127,649.32	405,214,877.15
Bhutan Power Corporation Limited	Payable	15,969,367.66	35,985,632.01
State Trading Corporation Limited	Payable	305,763.63	131,437.66
Dungsam Polymers Limited	Payable	19,135,785.00	16,360,273.95
Druk Green Power Corporation Limited	Payable	53,424.66	0

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State Mining Corporation Limited	Payable	266,066,612.12	414,090,534.53
Thimphu Tech Park Limited	Payable	530,500.80	0
Druk Air Corporation Limited	Receivable	23,802.00	23,802.00
Construction Development Corporation Limited	Receivable	10,542,048.22	2,816,860.78
Penden Cement Authority Ltd.	Receivable	5,310.02	5,310.02

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

1. Bond I : Nu. 220,140,000/-only.
2. Bond II : Nu. 700,000,000/-only.
3. Bond III : Nu. 1,500,000,000/-only.

v. Key Managerial Personnel(KMP):

The key managerial personnel are those having authority and responsibility for planning, directing and controlling the activities of the company directly or indirectly including any director whether executive or otherwise. The key management personnel of the company for the purpose of disclosure of compensation include the as required by the Companies Act of Bhutan, 2016.

The Key managerial personnel with whom transactions have taken place during the year:

1. Dasho Ugen Chewang, Chairman
2. Dasho Karma Yezer Raydi, Former Chairman
3. Dr.Tobgyal Wangchhuk, Board Director
4. Mr. Yeshey Rangrik Dorjee, Board Director
5. Mr. Tashi Penjore, Board Director
6. Mr. Dorji Nima, Board Director
7. Mrs. Dechen Yangden, Board Director
8. Mrs. Tshering Lham, Board Director
9. Mr. Sonam Jigme, CEO & Director
10. Mr. Tshering Tenzin, Interim CEO & Director

The summary of compensation paid to Mr. Sonam Jigme, CEO.

Particular	FY 2021	FY 2020
Basic Salary and Allowances	2,353,482.00	2,413,260.00
Communication Facility Allowance	35,245.86	76,705.34
Contribution to provident fund	172,208.00	176,580.00
Sitting fees	72,000.00	36,000.00
Travel Expense	57,398.00	150,550.00
Separation Benefits	888,333.00	
Total	**3,578,666.86**	**2,853,095.34**
Other Benefit:		
i) Housing A-type building	Free of Rent	Free of Rent
ii) Electricity	Free of Charges	Free of Charges

During the year Mr. Sonam Jigme, CEO has resigned from the services in company on November 30, 2021. Mr. Tshering Tenzin, has took over the charges as Interim Chief Executive Officer of company w.e.f. November 16, 2021. The summary of interim compensation paid to Mr. Tshering Tenzin is tabulated below:

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Particular	FY 2021
Allowances	90,000.00
Communication Facility Allowance	3,131.52
Sitting fees	8,000.00
Total	**101,131.52**

The sitting fees paid to the Board of Directors and Board's Member Secretary in FY 2021:

Sl. No	Name of Directors	Amount (Nu.)	Remarks
1	Dasho Ugen Chewang, Chairman	64,000.00	
2	Dasho Karma Yezer Raydi, Former Chairman	16,000.00	Resigned after 72nd Board Meeting
3	Dr.Tobgyal Wangchhuk, Board Director	24,000.00	
4	Mr. Yeshey Rangrik Dorjee, Board Director	52,000.00	
5	Mr. Tashi Penjore, Board Director	52,000.00	
6	Mr. Dorji Nima, Board Director	124,000.00	
7	Mrs. Dechen Yangden, Board Director	100,000.00	
8	Mrs. Tshering Lham, Board Director	16,160.00	
9	Mr. Sonam Jigme, CEO & Director	72,000.00	Resigned w.e.f. Nov 30, 2021
10	Mr. Tshering Tenzin, Interim CEO & Director	8,000.00	
11	Mr. Tenzin Namgyel, GM	4,000.00	
12	Mr. Lekden Wangchuk, Company Secretary	36,000.00	Resigned on Dec. 18. 2021
13	Mr. Tshering Gyeltshen	10,000.00	
14	Mr. Sonam Darjee, Offtg. Company Secretary	2,000.00	
15	Mr. Kinga Lotey (HR DHI)	4,000.00	Interview of Mining Engineer dated March 8.2021
Total		**584,160.00**	

vi. Terms and conditions of the transactions:

1. As the liabilities for gratuity and leave encashment are provided on actuarial basis for the Company as a whole, the amounts pertaining to KMP esp. the Board Directors are not ascertainable separately and were not included above.
2. All transactions were made on normal commercial terms and conditions and at market rates.

42. During the year the Company has assessed the carrying amount of the asset's vis-a-vis their recoverable values and no impairment is envisaged at the Statement of Financial Position date.

43. An inventory refers to raw materials, parts, work in progress and goods that are readily available for sell in the market. Tabulated below shows the valuation of our finished goods:

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Material	FY 2021		FY 2020	
	Closing Stock (MT)	Closing Value (Nu.)	Closing Stock (MT)	Closing Value (Nu.)
OPC 43	12,816.40	44,603,156.17	15,118.82	68,017,470.05
PPC	8,623.38	27,598,364.01	7,230.96	29,259,229.67
PSC	3,743	14,671,414	7,823	35,679,136
Total	**25,182.83**	**86,872,934.65**	**30,172.58**	**132,955,835.27**

44. 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/reconciliation and consequential adjustment if any, required.

45. The Company operates only in cement and for internal reporting purposes they consider entire business as one segment only i.e. cement and performance is reviewed accordingly. Hence the company is having only single segment i.e. cement. The management considers the business from a geographic and product perspective. From geographic perspective management considers the performance in Bhutan (domicile of company) and India. From the product perspective management considers the revenue generated from the various types of cement viz. PPC, PSC & OPC. These products are not considered for segment reporting being of similar nature, production processes, customers and distribution channel.

i. Entity- wide information:

The revenue and sales by country, based on the destination of customers for cement

Country	FY 2021		FY 2020	
	Quantity (MT)	Value (Nu.)	Quantity (MT)	Value (Nu.)
Bhutan	264,107.79	1,599,158,822.42	277,757.53	1,684,752,779.96
India	224,691.92	1,016,780,103.40	197,258.00	872,178,335.00
Total	**488,799.71**	**2,615,938,925.82**	**475,015.53**	**2,556,931,114.96**

ii. Auditor's remuneration:

Particulars	FY 2021	FY 2020
Audit fees	115,500.00	115,500.00
Other audit expenses	92,490.00	278,524.00

46. Operating Lease:

The company has handed over the ownership of 188.589 Acres of Freehold land to DHI vide Land Lease Agreement between DCCL and DHI effective from February 17, 2021 for the lease period of 30 years expiring on February 18, 2051. The company has to pay Nu. 410,746.84only as annual lease amount to DHI. As per the provision of IFRS 16 from FY 2022, company will recognize a right-of-use asset and a lease liability and the leasehold land is expected to amortize on a straight-line method over the primary term of lease period.

i. Lease Rent:

a. Gelephu Depot:

The agreement was drawn between DCCL and M/s. Gyeltshen Furniture House on 1st September 2018 for the period of two (2) years from the date of signing and it shall be on renewal basis for lease of 17,670 square feet as Depot cum Go-down infrastructure for cement stocking and supply to the dealers.

The party unanimously agreed for a monthly rental payment of Nu. 123,690/- only by DCCL w.e.f month of September 2018. The contract extension was issued until 31st December 2022 with the same

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terms and conditions as per the agreement.

b. Phuentsholing Depot:

The agreement was drawn between DCCL and Mr. Karma Gyeltshen on 1st August 2019 for the period of three (3) years. The party unanimously agreed for a monthly rental payment of Nu. 125,000/-only to lease 17,279 square feet depot cum go-down (Plot No. PGT 138) for cement stocking and supply to the dealers.

The Management of DCCL in its 2nd Sales and marketing Committee Meeting dated 13.02.2020 have endorsed to lease additional area to use Parking in Depot. The additional area of 13,778 square feet @ Nu.3.5 per month or Nu. 48,223/-only was endorsed. Accordingly, the monthly rental payment of Nu. 173,223/- only were agreed with under same terms and conditions of Contract.

c. Mining lease for Kangrezi and Marungri:

DCCL have two captive Mines to extract Limestone and Phyllite to be used as raw materials for production of Clinker. The Lease agreement was drawn between DCCL and Department of Geology and Mines (DGM) dated 29th June 2010 for the initial period of 25 years from date of signing whereby DCCL leased Kangrezi area covering of 120.83 hectors (298.57 Acres) and Marung Ri area covering of 152.78 hectors (377.52 acres).

DCCL has to pay the surface rent @ 640 per acre per annum unless revised by the Royal Government and also have to pay the mineral and royalty rent per unit measures of limestone dispatched @ Nu. 8.5 and Nu. 34 respectively for both the mines.

d. Transit Office at Pathsala:

Transit Office of DCCL is being located at Pathala, Assam, India for smooth functioning of business transaction towards neighboring country, India. To facilitate this, we have a Liaison Officer at Pathsala hiring a small Transit Office by paying Nu. 3600/-only per month.

47. Capital Advance and Capital Payables:

Themanagement do not recognised the advances and payables as capital advance and capital payables. However, the management recognize and treat spare parts as inventory and expensed off as and when consumed. However, major spare parts and stand-by equipment which qualifies as PPE are capitalized as Capital Spares.

48. Fair Value Measurement:

The Company measures fair value in accordance with IFRS 13 whenever required by the IFRS. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability. The best estimate is the market price, i.e. its current price, publicly available and effectively traded on an active, liquid market whenever required by the IFRS.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability. The best estimate is the market price, i.e. its current price, publicly available and effectively traded on an active, liquid market.

Financial Instruments by category:

Particulars	31-Dec-21	31-Dec-20
	Amortized cost	Amortized cost
Total Financial assets:	933,711,455	800,278,826
i) Security deposits	16,046,068	13,566,783
ii) Cash and cash equivalents	51,244,969	59,744,582
iii) Investments	628,300,001	455,242,473
iv) Trade and other receivables	238,120,417	271,724,988
Total Financial liabilities:	6,484,739,662	6,595,568,124
i) Borrowings	5,931,931,394	5,674,872,850
ii)Trade payable and other payables	552,808,268	920,695,274

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i. Fair value hierarchy:

The fair value of assets and liabilities is categorized into a fair value hierarchy that provides three levels defined as follows on the basis of the inputs to valuation techniques used to measure fair value:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities to which the Company has access at the measurement date.

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

Level 3: inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs). This is the case for unlisted equity securities included in level 3.

ii. Valuation technique used to determine fair value:

This section explains the judgments and estimates made in determining the fair values of the financial instruments that are

a) Recognized and measured at fair value and

b) Measured at amortized cost and for which fair values are disclosed in the financial statements.

To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the three levels prescribed under the BAS

The carrying amounts of loans and advances, trade and other receivables, cash and cash equivalents and trade and other payables are considered to be the same as their fair values, due to their short-term nature.

The fair values for financial instruments such as borrowings, retention money and security deposits were calculated based on cash flows discounted using current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs including counter party credit risk

iii. Fair value of financial assets and liabilities measured at fair value:

The following table shows, for each class of assets measured at fair value measurement at the end of the reporting period and the level in the fair value hierarchy into which the fair value measurements are categorized.

Particulars	31-Dec-21		31-Dec-20	
	Carrying amount	Fair value	Carrying amount	Fair value
Total Financial assets:	**644,346,069**	**648,987,217**	**468,809,256**	**458,038,521**
i) Security deposits	16,046,068	11,758,983	13,566,783	10,083,876
ii)Investments	628,300,001	637,228,234	455,242,473	447,954,645
Total Financial liabilities:	**5,071,931,394**	**4,074,095,642**	**5,114,872,850**	**4,131,308,962**
i) Borrowings	2,651,791,394	2,682,717,762	2,694,732,850	1,818,963,278
ii)Bonds	2,420,140,000	1,391,377,880	2,420,140,000	2,312,345,684

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The fair values for financial instruments were calculated based on cash flows discounted using current borrowing rate. The carrying amounts of remaining financial assets and liabilities are considered to be the same as their fair values, due to their short-term nature.

49. Capital management:

i. Risk management

The Company is a subsidiary of Druk Holding & Investments Limited (DHI). The amount mentioned under total equity in balance sheet is considered as Capital. The company's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for the shareholders and benefits for other stakeholders, and maintain an optimal capital structure to reduce the cost of capital. The capital structure of the Company is based on management's judgment of the appropriate balance of key elements in order to meet strategic and day-to-day needs. The Company manages its structure and makes adjustments in light of changes in economic conditions. The funding requirements are met through the equity given by the shareholders.

ii. Financial risk management:

The Company's activities expose it to credit risk, liquidity risk and market risk (i.e. foreign currency risk, interest rate risk and price risk).

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

Risk	Exposure arising from	Measurement	Management
Market risk – foreign exchange	Future commercial transactions and recognized financial liabilities not denominated in Bhutanese Ngultrum (Nu.)	Cash flow forecasting	Diversification of asset and liability
Market risk – interest rate risk	Long-term borrowings at variable rates	Sensitivity analysis	The Company does not have borrowings at floating interest rate
Credit risk	Cash and cash equivalents, trade receivables, financial assets measured at amortized cost	Ageing analysis	
Credit worthiness	Diversification of customer base		
Liquidity risk	Trade and other payables	Cash flow forecasts	Availability of committed facilities

a. Market risk- Foreign currency risk:

The company has payable and receivables in foreign currency and is hence exposed to foreign exchange risk associated with exchange rate movement. The foreign currency (Indian Rupee) does not have exchange fluctuation risk since Bhutanese Ngultrum (BTN) is pegged with Indian Rupee (INR).

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

Particulars	31-Dec-21	31-Dec-20
	INR	INR
Financial assets	5,199,640.96	7,126,228
Financial liabilities	(76,723,338.89)	(120,420,041)
Net exposure to foreign currency risk	**(71,523,697.93)**	**(113,293,813)**

b. Market risk- Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company as on 31 December 2021 and 2020 is not exposed to the risk of changes in market interest rates because it does not have any floating rate borrowings nor does it have any floating interest-bearing financial assets.

Investment made by the Company bears fixed rate of interest. Interest income and interest expenses, are therefore not subject to interest rate risk as defined in IFRS 7, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

c. Credit Risk:

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities primarily from trade and other receivables.

Trade Receivables:

The Company's trade receivables comprise majorly from the related parties. Trade receivables are non-interest bearing and are generally given for 45 days credit term. Outstanding customer receivables are regularly monitored. The ageing of trade receivables as on balance sheet date is given below. The age analysis has been considered from the due date:

Particulars	Less than one year	More than one year to 3 years	More than 3 years	Total
Total Trade receivable (31 December 2021)	227,229,966.27	7,080,875.31	9,604,190.82	243,915,032.40
Less: Provision for impairment loss			(9,604,190.82)	9,604,190.82
Net Trade receivable (31 December 2021)	**227,229,966.27**	**7,080,875.31**	**-**	**234,310,841.58**

Particulars	Less than one year	More than one year to 3 years	More than 3 years	Total
Total Trade Receivable				
(31 December 2020)	342,162,957.23	5,122,972.30	4,811,467.16	352,097,397
Less: Provision for impairment loss		(564,881)	(4,811,467)	(5,376,348)
Trade receivable (31 December 2020)	**342,162,957**	**4,558,092**	**-**	**346,721,049**

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The requirement for impairment is analyzed at each reporting date. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. The Company does not hold collateral as security.

Cash and cash equivalents and other financial assets:

Credit risk from balances with banks and financial institutions is managed by the Company's Finance & Investment Department. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counter party. For banks and financial institutions, only high rated banks/institutions are accepted.

Financial assets are considered to be of good quality and there is no significant credit risk.

d. Liquidity risk:

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Management monitors rolling forecasts of the Company's liquidity position and cash and cash equivalents on the basis of expected cash flows. This is generally performed in accordance with practice and limits set by the Company.

Maturities of financial liabilities:

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

Contractual maturities of financial liabilities 31-Dec-2021	Upto 1 year	2-3 years	4-5 years	More than 5 years	Total
Borrowings- Long Term	127,524,558	437,452,855	509,647,134	1,577,166,847	2,651,791,394
Interest payable - Borrowings	202,545,414	361,717,070	289,522,791	327,362,957	1,181,148,233
Bonds	1,500,000,000	920,140,000			2,420,140,000
Interest payable - Bonds	145,014,000	159,021,000			304,035,000
Borrowings – Short Term	860,000,000				860,000,000
Trade payable and other payables	545,445,330	7,362,938			552,808,268
Total financial liabilities	**3,380,529,302**	**1,885,693,863**	**799,169,925**	**1,904,529,804**	**7,969,922,895**

Contractual maturities of financial liabilities 31-Dec-2020	Upto 1 year	2-3 years	4-5 years	More than 5 years	
Borrowings- Long Term	118,215,926	429,650,203	500,354,618	1,646,512,103	2,694,732,850
Interest payable - Borrowings	185,559,606	369,526,781	298,822,366	356,815,649	1,210,724,402
Bonds		1,500,000,000	920,140,000		2,420,140,000
Interest payable - Bonds	205,014,000	229,700,131	60,787,973		495,502,104
Borrowings – Short Term	560,000,000				560,000,000
Trade payable and other payables	802,479,348				802,479,348
Total financial liabilities	**1,871,268,880**	**2,528,877,115**	**1,780,104,957**	**2,003,327,752**	**8,183,578,703**

50. Profit/(Loss) before income tax during the year:

In the financial year (FY) 2021, company has incurred the Profit/(Loss) before income tax during the year of Nu. (267,729,220)only as compared to Nu. (313,780,941) only in FY 2020.

The major variances compared to previous year 2020, Nu. 170.07 Mi.e. 6% in total revenue and Nu. 124.01M i.e. 4%in total expenditure is because of following reason:

i. The sale of cement was increased by 13,771 MT i.e 3% in FY2021 as compared to FY2020. Moreover, increased in cement price in FY2021 in all market has led to increase in net sales realization as compared to FY2020. In FY 2021 increased of clinker sales by 54% as compared to FY 2020 with absolute amount of Nu. 85.16 M. Further, FY 2021 shows increased in other revenue by 58% with absolute amount of Nu. 25.77 M.

Therefore, overall revenue was increased by 6 % with absolute amount of Nu. 170.07 M as compared to FY 2020.

ii. In FY 2021,company shows the increased in production and sales of cement leading to increase in expenditures as compared to FY 2020 on consumption of Power, Fuel and Raw Materials. Covid-19 pandemic has also affected company through increase on raw material cost, coal prices and transportation rate. Unlike in past years, normal supply chain of coal supply from our sister company(SMCL) was interrupted by Covid-19 Protocols thereby the leading to import of coal from India at the higher average purchase price of coal as compared to FY 2020.The average rate of coal on imported in FY 2021 is at Nu. 10,794/MT as compared to Nu. 9,878/MT in FY 2020. However, the overall average coal rate shows a decrease by Nu. 117/MT in FY 2021 as compared to FY 2020. The average coal rate was Nu.7,618/MT in FY 2020 while it was Nu.7,441/MT in FY 2021.

Therefore, company shows an overall expenditure increased by 4% with absolute amount of Nu. 124.02 M as compared to FY 2020.

51. Additional Disclosures:

i. 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 in favor of DCCL is valued at notional cost of Nu. 195,776,935.20only (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 of the company held in March 2011.

ii. In the opinion of the management, the value of assets other than property, plant and equipment, on realization in the ordinary course of business, will not be less than the value at which these are stated in the Statement of Financial Position.

iii. Covid-19 pandemic:

The FY 2021 was no different than the FY 2020, substantially characterized by the spread of the COVID-19 pandemic accompanied by the imposition of drastic social isolation measures (lockdowns) and total or partial closure of all economic, school, Banks and Institutions. The governments adopted numerous containment measures, essentially intended to restrict the free movement of people, such as selective lockdowns or closure of public places to limit crowds. Numerous regulatory measures concerning essential services and public utilities have been implemented.

During the imposition of Lockdown in Nganglam in the month of June and July 2021, the company ensured uninterrupted production by ensuring all the compliance and measured introduced by Covid Taskforce to prevent local transmission in work place and community.

a. Covid-19 pandemic on business:

During the year, Covid-19 pandemic has hindered the smooth and efficient operations of the Company, there were instances where Plant has shut down due to raw materials shortages. Almost all the raw materials, spare parts are sourced from India and even our key Original Equipment Manufacturers

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(OEMs) such as the Humboldt, ABB, Pfeifer, SIEMENS are based outside either in India or in the third countries. Hence, the timely procurement of spare parts and the expert services from OEMs including the consultants/expert's movements were impeded due to restrictive COVID-19 protocols.

In the opinion of Board, all these factors have hindered and gravely impacted the business of company due to Covid-19. Due to lockdown situations in both Bhutan and India for months, the company's overall smooth sales weretotally interrupted. For instance, in the year the company experienced the lowest ever recorded sales of cement Nu. 174.54 M and Nu. 142.93 M only in the month of June 2021 and July 2021 respectively against the overall monthly averagecement sale of year Nu. 217.99 M during the lockdown. The pandemic is the main cause that has led the company to accrue an annual loss before tax of Nu. 267.73 M which was beyond the internal control of company.

b. Covid-19 pandemic Response Expenditure:

The expenditure of Nu. 4,982,233.19 only for mitigation activities to stop COVID-19 spread in premises. The responses works were carried out departmentally. The amount was mostly incurred on purchase of CGI sheet to fence the containment area, construction of toilets, containment structure, maintenance export loader camp, and new construction of export loader camps and watch tower etc., were capitalized during year.

Further, company has allotted the Jagartala General Guest house at free of charges including free electricity charges to use as quarantine facilities in Nganglam.

c. Covid-19 pandemic Relief Measures:

Based on the press release issued by the Prime Minister's Office on April 12th, 2020, interest on loans from domestic financial institutions were waived as a part of COVID-19 relief measure from April to June. This was extended in the 2nd phase of the relief measures with 100% interest waiver till September 2020 followed by partial (50%) interest waiver from October 2020 to June 2021. The total interest waiver on account of Covid-19 relief measure to company for the FY 2021 is Nu. 97,353,026.08 only.

iv. Slow & Non-Moving inventories:

As per the technical assessment of inventories, the slow and non-moving material were identified based on ageing and usage level of the inventory generated from SAP ERP. Based on the identification/ segregation of stock certified by at the time of physical verification, the items no longer required were held to auction off in due course of item

v. Production and Sales:

The quantitative detail of production and sales of Cement and Clinker as under:

Particulars	Unit	FY 2021	FY 2020
Production Qty.:			
i)Cement	MT	484,588	466,120
ii)Clinker	MT	451,588	442,793
Sales Qty.:			
i)Cement	MT	488,776	475,016
ii)Clinker	MT	64,061	45,495

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52. Subsequent Events after Reporting Period:

The 12thAnnual General Meeting(AGM) was held on 20-April-2022. The financial statements of the company for the year ended December 31, 2021 was adopted and authorized to issue on dated: 20-April-2022.

i. In the AGM the transfer of Share of HMS Kidu Fund amounting to 6,742,200 Equity Share of Nu. 100/- each fully paid-up capital amounting to Nu. 674,220,000/- onlyis authorized to transfer to Druk Holding and Investment(DHI). The DHI will now hold 88.62% of company's equity share value amounting to Nu. 6,623,767,900.00 only (i.e., 66,237,679,200 Equity Share of Nu. 100/- each fully paid-up capital). These financialstatements do not reflect the transfer of Share and its value.

ii. Theremuneration of members of Board of Directors, Chief Executive Officersand Statutory Auditors for thefinancial year 2021were approved and adopted in AGM.

iii. No dividend was declaredfor the financial year ended December 31, 2021.

FOR T.K GHOSE & COMPANY
CHARTERED ACCOUNTANTS
FRN: 302002E

T. K. GHOSE & CO.
Regn. No. 302002E
Chartered Accountants

(GAURAB BASU)
PARTNER
MEMBERSHIP NO. 060518

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

(TSHERING TENZIN)
INTERIM CHIEF EXE. OFFICER

(DASHO UGEN CHEWANG)
CHAIRMAN

DRAGON
CEMENT

STRANGTH OF THE THUNDER DRAGON

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