2019

ANNUAL REPORT

DUNGSAM CEMENT CORPORATION LTD.

THE YEAR IN REVIEW

On behalf of the Hon'ble Chairman, Board Directors, the Management Team and all the employees of the Company, and on my own behalf, I would like to take this opportunity of conveying our heartfelt gratitude and appreciation to all the shareholders, customers, suppliers and our business partners for their unwavering support and co-operation extended to the Company during the financial year 2019.

As I reflect on the events and activities, there are certain milestones, which have directly or indirectly contributed towards the growth of the company during the year. While it is not possible to recount all the events and happenings in these few pages, I would like to highlight some key events to provide our valued readers insight of the company's performance during the year 2019. The review of the current financial year would not be complete without drawing comparison with the years gone by, hence, a quick assessment of the year 2019 in conjunction with the past few years has been highlighted so as to provide our stakeholders a fair understanding of the company's state of affairs.

1. In terms of overall company performance, I am please to report that we produced 604, 936 MT of cement and sold 585,784 MT generating a total revenue of Nu. 3.38 billion during the year. However, there has been slight decline in production, sales and revenue in 2019 as compared to 2018, mainly due to completion of Mangduechu Hydro Power Project and disruption in the core export market of Assam and West Bengal due to implementation of CAB / CAA by the Government of India. Nevertheless, I am pleased to report that the Company did perform fairly well as the loss has been reduced substantially from Nu. 720 million in 2017 to Nu. 51.45 million in 2019 and also achieved the highest ever export sales of 221,516 MT since its commercial operation in 2014.

2. During the year, the company signed a Memorandum of Understanding (MoU) with a globally reputed Siam Cement Group (SCG), Thailand for a period of one year mainly for consultancy service in the key areas of "Plant Operation and Maintenance" which has been a perpetual challenge ever since it's commissioning. Following the MoU, a team of four to five experts from SCG was attached with the plant Department to oversee the overall plant operations and maintenance and carry out necessary rectifications. I am pleased to report that the team has brought about significant improvements in its overall functioning, especially on quality control, production process, maintenance and overall change in the perception and attitude of the employees towards manufacturing and industrial work culture. Unfortunately the experts had to leave early due to outbreak of Corona Virus and will return once the pandemic situation normalizes to complete the term.

3. The other major initiative was restructuring of long-term debts, that is early redemption of Bond Series-I amounting to Nu. 1.039 Billion in November 2019, thereby saving millions in interest payment. Similarly, the company also re-financed Nu. 1.56 Billion Consortium Loan at 10% interest with a long-term loan from NPPF at 7.8% interest rate.

4. During the year, the company also saw appointment of three new General Managers at Executive levels for Marketing, Finance and Corporate Services Departments respectively. This has not only reduced the administrative burden and workload of the management but also brought about much needed efficiency and improvement to the system and Corporate Governance as a whole.

5. The year also saw the conduct of three days annual company Rimdo "Jana Chue Dok, Reo Sangchoe and Sa Dag Truk Chey", by His eminence Yonphula Lam Jigme Tenzin to appease the local deities and for overall well being of the employees and the communities around. The Rimdo was sponsored partially by our transporters and participated by all the DCCL family.

6. The other memorable moment was the visit of Honorable Chairman of the Company, Dasho Karma Yezer Raydi who graced as the Chief Guest during our 5th Foundation Day Celebration on 15th December 2019. The visit was not only of great joy and delight for the employees and their family members but was also a source of great inspiration and motivation to our employees who are working in remote and difficult environment. The day was celebrated by showcasing various cultural dances and singing programs by our employees, amidst fun-filled games and other entertainment activities.

Lastly, I would like to assure our valued shareholders that we pledge to serve the company with loyalty and dedication and leave no stones unturned to achieve our targets for the FY- 2020 and strive to establish ourselves as one of the major profit making entity under the Druk Holdings and Investment Limited. We remain very optimistic about the future performance of the company given its huge potential.

Wishing all our valued stakeholders and partners a successful year 2020.

Tashi Delek

(Sonam Jigme)
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 2014 and 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". About 80% of the cement produced is marketed in India and 20% of the cement produced is marketed in domestic market. As of now the company is in its 7th Year of operation and given its potentials we aspire to become one of the major profits generating company under DHI.

The plant is located at Chengkari, Nganglam; under Pemagatshel Dzongkhag in the 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 Standard.

MISSION

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

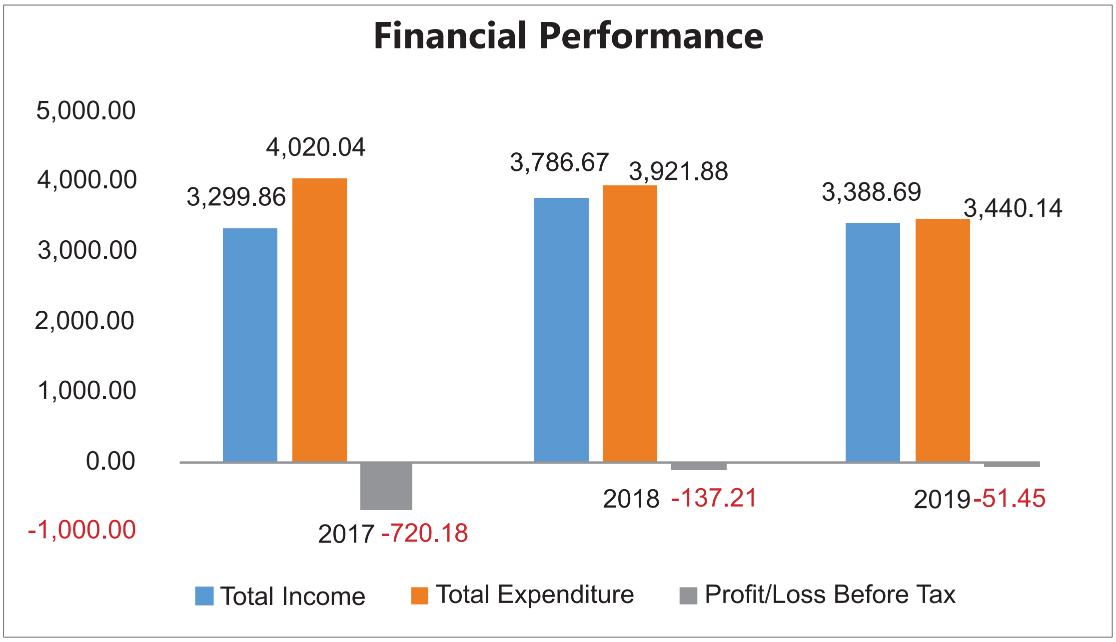
VISION

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

FINANCIAL PERFORMANCE FOR PAST 3 YEARS



DIRECTORS PORTFOLIO

(DCCL BOARD OF DIRECTORS)

Dasho Karma Yezer Raydi – Chairman, DCCL Board.

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

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

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

Dzongda Phuntsho – Director DCCL Board

Dasho Phuntsho obtained his Bachelor of Arts from Sherubtse College, Kanglung, Bhutan and Masters in Philosophy from University of Delhi, India. He served as trainee officer in Dratshang Lhentshog (1987-1988), Assistant Director Dratshang Lhentshog (1988-1992), Dy. Director of Ministry of Home and Cultural Affairs (2002-2008), Dy. Secretary of Cabinet Secretariat (2008-2010), also served as Director in National Council Secretariat (2012-2015). Presently he serves as Dzongda, Pemagatshel Dzongkhag

Mr. Tashi Penjore – Director DCCL Board

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 Zimpon wogm, Office of Gyalpoi Zimpon (OGZ), HMS Kidu Fund and, presently serving as the Director of Department of Law and Order, Ministry of Home and Cultural Affairs, Thimphu.

Mr. Dorji Nima – Director DCCL Board

Mr. Dorji Nima is an Associate Director at DHI. He looks after 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.

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 planning, designing and implementation of urban infrastructure.

Mr. Sonam Jigme – CEO

Mr. Sonam Jigme obtained his Bachelor of Arts (General) from Sherubtse College, Kanglung, Bhutan and Masters in Business Administration from University of Thai Chamber of Commerce Bangkok, Thailand. He served as Militia officer in Royal Bhutan Army, (1991 – 1995), he also served as the Under Secretary, Project Development and Services Division, Department of Industry (2000-2002), Regional Director, Regional Trade and Industry Office, Samdrup Jongkhar and also served as the Dzongda of Gasa and Wangdue Dzongkhag. Presently he is serving as the Chief Executive Officer of Dungsam Cement Corporation Limited, Nganglam,Pemagatshel.

MANAGEMENT TEAM

Head of Departments

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

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

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

Mr. Sonam Dendup, GM SMD obtained his BA (Hon) Geography from Sherubtse 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 Chiphen Rigpel project (ICT project funded by the Government of India).

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.

DIRECTORS REPORT

DIRECTORS REPORT
DCCL-2019

Introduction

On behalf of the Board and the Management of Dungsam Cement Corporation Limited (DCCL), I extend a warm welcome to all participants to the **10th Annual General Meeting (AGM)** of DCCL.

Dear Shareholder,

The Board is pleased to report the company's performance for the period 1st January 2019 to 31st December 2019.

Operational highlights

In 2019, DCCL produced a total of 559,842.05 MT of Clinker and 604,936.40 MT of cement. The company sold 585,737 MT of cement, a decrease of about 9% from 633,385 MT sold in 2018.
The decrease is mainly on account of (i) completion of MHPA project, (ii) strikes in the border town (about 20 days), and (iii) impact on sales due to load restriction (19 days), which combinedly affected/reduced sale by about 110,000 MT for the year.

Regardless of these external factors, we are pleased to report that DCCL achieved the highest ever export figure, of 220,496.40 MT, since its commercial operation (in Jan 2014).

During the year, the company signed a MoU with a globally reputed Siam Cement Group (SCG), Thailand and fielded their experts in the key areas of plant operation and maintenance. The plant has, thereafter, achieved significant improvements in its overall functioning, especially the cement quality, plant maintenance and overall change in the perception of the employees towards the ever-continuing initial teething problems.

The other highlights of the year are in the restructuring of long-term debts. The company redeemed Nu. 1.039 Billion Bond Series-I in November 2019.

Similarly, the company also re-financed Nu. 1.56 Billion Consortium-Loan, which had 10% interest rate, with a long-term loan from NPPF @ 7.8% interest rate. Overall, the company achieved 2.2% (or Nu. 80 M) savings on interest cost.

Financial highlights

1. Revenue

In 2019, the company earned a sales revenue of Nu. 3.29 Billion as compared to Nu. 3.76 Billion in 2018, a decrease of 10.46% (or Nu. 471.38 Million).

As informed earlier, the external factors impacted more than Nu. 374.78 Million on the sales revenue, of which Nu. 343 Million account for MHPA completion and Nu.60 Million from others factors).

2. Expenditure

The total expenditure during the year was Nu. 3.44 Billion as compared to Nu. 3.92 Billion in 2018. The company achieved a substantial reduction in the expenses by 12.28% (or Nu. 481.74 Million), as the:

a. ***'Consumption of raw material'*** reduced by 17% (or Nu. 132 M),
b. **'Freight Outward'** reduced by 40% (or Nu.248 M),
c. **'Power and Fuel'** reduced by 7.25% (or Nu. 84 M), and
d. **'Finance Cost'** reduced by 14% (or Nu.80 M).

3. Profit/(Loss) Before Tax

On account of huge reduction in the expenditure, the company registered a book profit of Nu. 251.12 Million (arrived at after removing Depreciation of Nu.302.57 Million), an increase of 43% from 2018's Nu. 175.13 Million.

Nonetheless, the company registered a bottom-line figure of minus Nu.51.45 Million, which is, however, a significant improvement of 63% from 2018's minus Nu.137.21 Million.

HR and other systems

The company recruited a total of 54 new employees, including replacement and additional staff. Of the total new recruits, three were the General Managers for Finance & Accounts, Sales & Marketing and Corporate Support departments.

Also, in line with the MoU signed with the Siam Cement Group, the company sent 21 staff to SCG's plants in Thailand to learn various aspects of plant operation and maintenance from their experts.

Although being mindful of the cash flow challenges, in order to motivate and boost the morale of the employees and, thereby, enhance efficiency and productivity, the company revised the remuneration and benefits of the employees at par with other DHI Group companies with effect from 1st October 2019.

Corporate governance

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

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

Corporate social responsibility

As a responsible corporate citizen, the company extended financial support of about a million ngultrum to ten social activities and issued cement donations, of more than 81 MT, to different local sectors as its charitable and social contributions.

Statutory audit

Appointed by Royal Audit Authority, M/s Mittal and Co., New Delhi, India conducted the Statutory Audit of the company. Besides the same qualification on the assetization of Spares as in 2018, an emphasis on the 'redemption reserve' amount created for the Bond Series III has been issued. It may be informed that all necessary approvals from relevant authorities in creating the 'redemption reserve' have been received.

Further, it may be informed that the Internal Audit Section of the company conducts regular auditing to ensure check and balance and proper management of its resources.

Key Challenges & Way Forward

Considering that about 80% of the production is required to be sold in the export market, it is the external factors across the border that come in as the company main challenges. The public demonstration in India due to the enforcement of the Citizenship Amendment Act of India, caused the export sales to drop dramatically during the period.
In the similar lines, besides GST complications, sourcing and smooth movement of raw materials (fly ash, slag and coal) from Indian towns to DCCL plant, remains a perpetual challenge to the company.

Acknowledgement

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

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 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 Board

[Dasho Karma Yezer Raydi]
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 Karma Yezer Raydi	CEO, Druk Holding & Investments Limited (DHI)	Chairman	March 2018	Non-Independent
2.	Dasho (Dr.) Tobgyal Wangchhuk	Changkhap, HMS Kidu Fund	Director	March 2018	Independent
3	Mr. Phuntsho	Dzongda, Pemagatshel Dzongkhag	Director	July 2019	Independent
4.	Mr. Tashi Penjore	Director, Department of Law and Order	Director	March 2019	Independent
5	Mr. Dorji Nima	Associate Director, PMD, Druk Holding and Investments Limited	Director	June 2019	Non-Independent
6	Ms. Dechen Yangden	Chief Engineer, Department of Engineering Services, MoWHS	Director	June 2019	Independent
7.	Mr. Sonam Jigme	CEO, Dungsam Cement Corporation Limited	Director	June 2017	Non-Independent

BOARD MEETINGS:

To enhance good governance and provide appropriate policy directives to the company, six (6) Board meetings were convened during the FY 2019. 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
62	March 16, 2019	1. Dasho Karma Yezer Raydi 2. Mr. Phuntsho 3. Mr. Yonten Namgyel 4. Mr. Tashi Penjore 5. Mr. Sherab Namgay 6. Mr. Sonam Jigme	1. Dasho (Dr.) Tobgyal Wangchhuk
63	April 12, 2019	1. Dasho Karma Yezer Raydi 2. Dasho (Dr.) Tobgyal Wangchhuk 3. Mr. Yonten Namgyel 4. Mr. Tashi Penjore 5. Mr. Sherab Namgay 6. Mr. Sonam Jigme	1. Mr. Phuntsho
64	July 30, 2019	1. Dasho Karma Yezer Raydi 2. Mr. Phuntsho 3. Mr. Tashi Penjore 4. Mr. Dorji Nima 5. Ms. Dechen Yanden 6. Mr. Sonam Jigme	1. Dasho (Dr.) Tobgyal Wangchhuk
65	July 30, 2019	1. Dasho Karma Yezer Raydi 2. Mr. Phuntsho 3. Mr. Tashi Penjore 4. Mr. Dorji Nima 5. Ms. Dechen Yanden 6. Mr. Sonam Jigme	1. Dasho (Dr.) Tobgyal Wangchhuk
66	November 13, 2019	1. Dasho Karma Yezer Raydi 2. Mr. Tashi Penjore 3. Mr. Dorji Nima 4. Ms. Dechen Yangden 5. Mr. Sonam Jigme	1. Dasho (Dr.) Tobgyal Wangchhuk 2.Ms. Dechen Yangden

BOARD SUB-COMMITTEE MEETINGS AND PROCEDURES:

Board Audit Committee Meetings (BAC)

Besides Six (6) board meetings, four (4) 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
23	March 15, 2019	1. Mr. Yonten Namgyel 2. Mr. Sherab Namgay	1.Mr. Tashi Penjore
24	July 30, 2019	1.Mr. Dorji Nima 2.Mr. Tashi Penjore 3. Mrs. Dechen Yangden	Nil
25	November 12, 2019	1. Mr. Dorji Nima 2. Mr. Tashi Penjore 3. Mrs. Dechen Yangden	Nil
26	December 10, 2019	1. Mr. Dorji Nima 2. Mr. Tashi Penjore 3. Mrs. Dechen Yangden	Nil

Board Level Human Resource Committee (BLHRC)

During the year two (3) Board Level Human Resource Committee (BLHRC) Meetings were convened to decide on various aspects of the operations of the company. The details of the board attendance are as follows:

BLHRC Meeting No.	Dates	Members Present	Leave of Absence
9	March 2, 2019	1. Mr. Tashi Penjore 2. Mr. Yonten Namgyel 3. Mr. Sherab Namgyel 4. Mr. Sonam Jigme	Nil
10	July 4, 2019	1.Mr. Tashi Penjore 2.Mr. Dorji Nima 3.Ms. Dechen Yangden	Nil
11	July 17, 2019	1.Mr. Tashi Penjore 2.Mr. Dorji Nima 3.Ms. Dechen Yangden	Nil

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	62nd Board Meeting Venue: Conference Hall, Hotel Bhutan Ga Me Ga, Phuntsholing Date: March 16, 2019	Chairman Dasho Karma Yezer Raydi	8,000	Present
		Dr. Dasho Tobgyal Wangchhuk	NA	Leave of absence
		Mr. Phuntsho	8,000	Present
		Mr. Yonten Namgyel	8,000	Present
		Mr. Tashi Penjore	8,000	Present
		Mr. Sherab Namgay	8,000	Present
		Mr. Mr. Sonam Jigme	8,000	Present
2	63rd Board Meeting Venue: Conference Hall, Hotel Ro Chog Pel, Thimphu Date: April 12, 2019	Chairman Dasho Karma Yezer Raydi	8,000	Present
		Dr. Dasho Tobgyal Wangchhuk	8,000	Present
		Mr. Phuntsho	NA	Leave of absence
		Mr. Tashi Penjore	8,000	Present
		Mr. Yonten Namgyel	8,000	Present
		Mr. Sherab Namgay	8,000	Present
		Mr. Sonam Jigme	8,000	Present
3	64th Board Meeting Venue: Conference Hall, Hotel Ro Chog Pel, Thimphu Date: May 20, 2019	Chairman Dasho Karma Yezer Raydi	8,000	Present
		Dr.Dasho Tobgyal Wangchhuk	NA	Leave of absence
		Mr. Tashi Penjore	8,000	Present
		Mr. Phuntsho	8,000	Present
		Mr. Dorji Nima	8,000	Present
		Ms. Dechen Yangden	8,000	Present
		Mr. Sonam Jigme	8,000	Present
4	65th Board Meeting Venue: DCCL Board Room, Nganglam, PemaGatshel Date: July 30, 2019	Chairman Dasho Karma Yezer Raydi	8,000	Present
		Dr. Dasho Tobgyal Wangchhuk	NA	Leave of absence
		Mr. Phuntsho	8,000	Present
		Mr. Tashi Penjore	8,000	Present
		Mr. Dorji Nima	8,000	Present
		Ms. Dechen Yangden	8,000	Present
		Mr. Sonam Jigme	8,000	Present

5	66th Board Meeting Venue: Conference Hall, Hotel Ro Chog Pel, Thimphu Date: November 13, 2019	Chairman Dasho Karma Yezer Raydi	8,000	Present
		Dr. Dasho Tobgyal Wangchhuk	NA	Leave of absence
		Mr. Phuntsho	NA	Leave of absence
		Mr. Tashi Penjore	8,000	Present
		Mr. Dorji Nima	8,000	Present
		Ms. Dechen Yangden	8,000	Present
		Mr. Sonam Jigme	8,000	Present
6	67th Board Meeting Venue: Conference Hall, Hotel Bhutan Ga Me Ga, Phuntsholing Date: December 19, 2019	Chairman Dasho Karma Yezer Raydi	8,000	Present
		Dr. Dasho Tobgyal Wangchhuk	NA	Leave of absence
		Mr. Phuntsho	8,000	Present
		Mr. Tashi Penjore	8,000	Present
		Mr. Dorji Nima	8,000	Present
		Ms. Dechen Yangden	NA	Leave of absence
		Mr. Sonam Jigme	8,000	Present

The 10th AGM for the financial year ended 2019 was convened on March 13, 2020 at Board Room, DHI, Thimphu. The following agenda were deliberated during the 10th AGM:

10.01 Adoption of the 10th Annual General Meeting Agenda;

10.02 Confirmation and adoption of the minutes of the 9th Annual General Meeting – additional agenda;

10.03 Presentation and endorsement of Directors Report;

10.04 Consideration and adoption of Audited Accounts and Audit Report for the financial year ended December 31, 2019;

10.05 Endorsement of remunerations paid to the CEO and Directors;

10.06 Endorsement of the appointment and remuneration paid to the Statutory Auditors;

10.07 Retirements and appointment of directors;

10.08 Review of annual compact 2019;

10.09 Declaration of dividend;

10.10 Proposal for sale of shares held by Zhung Gerab Dratshang; and

10.11 Any other matter

DURING THE 10TH AGM, THERE HAS BEEN CHANGE IN THE CONSTITUTION OF THE BOARD.

New appointment of Directors:

• The AGM also noted the new appointment of following board directors as per the DHI letter no. 5/DHI/CPD-CGRD/Boards/2020/158 dated march 3, 2020 as follows:

Sl. No.	Name	Designation/Address	Remarks
1.	Dasho Karma Yezer Raydi	CEO, DHI, Chairman of the Board	Re-appointed for another term (March 2020 – March 2022)
2.	Dasho (Dr. Tobgyal Wangchhuk	HM's, Secretariat	Re-appointed for another term (March 2020 – March 2022)
3.	Mr. Tashi Penjore	Director, Dept. of Law and Order, MoHCA	Continue, Term not completed (March 2019 – March 2021)
4.	Mr. Dorji Nima	Associate Director, CPD, DHI	Continue, Term not completed (March 2019 – March 2021)
5.	Ms. Dechen Yangden	Chief Engineer, DoES, MoWHS	Continue, Term not completed (March 2019 – March 2021)
6.	Ms. Tshering Lham	Investment, NPPF	New appointment (March 2020 – March 2022)
7.	Mr. Sonam Jigme	CEO, DCCL	

Risk Management System

The DCCL Risk management frame work 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	Poor quality of raw materials	Added rejection clause in agreement for not meeting quality parameter.	Process and Production Division
2	Inadequate Iron ore stock yard	Extension of iron ore storage shade	Raw Material Section
3	Over reliance on hydropower project in domestic market	Large scale production to its capacity to make price more competitive with other cement brands in India. Give more importance in quality production, to make product more reliable in India.	Marketing Section
4	SAP ERP Failure (Application & Server)	Strong Service Level Agreements with support services, adequate data recovery/backup system	Information Communication and Technology Section
5	Loss and damage of IT equipment by the employees	Frame ITC equipment policy	Information Communication and Technology Section

Corporate Social Responsibility (CSR)

Corporate Social Responsibility (CSR) is a business approach that contributes to sustainable development by delivering economic, social and environmental benefits for all stakeholders. CSR is a concept with many definitions and practices, the way it is understood and implemented differs greatly for each company and country.

CSR is a very broad concept that addresses many and various topics such as human rights, corporate governance, health and safety, environmental effects, working conditions and contribution to economic development. The purpose of CSR is to drive change towards sustainability. As a Corporate Social Responsibility to help the local community and society at large, given below are list of contributions and donations towards the society by DCCL:

Expenses	Cement (MT)	Amount	Narrations
CSR Expenses	98.90 (OPC)	421,802.22	Cement contribution made to varies entities that were in dire need.
	81.25 (PPC)	305,951.27	
		25,000.00	Sponsorship for golden youth
		100,000.00	Donation made for Gangtey Goenpa
Total CSR expenses		852,753.49	
Donations		50,000.00	Donation toward Moenlom Chhenmo, Wangdue Phodrang
		10,000.00	Donation for waste bins for Yongla Goenpa
		10,000.00	Donation for waste bins for Yongla Goenpa
		10,000.00	Contribution to CDCL for organizing seminars
		10,000.00	Contribution for 44th Rass Mahautsar, Pathsala, 2019
		50,000.00	Donation to Thimphu Moenlam Chhenmo, Thimphu
		98,083.00	Contribution towards financial support GNHC&MoHCA
Total donations		228,083.00	
Total CSR Expenses and Donations		1,080,836.49	

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

S.K. MITTAL & CO.
Chartered Accountants

Mittal House, E-29, South Extension, Part II
New Delhi-110049, Tel: 26258517, 41640694

INDEPENDENT AUDITOR'S REPORT

To the Members of
DUNGSAM CEMENT CORPORATION LIMITED
NGANGLAM, BHUTAN

Report on the Audit of the Financial Statement

Qualified Opinion

We have audited the financial statements of DUNGSAM Cement Corporation Limited (the Company) which comprise the statement of financial position as at December 31,2019, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with Bhutanese Accounting Standards (BAS).

Basis for Qualified Opinion

In terms of BAS-16: Property, Plant and Equipment (PPE), items such as spare parts, standby equipment and servicing equipment are recognized under PPE when they meet the definition. However, certain stores, spares and service equipment meeting the definition in terms of BAS-16 have not been recognized as PPE but have been shown under inventory, consequently not providing the depreciation due to wear and tear, technical or commercial obsolescence.

We conducted our audit in accordance with International Standards on Auditing (IASs). 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 basis for our opinion.

Emphasis of Matter

a) Attention is drawn to Note 32 and paragraph 33 of Annexure 'A' on Minimum Audit Examination and Reporting Requirements. The Company has made operating profit before depreciation and taxation of Nu. 251,124,625 during the year 2019 (though there is a loss of Nu. 331,149,254 after depreciation and taxation) as against operating loss before depreciation and taxation in earlier years and is hopeful that it would at least break even in the year 2020. Based on the measures put in place by the board and the management to turn around the Company we have no doubt on the Company's ability to continue as a going concern.

b) In terms of Note 33 The company has completed four year of Bond Series III on dated 22.06.2019. However, the company has created the Redemption Reserve of Nu. 187,500,000.00 till December 2019 out of Nu. 375,000,000 at the completion of fourth year. The company is depositing the balance amount in installments to the Bonds Redemption Reserve. The FDR made on this account is shown as Redemption reserve. We have been informed by the management that have taken the necessary approval from the concern authority.

Our opinion is not modified in respect of this matters.

S.K. MITTAL & CO. NEW DELHI CHARTERED ACCOUNTANTS

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with BAS, and for such internal control as managementdetermines is necessary to enable the preparation of financial statementsthat 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 maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- 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.

S.K. MITTAL & CO. NEW DELHI CHARTERED ACCOUNTANTS

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 the section 266 of the Companies Act of Bhutan, 2016 (Minimum Audit Examination and Reporting Requirements) we enclose in the Annexure 'A' statement 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 it appears from our examination of those books;

c) The statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows dealt with in this report are in agreement with the books of account; and

d) In our opinion, Company has complied with other legal and regulatory requirements.

Dated: 31 JUL 2020

Place: New Delhi

UDIN: 20072290AAAABP9430

For S. K. MITTAL & CO.

Chartered Accountants
FRN: 001135N

S.K. MITTAL & CO. NEW DELHI CHARTERED ACCOUNTANTS

S. Murthy
(Partner)
Membership No. 072290

Annexure 'A'

MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENTS

General

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

1. The Company has adhered to the applicable Corporate Governance Guidelines and Regulations during the year under report.
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 Standards issued by the Accounting and Auditing Standards Board of Bhutan (AASBB).
4. Proper books of account 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 in the succeeding years.

Other matters pertaining to manufacturing, mining or processing company to the extent applicable

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. The Company's internal Auditors have conducted physical verification of fixed assets other than plant and machinery during the year. No discrepancies were observed during such physical verification.
2. As informed to us, none of the fixed assets were revalued during the year under audit.
3. The Company has carried out physical verification of inventories in respect of raw materials, work in progress, finished product, consumables, stores and spares in a phased manner during the year and subsequently in the month of February 2020 the physical verification of Raw Materials, Finished and Semi Finished Goods was carried out by State Mining Corporation Limited. In our opinion and as per the information and explanations given to us the procedures of physical verification of stocks followed by the management during were reasonable and adequate in relation to the size of the company and the nature of its business. The Excess (net) noticed on physical verification of stocks compared to the book records were amounting to Nu. 82,866,057.24 which were booked to Misc. Income. However, the quantity adjustment for Nu. 46,553,668.51 has been carried out in the Financial Year 2020.
4. The Company has a reasonable system of recording receipts, issues and consumption of materials and stores and allocation of materials consumed to the respective jobs. However, the same needs to be further improved to make it commensurate with its size and nature of its business. During the year consumption of inventory to the sum of Nu. 108,067,924.02 was charged to consumption for the year 2018 and subsequently the Financials for the Year ending 2018 were restated.
5. As informed to us, quantitative reconciliation has been made at the year-end in respect of all major items of inventories i.e. finished goods and raw materials. The company has adjusted the quantity of consumption booked for the year 2018 and the quantity of shortage/ excess found during the physical verification of inventory as on February 2020, in the financial year 2020.

6. The company has an Asset Write off and Disposal Committee in place to identify obsolete, damaged, slow moving and surplus goods/inventories etc. We are informed that the value of such items at year-end was not substantial and therefore no provision was considered necessary for the same. However, no aging analysis of inventory has been carried out.
7. The Company has a reasonable system for disposal of obsolete and surplus inventories and accounting of proceeds from such disposal.
8. The Company has a system to obtain approval of the Board/appropriate authority for writing off amounts due to material loss/discrepancies in physical/book balances of inventories including finished goods, raw materials, stores and spares etc.
9. In our opinion valuation of stocks is fair and proper in accordance with the applicable Accounting Standards issued by the Accounting and Auditing Standard Board of Bhutan (AASBB). We are informed that the basis of valuation of stocks is the same as in the preceding year.
10. The rate of interest and other terms and conditions of loans availed by the company secured or unsecured are prima facie not prejudicial to the interest of the Company.
11. The company has not granted any loans to other parties during the year which are ultra-vires to its Articles of Incorporation and other relevant Acts and regulations.
12. According to information and explanations given to us, the advances granted to officers/staff are in keeping with the provisions of service rules and by and large, no excessive / frequent advances are granted and accumulation of large advances against particular individual is generally avoided.
13. In our opinion and according to the information and explanations provided to us, the Company has established the system of internal controls to ensure completeness, accuracy and reliability of accounting records, carrying out the business in an orderly and efficient manner, to safeguard the assets of the Company as well as to ensure adherence to the rules/regulations and system and procedures. However, in our opinion, the internal control system needs to be further strengthened w.r.t. to completeness and accuracy of inventory management and credit policy for customers.
14. The Company has a reasonable system of authorization at proper levels, and an adequate system of internal control (which needs strengthening) commensurate with the size of the Company and nature of its business, on issue of stores and allocation of materials and labour to jobs.
15. The Company follows a system of competitive biddings commensurate with the size and nature of its business for the purchase of goods and services including stores, raw materials, plant and machinery, equipment and other assets, and for the sale of goods and services.
16. 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. 38 of the financial statements. We are informed that 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.
17. As per the information and explanations given to us and as per the test checks performed by us, expenses charged to the Company accounts represent legitimate business expenses and no personal expenses are charged to the Company except those payable under contractual obligations/service rules.
18. In our opinion and as per information and explanations given to us, there is reasonable system of ascertaining and identifying point of occurrence of breakage/damages of raw materials, packaging materials and finished products i.e. while in transit, during processing, during loading/unloading, in storage and during handling etc. so that responsibility could be fixed and compensation sought from those responsible.

19. In our opinion and according to the information and explanations given to us, the Company is maintaining reasonable records for production of finished goods and adequate physical safeguards exist to prevent unauthorized or irregular movement of goods from the Company.

20. The Company is maintaining reasonable records for sales and disposal of realizable scraps. The Company has no by-product. We have performed our audit function on the basis of random sampling related to sales and as per information and explanations given to us.

21. According to the information and explanations given to us and the records examined by us, the Company is generally regular in depositing rates and taxes, duties, royalties, provident funds and other statutory dues with the appropriate authority. The Company is not required to make provision for corporate tax under the taxation policy as the Company is having losses during the year.

22. According to the information and explanations given to us and on the basis of our observation, the following undisputed statutory dues were outstanding as on 31.12.2019. which have since been paid by the Company:

- Bhutan Sales Tax: Nu. 3,240,301.43

23. As per the information and explanations given to us, the Company is following a reasonable system of price fixation taking into account the cost of production and market conditions.

24. The Company has made credit sales during the year. The Company has formed a credit and collection policy. However, the policy is silent in case recoveries are not made from customers within due time and security deposit to be given by a customer. Further, credit rating of the customers has also not been carried out.

25. The system of screening and performance evaluation of commission agents and agency commission structure is in keeping with the industry norms/market conditions.

26. There is a reasonable system for continuous follow up with debtors and other parties for recovery of outstanding amounts. Age wise analysis of outstanding amounts is carried out for management information and follow up action. However, year-end balance confirmations have not been obtained in most of the cases.

27. According to information and explanations given to us and on the basis of our verification, the management of liquid resources particularly cash/bank and short term deposits etc. are adequate and that excessive amount are not lying idle in non- interest bearing accounts, and withdrawals of loan amounts are made after assessing the requirements of funds from time to time and no excess amounts are withdrawn leading to avoidable interest burden on the Company.

28. According to the information and explanations given to us and on the basis of our checking, we have not come across any activity carried by the company which is unlawful or ultra-vires to the Articles of Incorporation of the Company.

29. Investment decisions are made subject to prior approval of the Board and after ascertaining the technical and economic feasibility of those ventures.

30. According to the information and explanations given to us, the company has established an effective budgetary control system.

31. The Company has a system of establishing input–output relationship for manufacture of its products and has an established standard costing system for its finished goods and work in progress. However, variance analysis has not been carried out at periodic intervals.

32. Valuation of finished goods and WIP is done on the basis of standard cost fixed during the year 2019.

33. The details of remuneration and other payments made to the Board of Directors including the Chief Executive Officer or any of their relatives (including spouse(s) and child/children) by the Company directly or indirectly are disclosed in the notes to accounts. As explained to us by the management, no payment has been made to any relative of any director of the Company during the year.

34. According to the information and explanations given to us, the directives of the Board have been generally complied with.

35. On the basis of information and explanations given to us and based on the management representation, we are of the opinion that the officials of the Company have not transmitted any price sensitive information which is not made publicly available, unauthorized to their relatives/ friends/ associates or close persons.

Computerized Accounting Environment

1. In our opinion the organizational and system development controls and other internal controls are adequate relative to size and nature of computer installations. In our opinion system audit should be carried out to ensure its smooth working.
2. The Company has adequate safeguard measures and backup facilities.
3. As regards backup facilities and disaster recovery measures, we are given to understand that the backup files are kept at different locations.
4. The operational controls are found adequate to ensure correctness and validity of input data and output information.
5. Measures taken by the Company to prevent unauthorized access over the computer installations and files are generally adequate.
6. There has been no data migration to any new system during the year as per information and explanation to us.

Facts for unfavorable/qualified statements

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

Going Concern Problems

The Company has made an operating profit before depreciation and taxation during the year 2019 of Nu. 251,124,625 (though there is a loss of Nu. 331,149,254 after depreciation and taxation) as against operating loss before depreciation and taxation of Nu 175,242,396 (restated) during previous year 2018. The management is hopeful that the Company would at least break even in the year 2020 though it has projected positive PAT of Nu. 373.81 million For the FY 2020. In view of above, we have no doubt on the Company's ability to continue as a going concern.

Ratio Analysis

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

RATIO	BASIS	2019	2018	2018 (Restated)
Earnings per share	Profit after Tax/ No of Shares Issued	-4.43 Per Share	-11.20 Per Share	-2.04 Per Share
Net Profit Ratio (%)	Net Profit/ Turnover *100	-10.15%	-22.26%	-3.98%
Return on Assets (%)	Net Profit/ Total Assets*100	-3.37%	-8.20%	-1.53%
Return on Equity (%)	Net Profit/ Owners Equity*100	-4.46%	-11.20%	-2.00%
Current Ratio	Current Assets/ Current Liabilities	Nu. 0.75	Nu. 1.06	Nu. 0.99
Average Collection Period Ratio	Total Receivable/Sales*365	38.91 Days	41.93 Days	41.95 Days

Compliance with the Companies Act of Bhutan 2016

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

Adherence to Laws, Rules and Regulations

In the course of our audit, we have considered the compliance of the provisions of the Companies Act of Bhutan, 2016, Bhutanese Accounting Standards and its Articles of Incorporation. However, we are unable to state that the company has been complying with other applicable laws, rules and regulations, system, procedures and practices.

Dated: 31 JUL 2020

Place: New Delhi

UDIN: 20072290AAAABP9430

For S. K. MITTAL & CO.

Chartered Accountants
FRN: 001135N

S.K. MITTAL & CO. NEW DELHI CHARTERED ACCOUNTANTS

S. Murthy
(Partner)
Membership No. 072290

DUNGSAM CEMENT CORPORATION LIMITED
STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2019

PARTICULARS	Notes	31-Dec-19	"31 Dec 2018 (Restated)"	"01 Jan 2018 (Restated)"
ASSETS				
Non-current assets				
Property, plant and equipment	2	8,082,311,891	8,349,722,581	8,632,631,766
Intangible asset	0	47,320,609	50,641,119	53,961,629
Capital work-in-progress	1	1,025,536	-	13,218,573
Investments	2	193,109,539	2,956,062	-
Other receivables	3	10,738,428	10,253,186	8,131,169
Other non-current assets	4	22,158,605	19,503,161	17,495,266
Total non-current assets		8,356,664,608	8,433,076,109	8,725,438,404
Current assets:				
Inventories	5	1,077,640,759	765,920,059	818,475,552
Trade & other receivables	6	350,488,826	432,042,933	387,719,998
Investments	2	-	-	2,814,046
Cash and cash equivalents	7	50,747,083	67,528,219	41,391,603
Other current assets	8	51,139,656	85,074,764	150,838,016
		1,530,016,324	1,350,565,975	1,401,239,215
Assets classified as held for sale	9	27,186	624,683	-
Total current assets		1,530,043,510	1,351,190,658	1,401,239,215
TOTAL		**9,886,708,117**	**9,784,266,767**	**10,126,677,619**
EQUITY AND LIABILITIES				
Shareholder's equity				
Equity share capital	10	7,473,947,900	7,473,947,900	6,373,947,900
Other equity		(4,320,260,616)	(3,986,719,882)	(3,837,295,518)
Total equity		3,153,687,284	3,487,228,018	2,536,652,382
Non-current liabilities				
Borrowings	11	4,390,387,221	4,904,964,356	5,121,516,609
Deferred tax liabilities (net)	28	279,699,321	-	-
Other long-term liabilities	12	36,094,970	27,573,234	15,273,471
Total non-current liabilities		4,706,181,512	4,932,537,590	5,136,790,080
Current liabilities				
Borrowings	13	1,070,000,000	504,868,757	4,200
Trade and other payables	14	903,199,574	840,227,870	2,420,626,599
Other current liabilities	15	53,639,746	19,404,531	32,604,358
Total current liabilities		2,026,839,320	1,364,501,159	2,453,235,157
TOTAL		**9,886,708,117**	**9,784,266,767**	**10,126,677,619**

See accompanying notes to the financial statements 1-48

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

FOR S.K. MITTAL & COMPANY
CHARTERED ACCOUNTANTS
FRN:001135N

S. Murthy
(..........................)
PARTNER
MEMBERSHIP NO: 72290

S.K. MITTAL & CO. NEW DELHI CHARTERED ACCOUNTANTS

DATED : 31 JUL 2020
PLACE : NEW DELHI

UDIN: 20072290AAAABP9430

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

(SONAM JIGME)
CHIEF EXECUTIVE OFFICER

(DASHO KARMA YEZER RAYDI)
CHAIRMAN

AUTHORIZED DATE: 13/03/2020

DUNGSAM CEMENT CORPORATION LIMITED
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2019

Particulars	Note	For the year ended 31 Dec 2019	"For the year ended 31 Dec 2018 (Restated)"
Income			
Revenue from manufacturing sector	16	3,287,482,112	3,758,870,027
Other income	17	101,210,655	25,801,852
Total income		**3,388,692,767**	**3,784,671,879**
Expenditure			
Consumption of raw materials & consumables	18	640,792,835	772,301,654
Changes in inventory of work in progress and finished goods	19	(251,323,213)	(278,846,008)
Power & fuel	20	1,073,788,894	1,157,712,182
Employee benefit expenses	21	155,748,247	131,200,161
Depreciation and amortisation	22	302,574,558	312,344,061
Selling and marketing expenses	23	522,875,494	778,572,025
Operation and maintainence expenses	24	216,595,480	202,394,547
Other expenses	25	275,190,111	262,123,107
Finance cost	26	503,900,293	584,081,673
Total expenditure		**3,440,142,700**	**3,921,883,403**
Loss before income tax		(51,449,933)	(137,211,525)
Income tax expense:			
- Current tax			
- Deferred tax	28	(279,699,321)	-
Loss after income tax		**(331,149,254)**	**(137,211,525)**
Other comprehensive income/(loss)			
Actuarial gain/(loss) on post employment benefit obligations		(2,391,480)	(12,212,840)
Net other comprehensive income/ (loss)		(2,391,480)	(12,212,840)
Total comprehensive income/(loss)		**(333,540,734)**	**(149,424,365)**
Basic and diluted earnings per share	27	(4.43)	(2.04)

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

FOR S.K. MITTAL & COMPANY
CHARTERED ACCOUNTANTS
FRN:001135N

S. Murthy
(..........................)
PARTNER
MEMBERSHIP NO. 072290

DATED : 31 JUL 2020
PLACE : NEW DELHI

UDIN: 20072290AAAABP9430

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

(SONAM JIGME)
CHIEF EXECUTIVE OFFICER

(DASHO KARMA YEZER RAYDI)
CHAIRMAN

AUTHORIZED DATE: 13/03/2020

S.K. MITTAL & CO. CHARTERED ACCOUNTANTS NEW DELHI

DUNGSAM CEMENT CORPORATION LIMITED
STATEMENT OF CASH FLOW FOR THE YEAR ENDED DECEMBER 31, 2019

Particulars	For the year ended	For the year ended
	31-Dec-19	"31 Dec 2018 (Restated)"
Cash flow from operating activities		
Total comprehensive income after tax	(333,540,734)	(149,424,365)
Adjustement for		
Depreciation/amortisation	302,574,558	312,344,061
Interest income		(566,647)
Interest on borrowings	485,562,495	565,372,310
	734,295,640	727,725,360
Adjustement for		
(Increase)/Decrease in trade receivable and other receivables	81,068,864	(44,322,939)
(Increase)/Decrease in other current assets	34,532,603	65,138,568
(Increase)/Decrease in inventories	(311,720,700)	52,555,493
(Increase)/Decrease in other non-current assets	(2,655,444)	(4,129,911)
Increase/(Decrease) in trade payables	62,971,704	(115,543,175)
Increase/(Decrease) in other current liabilities	34,235,215	(14,092,159)
Increase/(Decrease) in other long-term liabilities	8,521,736	13,145,280
Less : Tax paid		-
Net cash flow from operating activities (A)	641,249,618	680,476,516
Cash flow from investing activities		
Purchase of fixed assets and capital work in progress	(32,868,893)	(12,895,793)
Fixed deposit with bank	(190,153,477)	(967,284)
Interest income		1,391,915
Net cash flow from investing activities (B)	(223,022,371)	(12,471,161)
Cash flow from financing activities		
Issue of share capital	-	224,400,000
Short term borrowings repaid	565,131,243	(84,344,177)
Long term borrowings repaid/availed during the year	(514,577,135)	(216,552,253)
Interest paid during the year	(485,562,495)	(565,372,310)
Cash flow from financing activities (C)	**(435,008,387)**	**(641,868,740)**
Net increase/ (decrease) in cash & cash equivalents (A+B+C)	(16,781,140)	26,136,616
Cash & cash equivalents at the beginning of the year	67,528,219	41,391,603
Cash & cash equivalents at the end of the year	**50,747,079**	**67,528,219**

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. 9 to the Accounts]
3. 8,756,000 fully paid equity shares of Nu. 100 each were issued during the year 2018 in kind upon conversion of debt into equity.
4. Figures in brackets indicate cash outflows.

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

FOR S.K. MITTAL & COMPANY
CHARTERED ACCOUNTANTS
FRN:001135N

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

S.K. MITTAL & CO. NEW DELHI CHARTERED ACCOUNTANTS

(.....S. Murthy.....)
PARTNER
MEMBERSHIP NO.: 072290

(SONAM JIGME)
CHIEF EXECUTIVE OFFICER

(DASHO KARMA YEZER RAYDI)
CHAIRMAN

DATED : 31 JUL 2020
PLACE : NEW DELHI
UDIN: 20072290AAAABP9430

AUTHORIZED DATE: 13/03/2020

DUNGSAM CEMENT CORPORATION LIMITED
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2019

Attributable to the owners of the Company

Particulars	Ordinary shares			Retained earnings	Total
	No. of Shares (issued and fully paid up)	Par value per share	Total equity share capital		
Balance as at 1 January 2018 (Restated)	63,739,479	100	6,373,947,900	(3,837,295,518)	2,536,652,382
Issue of share during the year	11,000,000	100	1,100,000,000	-	1,100,000,000
Loss after tax (Restated)				(137,211,525)	(137,211,525)
Other comprehensive income directly recognised in retained earnings (Restated)				(12,212,840)	(12,212,840)
Balance as at 31 December 2018 (Restated)	74,739,479	100	7,473,947,900	(3,986,719,882)	3,487,228,018
Balance as at 1 January 2019	74,739,479	100	7,473,947,900	(3,986,719,882)	3,487,228,018
Loss after tax during the year				(331,149,254)	(331,149,254)
Other comprehensive income directly recognised in retained earnings				(2,391,480)	(2,391,480)
Balance as at 31 December 2019	74,739,479	100	7,473,947,900	(4,320,260,616)	3,153,687,284

FOR S.K. MITTAL & COMPANY
CHARTERED ACCOUNTANTS
FRN:001135N

S.K. MITTAL & CO. NEW DELHI CHARTERED ACCOUNTANTS

(S. Murthy)
PARTNER
MEMBERSHIP NO. 072290

DATED : 31 JUL 2020
PLACE : NEW DELHI
UDIN: 20072290AAAABP9430

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

(SONAM JIGME)
CHIEF EXECUTIVE OFFICER

(DASHO KARMA YEZER RAYDI)
CHAIRMAN

AUTHORIZED DATE: 13/03/2020

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

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

The DCCL is a limited liability company incorporated and domiciled in Bhutan. The company is a wholly owned subsidiary company of Druk Holding and Investments Ltd (DHI).
The address of its principal place of business and Regd. Office is Nganglam, Pemagatshel, Bhutan.

The financial statements were authorised for issue by the directors on "13/03/2020"

B. Significant accounting policies

1.1 Basis of preparation

a) Compliance with BAS/BFRS

The 'Accounting and Auditing Standards Board of Bhutan' (AASBB), has decided to adopt International Financial Reporting Standards (IFRS) in a phased manner with minor changes. As per the roadmap issued by AASBB a total of 18 standards are to be implemented in first phase commencing in 2013 for a period of 3 years, while 9 standards will be implemented in second phase and 10 standards in third phase from 2016 and 2018 respectively. The Company in compliance with the Companies Act of Kingdom of Bhutan has decided to adopt all the applicable Standards from 2016.

b) Historical cost convention

The financial statements have been prepared under the historical cost basis, except for the following:

- certain financial assets and liabilities is measured at fair value; and
- assets held for sale measured at fair value less cost to sell

c) Critical estimates and judgements

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 judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are:

- Property, plant and equipment and intangible assets: critical judgements are made for useful life, condition of the asset, technological advances, regulation, and residual values
- Defined benefit obligations (DBO): Critical estimate of the DBO involves a 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. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses.

1.2 The functional currency of preparation is the 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 recognised in the statement of comprehensive income.

S.K. MITTAL & CO. NEW DELHI CHARTERED ACCOUNTANTS

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.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred. Spare parts and servicing equipment are normally treated as inventory and expensed as consumed. However, major spare parts and stand-by equipment are treated as PPE when they are expected to be used for a period of more than one year.

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:

Item	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 is estimated at 10 years.

ssets costing Nu. 5,000 and below are expensed off when put to use. Assets that are fully depreciated but still in use are recorded at Ni.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 recognised 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 licences are capitalised on the basis of the costs incurred to acquire the specific software. These costs are amortised over their estimated useful lives of 20 years.

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

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 recognised 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 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

MITTAL & CO. NEW DELHI CHARTERED ACCOUNTANTS of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an 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 represent 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.

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:

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

When the company has transferred an asset, it evaluates whether it has substantially transferred all risks and rewards of ownership of the financial asset. In such cases, the financial asset is derecognized. When the company has not transferred substantially all the risks and rewards of ownership of a financial asset, the financial asset is not 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 recognised 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 recognised in the profit or loss.
Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk are recognized in OCI. These gains/ loss are not subsequently transferred to P&L. However, the company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the statement of profit or loss. The company has not designated any financial liability as at fair value through profit and loss.

MITTAL & CO. NEW DELHI CHARTERED ACCOUNTANTS

Borrowings

Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised 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 capitalised as a prepayment for liquidity services and amortised 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 recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

c) Derecognition

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

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

1.10 Inventories

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

1.11 Current and deferred income tax

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

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

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

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

1.12 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of a major capital project, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.
Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.
All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

1.13 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 recognised 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 recognised 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 recognised 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 leave based on the salary at the time. The company's net obligation in respect of the earned leave

S. MITTAL & CO. NEW DELHI CHARTERED ACCOUNTANTS 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.

1.14 Provisions and Contingent Liabilities

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.
A contingent liability is only disclosed in the notes to the account if an outflow of resources embodying economic benefits is possible.
Liabilities for reclamation and restoration costs w.r.t mined out area are recognized based on the Certificate of Mining Engineer.

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

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

1.15 Revenue recognition

Revenue is measured at the amount entity expects to be entitled in exchange for transferring promised goods or services to a customer, and represents amounts receivable for goods supplied, stated net of discounts, returns and taxes and royalty collected on behalf of government.
Sale of goods: The Company recognises revenue when the entity satisfies a performance obligation identified in the contract by transferring a promised good or service (ie 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 recognised as assets if the recovery of such cost is expected. Such assets are amortised on a systematic basis that is consistent with the transfer to the customer of the goods to which the asset relates.

1.16 Leases

As a lessee

Leases where the company, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised 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 recognised in income on a straight-line

K. MITTAL & CO. NEW DELHI CHARTERED ACCOUNTANTS 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.

1.17 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 amortised 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 recognised.

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.

1.18 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.

S.K. MITTAL & CO. NEW DELHI CHARTERED ACCOUNTANTS

DUNGSAM CEMENT CORPORATION LIMITED
NOTES FORMING PART OF STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2019

Note 2: Property, plant & equipment

	Freehold land	Building & civil structure	Plant & machineries	Furniture & fixture	Office equipment	Other equipments	Vehicles	Total
Balance as at 1 January 2019:								
Cost	144,502,788	4,740,138,737	5,380,788,931	19,739,674	27,607,093	67,843,742	23,028,608	10,403,649,574
Accumulated Depreciation	-	697,803,677	1,267,424,440	14,259,818	19,013,868	39,829,107	15,596,081	2,053,926,992
Carrying value as at 1 January 2019	144,502,788	4,042,335,060	4,113,364,491	5,479,856	8,593,225	28,014,635	7,432,527	8,349,722,581
Changes in carrying value during the year:								-
Addition	-	-	-	78,953	857,747	2,653,750	28,316,133	31,906,583
Deletion/Adjustment	-	-	-	323,984	574,487	16,358	-	914,829
Depreciation on deletions and Adjustment	-	-	-	310,710	525,352	15,541	-	851,603
Depreciation for the year	-	131,602,114	154,731,533	1,229,736	1,917,950	7,256,105	2,516,610	299,254,048
Total changes in carrying value	-	131,602,114	154,731,533	1,943,384	3,875,536	9,941,753	30,832,743	332,927,063
Balances as at 31 December 2019:								
Cost	144,502,788	4,740,138,737	5,380,788,931	19,494,644	27,890,353	70,481,134	51,344,741	10,434,641,328
Accumulated depreciation	-	829,405,791	1,422,155,973	15,178,845	20,406,466	47,069,671	18,112,691	2,352,329,437
Carrying value as at 31 December 2019	144,502,788	3,910,732,946	3,958,632,958	4,315,799	7,483,887	23,411,463	33,232,050	8,082,311,891

Note: Building & civil structure includes temporary and semi-permanent buildings amounting to Nu. 7,063,371 (net carrying amount) as at 31 December 2019

	(Amount in Nu)
3. Capital Work-in-progress	
Balance as at 1 January 2018	13,218,573.31
Additions	-
Capitalization	13,218,573.31
Expense-off	-
Carrying value as at 31 December 2018	-

S.K. MITTAL & CO. ★ CHARTERED ACCOUNTANTS ★ NEW DELHI

DUNGSAM CEMENT CORPORATION LIMITED
NOTES FORMING PART OF STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2019

Note 3: Intangible assets **(Amount in Nu)**

Particulars	31-Dec-18
Cost	66,410,082
Accumulated amortization	12,448,453
Carrying value as at 1 January 2018	53,961,629
Changes in carrying value during the year:	
Addition	-
Deletion/Adjustment	-
Depreciation for the year	3,320,510
Total changes during the year	3,320,510
Balance as at 31 December 2018:	
Cost	66,410,082
Accumulated amortization	15,768,963
Carrying value as at 31 December 2018	50,641,119
	31-Dec-19
Cost	66,410,082
Accumulated Amortization	15,768,963
Carrying value as at 1 January 2019	50,641,119
Changes in carrying value during the year:	
Addition	-
Deletion/Adjustment	-
Depreciation for the year	3,320,510
Total changes	3,320,510
Balance as at 31 December 2019:	
Cost	66,410,082
Accumulated Amortization	19,089,473
Carrying value as at 31 December 2019	47,320,609

S.K. MITTAL & CO. NEW DELHI CHARTERED ACCOUNTANTS

DUNGSAM CEMENT CORPORATION LIMITED
NOTES FORMING PART OF STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2019

Note 4: Capital work-in-progress (Amount in Nu)

Particulars	31-Dec-19	31-Dec-18	1-Jan-18
Building and civil structures	1,025,536	-	13,218,573
Total	**1,025,536**	**-**	**13,218,573**

Note 5: Investments

Particulars	31-Dec-19	31-Dec-18	1-Jan-18
Non-current			
Fixed Deposit with Bank (earmarked for gratuity)	2,863,052	2,863,052	-
Accrued Interest on fixed deposit (earmarked for gratuity)	314,896	93,010	-
Fixed deposit (earmarked for Bond Redemption Reserve Fund)	187,088,697	-	-
Accrued interest on fixed deposit (earmarked for Bond Redemption Reserve Fund)	2,842,894	-	-
Current			
Fixed Deposit with Bank (earmarked for gratuity)			1,895,768
Accrued Interest on fixed deposit (earmarked for gratuity)			918,278
Total	**193,109,539**	**2,956,062**	**2,814,046**

Note 6: Non-current other receivables

Particulars	31-Dec-19	"31 Dec 2018 (Restated)"	"01 Jan 2018 (Restated)"
(Unsecured, considered good)			
Security deposits	10,738,428	10,253,186	8,131,169
Total	**10,738,428**	**10,253,186**	**8,131,169**

Note 7: Other non-current assets

Particulars	31-Dec-19	"31 Dec 2018 (Restated)"	"01 Jan 2018 (Restated)"
(Unsecured, considered good)			
Unamortised mine expenditure	22,158,605	19,503,161	17,495,266
Total	**22,158,605**	**19,503,161**	**17,495,266**

Note 8: Inventories

Particulars	31-Dec-19	"31 Dec 2018 (Restated)"	1-Jan-18
(As taken, valued and certified by the management)			
Raw materials	79,926,636	755,931	23,872,488
Fuel	62,668,030	623,374	116,891,825
Work in progress	411,461,115	330,451,132	207,794,425
Finished products	152,510,213	75,885,898	76,728,597
Stores, spares and loose tools	371,074,765	358,203,724	393,188,217
Total	**1,077,640,759**	**765,920,059**	**818,475,552**

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Note 9: Trade & other receivables

Particulars	31-Dec-19	"31 Dec 2018 (Restated)"	"01 Jan 2018 (Restated)"
(Unsecured, considered good)			
Trade receivables	352,097,397	437,113,245	392,309,212
Less: Provision for impairment of trade receivables	(5,376,348)	(5,376,115)	(5,644,677)
Total	**346,721,049**	**431,737,129**	**386,664,536**
Other receivables	578,947	866,974	1,055,463
Less: Provision for impairment of other receivables	(561,170)	(561,170)	-
Total	17,777	305,804	1,055,463
Security deposit	3,750,000	-	-
Total	**350,488,826**	**432,042,933**	**387,719,998**

Note 10: Cash and cash equivalents

Particulars	31-Dec-19	31-Dec-18	1-Jan-18
Cash-in-hand	31,855	9,764	8,508
Balances with banks in current accounts	50,715,227	67,518,455	41,383,095
Total	**50,747,083**	**67,528,219**	**41,391,603**

Note 11: Other current assets

Particulars	31-Dec-19	31-Dec-18	1-Jan-18
(Unsecured, considered good)			
Advance payments-employees	1,726,860	1,362,649	615,339
Advance to vendors	6,500,526	33,918,491	64,676,810
Less provision for impairment	(1,758,212)	(6,273,903)	(5,234,680)
Net advances to vendors	4,742,315	27,644,589	59,442,131
Advance payments to third parties	-	-	629,720
Advance to related parties	-	1,308	1,308
Prepaid taxes	29,217,657	39,268,932	69,887,910
Prepaid expenses	15,452,824	16,797,288	20,261,608
Total	**51,139,656**	**85,074,764**	**150,838,016**

Note 12: Assets classified as held for sale

Particulars	31-Dec-19	31-Dec-18	1-Jan-18
Property, plant and equipment	27,186	624,683	-
Total	**27,185.80**	**624,683**	**-**

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 considered quotes that has been received for such assets.

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Note 13: Equity share capital

Particulars	31-Dec-19	31-Dec-18	1-Jan-18
Issued, subscribed and paid-up			
74,739,479 (PY 63,739,479) Equity shares @ Nu. 100 each fully paid up	7,473,947,900	7,473,947,900	6,373,947,900
Total	**7,473,947,900**	**7,473,947,900**	**6,373,947,900**
Note: 8,756,000 fully paid equity shares of Nu. 100 Each were issued during the year 2018 in kind upon conversion of debt into equity.			
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 shareholders.			

Authorized capital

Particulars	31-Dec-19	31-Dec-18	
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-Dec-19	31-Dec-18	1-Jan-18
Term loan (secured) - non current portion			
Ngultrum borrowing	1,970,247,221	1,444,964,356	1,661,516,609
Ngultrum bonds	2,420,140,000	3,460,000,000	3,460,000,000
Total	**4,390,387,221**	**4,904,964,356**	**5,121,516,609**
Details of security			
A. Consortium term loans in Ngultrum are secured by way of first mortgage on all the present and future assets of the Company			
B. For remaining Ngultrum borrowing and bonds corporate guarantee is given by Druk Holding and Investments Ltd.			

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Note 15: Other long-term liabilities

Particulars	31-Dec-19	"31 Dec 2018 (Restated)"	"01 Jan 2018 (Restated)"
Post employement benefit obligation (non-current portion)	27,744,189	22,405,432	8,923,926
Leave encashment obligation	7,083,338	4,008,478	5,289,117
Provision for mines reclamation and restoration	1,267,443	1,159,324	1,060,428
Total	**36,094,970**	**27,573,234**	**15,273,471**

Note 16: Short-term borrowings

Particulars	31-Dec-19	31-Dec-18	1-Jan-18
Working capital loan (Secured)			
Working capital loan from related parties	1,010,000,000	400,000,000	-
Working capital loan from BNB	-	-	4,200
Working capital loan from NPPF	60,000,000	104,868,757	-
Total	1,070,000,000	504,868,757	4,200
Note: Loan from BNB is secured through corporate guarantee given by the Holding Company, Druk Holding & Investments limited and current assets.			

Note 17: Trade and other payables

Particulars	31-Dec-19	31-Dec-18	1-Jan-18
Trade payable for goods/ services & expenses	417,339,182	387,063,860	568,065,071
Amounts due to related parties	318,305,625	229,599,603	151,052,807
Security deposits	5,514,280	6,462,061	16,642,993
Salary payable to employees	4,981,183	-	-
Retention money payable	5,255,729	2,398,863	5,353,510
Current maturities of long-term borrowings	151,803,575	214,703,483	1,679,512,217
Total	**903,199,574**	**840,227,870**	**2,420,626,599**

Note 18: Other current liabilities

Particulars	31-Dec-19	"31 Dec 2018 (Restated)"	"01 Jan 2018 (Restated)"
Advances received from customers and others	38,242,028	13,803,071	25,666,410
Provision for mines reclamation and restoration	-	-	-
BST payable	3,240,301	2,926,262	3,157,990
TDS payable	-	-	502
Other miscellaneous liabilities	8,507,989	231,951	1,773,016
Post employement benefit obligation (current portion)	3,221,279	2,060,468	1,680,814
Leave encashment obligation	428,148	382,780	325,626
Total	**53,639,746**	**19,404,531**	**32,604,358**

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Note 19: Revenue from manufacturing

Particulars	For the year ended 31 Dec 2019	For the year ended 31 Dec 2018
Revenue from sale of cement	3,153,961,942	3,561,410,449
Less : Discount/rebate	(103,427)	(689,592)
Less: Commission	(74,087,597)	(58,785,983)
Revenue from sale of clinker	207,711,193	256,935,152
Total revenue	3,287,482,112	3,758,870,027

Note 20: other income

Particulars	For the year ended 31 Dec 2019	"For the year ended 31 Dec 2018 (Restated)"
Rental income	4,823,246	4,410,223
Liquidated damages	3,591,642	12,287,284
Income from sale of scraps	2,672,801	1,079,531
Audit recoveries	40,000	3,658,800
Miscellaneous income	86,770,694	813,464
Interest income	3,300,949	1,703,402
Income from sale of quartzite	11,323	1,849,148
Total	**101,210,655**	**25,801,852**

Note 21: Consumption of raw materials and consumables

Particulars	For the year ended 31 Dec 2019	"For the year ended 31 Dec 2018 (Restated)"
Consumption- raw materials	612,680,714	748,918,385
Consumption- consumables	28,112,121	23,383,269
Total	**640,792,835**	**772,301,654**

Note 22: Changes in inventory of work in progress and finished goods

Particulars	For the year ended 31 Dec 2019	"For the year ended 31 Dec 2018 (Restated)"
Consumption - work in progress	4,178,319,119	4,136,340,006
Cost of goods manufactured - work in progress	(4,560,834,261)	(4,822,150,531)
Cost of goods sold - work in progress	212,403,681	217,447,304
Cost of goods manufactured - finished goods	(2,164,770,206)	(1,927,558,205)
Cost of goods sold - finished good	2,280,161,695	2,141,853,793
Price difference	(196,603,241)	(24,778,375)
Total	**(251,323,213)**	**(278,846,008)**

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Note 23: Power & fuel expenses

Particulars	For the year ended 31 Dec 2019	For the year ended 31 Dec 2018
Electricity charges - plant	214,021,737	213,114,238
Consumption- fuel	859,767,157	944,597,944
Total	**1,073,788,894**	**1,157,712,182**

Note 24: Employee benefit expenses

Particulars	For the year ended 31 Dec 2019	"For the year ended 31 Dec 2018 (Restated)"
Allowances	34,812,443	31,049,460
Basic pay	76,204,722	67,082,834
Special Incentive		
Leave travel concession	5,391,292	5,174,447
Overtime allowance	7,750,324	6,399,178
Repatriation allowance	244,232	144,649
Shift allowance	2,666,553	2,572,175
Transfer grant	242,709	144,649
GPA insurance	554,076	540,548
Subsidy to Dungsam sport club	360,000	360,000
Wages	-	4,689,086
Short-term training	20,000	119,772
Training-foreign training	96,060	279,736
Gratuity expense	6,524,803	2,829,000
Leave encashment	6,287,038	2,335,807
Provident fund -matching contribution	9,365,379	7,236,093
Carriage charge of personal effects	58,635	160,787
Other employee benefits	69,751	81,940
Total	**150,648,018**	**131,200,161**

Note 25: Depreciation & amortization

Particulars	For the year ended 31 Dec 2019	For the year ended 31 Dec 2018
Depreciation	299,254,048	309,023,551
Amortization	3,320,510	3,320,510
Total	**302,574,558**	**312,344,061**

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Note 26: Selling and marketing expenses

Particulars	For the year ended 31 Dec 2019	For the year ended 31 Dec 2018
Marketing & sales promotion expenses	991,762	1,040,382
Consumption of packing materials	127,974,801	130,885,380
Handling charges-cement and depot rent	6,761,876	9,534,915
Freight outward-cement	379,065,925	627,211,804
Selling expenses	12,596,821	8,299,151
Provision for doubtful debts and advances (Note a)	(4,515,691)	1,600,393
Total	**522,875,494**	**778,572,025.38**

Note a: During the year 2019 the Company has written back provision no longer required.

Note 27: Operation and maintenance expenses

Particulars	For the year ended 31 Dec 2019	For the year ended 31 Dec 2018
Consumption - stores and spares	80,636,936	100,554,552
Operation & maintenance-Direct	100,089,628	84,061,749
Operation& maintenance-Indirect	35,868,916	17,778,247
Total	**216,595,480.32**	**202,394,546.91**

Note 28: Other expenses

Particulars	For the year ended 31 Dec 2019	"For the year ended 31 Dec 2018 (Restated)"
Insurance	12,990,440	12,990,441
Material handling	17,716,401	20,835,862
Mining related expenses	170,878,798	175,601,655
Inventory written off	10,357,398	2,941,021
Loss on assets discarded/ scraped	659,465	627,678
Fees & subscriptions	8,579,952	2,945,386
Travelling expenses	6,373,471	4,588,890
Administrative expenses	47,634,184	41,592,175
Total	**275,190,111**	**262,123,107**

Note a: During the year 2019 the Company has written back provision no longer required.

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Note 26: Finance cost

Particulars	For the year ended 31 Dec 2019	"For the year ended 31 Dec 2018 (Restated)"
Interest on borrowings	437,210,353	486,794,667
Interest on loans from BoBL	37,588,508	51,904,812
Bank charges - others	88,348	5,952
Bank charges and fees paid to BoBL	383,182	130,508
Other borrowing cost and unwinding of provision discounting	17,758,149	18,572,902
Interest on working capital	10,763,633	26,672,831
Interest expeses on margin money	108,119	-
Total	**503,900,293**	**584,081,673**

Note 30: Earnings per share

Particulars	For the year ended 31 Dec 2019	"For the year ended 31 Dec 2018 (Restated)"
Loss after tax	(331,149,254)	(137,211,525)
Numbers of shares at the beginning of the year	74,739,479	63,739,479
Number of shares allotted during the year	-	11,000,000
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	67,362,111
Basic and diluted earnings per share	(4.43)	(2.04)

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Note 31: Deferred tax liability/ (asset)			(Amount in Nu.)
Particulars	**31-Dec-19**	**"31 Dec 2018 (Restated)"**	**"01 Jan 2018 (Restated)"**
Property, plant and equipment	1,054,978,732	845,963,186	640,794,130
Total deferred tax liability	**1,054,978,732**	**845,963,186**	**640,794,130**
Trade receivables and other receiavbles	(1,781,186)	(1,781,186)	(1,693,403)
Advance to customers	(527,463)	(1,882,171)	(1,570,404)
Unused tax loss (refer note (i) below)	(772,970,762)	(842,299,829)	(637,530,323)
Total deferred tax asset	(775,279,411)	(845,963,186)	(640,794,130)
Net deferred tax liability	279,699,321	-	-

"(i) In assessing the relisability 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		(Amount in Nu.)
Particulars	**31-Dec-19**	**31-Dec-18**
(a) Income tax expenses		
Current tax		
Current tax on profit for the year	-	-
Total current tax expenses	-	-
Deferred tax		
Decrease/(increase) in deferred tax assets	70,683,775	(205,169,055)
(Decrease)/increase in deferred tax liabilities	209,015,546	205,169,055
Total deferred tax ex-penses	279,699,321	-
Income tax expenses	279,699,321	-

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

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Particulars	31-Dec-19	31-Dec-18
Tax expenses		
- Current tax	-	-
- Deferred tax	279,699,321	-
Total tax expense	279,699,321	-
Profit before tax	(51,449,933)	(137,211,525)
Income tax expense/(income) calculated at 30%	(15,434,980)	(41,163,457)
Impact of expenses (net) disallowed under tax laws for which no deferred tax has been recognised	71,682	(157,089)
Impact of deferred tax asset being recognised for tax losses of earlier years	-	41,181,707
Impact of reversal of deferred tax asset recognised in earlier year as the same has lapsed	295,062,619	-
Other differences	-	138,840
Reconciled with tax expense as above	279,699,321	-

(d) Tax losses

Particulars	31-Dec-19	31-Dec-18	Expiry date
Unused tax losses for which no deferred tax asset has been recognised			
- for the year 2016	-	330,803,008	
- for the year 2019	-	NA	31-Dec-19 31-Dec-22
Potential tax benefit @ 30%	-	99,240,902	
Note: The tax losses can be carried forward till 3 years.			

32. The Company has made operating profit before depreciation and taxation during the year 2019 of Nu. 251,124,625 and in the year 2018 the operating profit was Nu. 175,242,396 This has been due to various corrective measures taken by the management since the year 2018 (of which full benefit would accrue in the year 2020 and onwards. The company has made saving in interest cost by Nu. 63,900,617 by refinancing t

33. he consortium loan at lower interest rates. The management is hopeful that the Company would at least break even in the year 2020 and is confident of its ability to continue as a going concern. In-fact management has realistically projected positive PAT of Nu. 373.81 Million for the FY-2020.

34. The company has completed four year of Bond Series III on dated 22.06.2019. However, the company has created the Redemption Reserve of Nu. 187,500,000.00 till December 2019 out of Nu. 375,000,000 at the completion of fourth year. In our opinion the company has not compiled with the relevant provision for Redemption of Bonds. The FDR made on this account is shown as Redemption reserve.

35. Contingent Assets not provided for pertains to one pending civil suit:
In the Court of Chief Judicial Magistrate, Kamrup at Guwahati against Dewan Engineering Private Limited for recovery of outstanding amount of Nu 2,839,315.19.The case is still under trial in the Guwahati court.

36. Management upon detection of some irregular transactions in December 2014 had reported the matter to the Board with recommendation to carry out independent audit. As requested by the DCCL Board, the Royal Audit Authority (RAA) had conducted two special audits: (i) first one for the period covering 1st January 2011 to 31st January 2015, (ii) second one for the period covering 1st January 2010 to 31st December 2014.
The first special audit report (AIN: 13021) dated 25th June 2015 highlighted that Nu. 22,584,643 were fraudulently siphoned off from DCCL for which a suit filed by Office of Attorney General (OAG) in Naganglam court has partly been decided in favour of company and Nu. 361,430/ Nu1,320,000/- stands recovered during the year 2017/2018 respectively. Presently, the matter is partially Sub-Judiced at High Court (larger bench), Royal Court of Justice, Thimphu for a sum of Nu. 7,310,297.
The second special audit report (AIN: 13705) dated 31 March 2016 highlighted certain procedural lapses involving 48 audit paras; out of which 44 paras stand resolved as on date.

37. 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.

38. Provision for all defined employee benefits and leave encashment has been made on the basis of actuarial valuation of their liabilities carried out by and independent valuer namely Druk Infinity Consulting as required by BAS-19 on "Employee Benefit".
Summary of key results of Gratuity for the year ended 31 December 2019 are presented below:

A	Change in Defined Benefit Obligation (DBO)	31-Dec-19	31-Dec-18
1	DBO at end of prior period	24,465,900	10,604,739
2	Current service cost	4,651,529	2,097,000
3	Interest cost on the DBO	1,873,274	732,000
4	Actuarial (gain)/loss - experience	(1,160,861)	13,735,771
5	Actuarial (gain)/loss - financial assumptions	-	(1,522,930)
6	Benefits paid directly by the company	(2,099,961)	(1,180,680)
	DBO at end of current period	27,729,881	24,465,900

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B	Statement of Profit & Loss	31-Dec-19	31-Dec-18
1	Current service cost	4,651,529	2,097,000
2	Net interest on net defined benefit liability / (asset)	1,873,274	732,000
	Cost recognized in P&L	6,524,803	2,829,000

C	Other Comprehensive Income (OCI)	31-Dec-19	31-Dec-18
1	Actuarial (gain)/loss due to experience adjustments	(1,160,861)	13,735,771
2	Actuarial (gain)/loss due to financial assumption changes	-	(1,522,930)
	Actuarial (gain) or loss recognized via OCI at current period end	(1,160,861)	12,212,841

D	Expected benefit payments (undiscounted) for the year ending	31-Dec-19	31-Dec-18
	Up to 1 year	2,710,432	2,225,306
	Between 2 to 3 years	7,787,760	6,144,999
	Between 4 to 5 years	11,444,230	9,790,810
	Over 5 years	178,753,687	163,397,612

1. Expected employer contributions for the period ending 31 December 2019 is not applicable as there is no plan asset
2. Weighted average duration of defined benefit obligation is 17.58 years (2018: 12 years, 2017: 15.30 years)
3. Significant estimates: acturial assumptions and sensitivity

A	Discount rate	31-Dec-19	31-Dec-18
	Discount rate	8.00%	8.00%
	Effect on DBO due to 0.5% (2018: 0.5%, 2017: 0.5%) increase in discount rate	(1,863,165)	(2,649,610)
	Effect on DBO due to 0.5% (2018: 0.5%, 2017: 0.5%) decrease in discount rate	2,057,716	3,199,630

B	Salary escalation rate	31-Dec-19	31-Dec-18
	Salary escalation rate	7.00%	7.00%
	Effect on DBO due to 0.5% (2018: 0.5%, 2017: 1%) increase in salary escalation rate	2,139,100	3,099,590
	Effect on DBO due to 0.5% (2018: 0.5%, 2017: 1%) decrease in salary escalation rate	(1,950,349)	(2,680,800)

C	Mortality rate	31-Dec-19	31-Dec-18
	Mortality rate	100% of IALM (2006-2008)	100% of IALM (2006-2008)
	Effect on DBO due to 10% (2018: 10%, 2017: 10%) upwad shift in mortality curve	(34,450)	(30,465)
	Effect on DBO due to 10% (2018: 10%, 2017: 10%) downward shift in mortality curve	34,688	30,674

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D	Employee turnover rate	31-Dec-19	31-Dec-18
	Employee turnover rate	5.00%	5.00%
	Effect on DBO due to 1% (2018: 1%, 2017: 1%) increase in employee turnover rate	(1,272,727)	(1,176,147)
	Effect on DBO due to 1% (2018: 1%, 2017: 1%) decrease in employee turnover rate	1,476,314	1,364,843

Risk exposure

Through it is a defined benefit plan, the Company is exposed to a number of risks, the most significant of which are detailed below:

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 gratuity 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:

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 2006-08 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 gratuity benefit such as increase in gratuity ceiling, introduction of gratuity floor, change in vesting period or benefit accrual rate would eventually alter the liability.

Liquidity risk:

Finally, there is a risk that DCCL may not be able to honour the gratuity payments in the short-run due to liquidity constraints.

Disclosure for employees benefit - defined benefit scheme (carriage charge)

A	Change in Defined Benefit Obligation (DBO)	31-Dec-19
1	DBO at end of prior period	-
2	Current service cost	72,500
3	Interest cost on the DBO	(13,865)
4	Actuarial (gain)/loss – experience	506,529
5	Benefits paid directly by the company	(173,307)
	DBO at end of current period	391,857

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B	Statement of Profit & Loss	31-Dec-19
1	Current service cost	72,500
6	Net interest on net defined benefit liability / (asset)	(13,865)
	Cost recognized in P&L	58,635

C	Other Comprehensive Income (OCI)	31-Dec-19
1	Actuarial (gain)/loss due to experience adjustments	506,529
	Actuarial (gain) or loss recognized via OCI at current period end	506,529

D	Expected benefit payments (undiscounted) for the year ending	31-Dec-19
	Up to 1 year	112,171
	Between 1 to 3 years	283,433
	Between 3 to 5 years	351,443
	Over 5 years	2,672,513

1. Expected employer contributions for the period ending 31 December 2019 is not applicable as there is no plan asset
2. Weighted average duration of defined benefit obligation is 11.95 years
3. (Significant estimates: acturial assumptions and sensitivity

A	Discount rate	31-Dec-19
	Discount rate	8%
	Effect on DBO due to 0.5% increase in discount rate	(18,294)
	Effect on DBO due to 0.5% decrease in discount rate	19,907

B	Increase in carriage charges	31-Dec-19
	Rate of increase in carriage charges	5%
	Effect on DBO due to 0.5% increase in carriage charges	21,448
	Effect on DBO due to 0.5% decrease in carriage charges	(19,838)

C	Mortality rate	31-Dec-19
	Mortality rate	100% of IALM (2006-2008)
	Effect on DBO due to 10% upwad shift in mortality curve	222
	Effect on DBO due to 10% downward shift in mortality curve	(221)

D	Employee turnover rate	31-Dec-19
	Employee turnover rate	5%
	Effect on DBO due to 1% increase in employee turnover rate	11,764
	Effect on DBO due to 1% decrease in employee turnover rate	(13,417)

Risk exposure

Through its defined benefit plan the Company is exposed to a number of risks, the most significant of which are detailed below:

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.

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Increase in cost of transportation risk:

As this benefit is based on the final cost of transportation at the time of retirement in the future, the actual cost of the plan will depend on the growth rate of transportation cost and inflation over the years. As such, a higher than expected growth in cost of transportation will result in a cost which is higher than the estimate. Similarly, lower inflation will result in actual liability being lower than projected.

Employee turnover risk:

Employee 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 2006-08 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 carriage charge benefit such as increase in carriage charge ceiling, introduction of carriage charge floor and change in vesting period or benefit accrual rate would eventually alter the liability.

Liquidity risk:

Finally, there is a risk that DCCL may not be able to honour the carriage charge payments in the shortrun due to liquidity constraints.

Disclosure for employees benefit - defined benefit scheme (Repatriation allowance)

A	Change in Defined Benefit Obligation (DBO)	31-Dec-19
1	DBO at end of prior period	-
2	Current service cost	257,251
3	Interest cost on the DBO	(13,019)
4	Actuarial (gain)/loss – experience	1,503,103
5	Benefits paid directly by the company	(325,472)
	DBO at end of current period	1,421,863

B	Statement of Profit & Loss	31-Dec-19
1	Current service cost	257,251
2	Net interest on net defined benefit liability / (asset)	(13,019)
	Cost recognized in P&L	244,232

C	Other Comprehensive Income (OCI)	31-Dec-19
1	Actuarial (gain)/loss due to experience adjustments	1,503,103
	Actuarial (gain) or loss recognized via OCI at current period end	1,503,103

D	Expected benefit payments (undiscounted) for the year ending	31-Dec-19
	Up to 1 year	328,189
	Between 1 to 3 years	852,469
	Between 3 to 5 years	1,094,461
	Over 5 years	9,306,766

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1. Expected employer contributions for the period ending 31 December 2019 is not applicable as there is no plan asset
2. Weighted average duration of defined benefit obligation 13.43 years
3. Significant estimates: acturial assumptions and sensitivity

A	Discount rate	31-Dec-19
	Discount rate	8%
	Effect on DBO due to 0.5% increase in discount rate	(72,698)
	Effect on DBO due to 0.5% decrease in discount rate	79,441

B	Salary escalation rate	31-Dec-19
	Salary escalation rate	7%
	Effect on DBO due to 0.5% increase in salary escalation rate	83,533
	Effect on DBO due to 0.5% decrease in salary escalation rate	(77,032)

C	Mortality rate	31-Dec-19
	Mortality rate	100% of IALM (2006-2008)
	Effect on DBO due to 10% upwad shift in mortality curve	108
	Effect on DBO due to 10% downward shift in mortality curve	(105)

D	Employee turnover rate	31-Dec-19
	Employee turnover rate	5%
	Effect on DBO due to 1% increase in employee turnover rate	13,092
	Effect on DBO due to 1% decrease in employee turnover rate	(14,800)

Risk exposure

Through its defined benefit plan the Company is exposed to a number of risks, the most significant of which are detailed below:

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 repatriation allowance 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:

Employee 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 2006-08 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.

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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 repatriation allowance benefit such as increase in repatriation allowance ceiling, introduction of repatriation allowance floor and change in vesting period or benefit accrual rate would eventually alter the liability.

Liquidity risk:

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

Disclosure for employees benefit - defined benefit scheme (Transfer grant)

A	Change in Defined Benefit Obligation (DBO)	31-Dec-19
1	DBO at end of prior period	-
2	Current service cost	257,251
3	Interest cost on the DBO	(14,542)
4	Actuarial (gain)/loss - experience	1,542,709
5	Benefits paid directly by the company	(363,555)
	DBO at end of current period	1,421,863

B	Statement of Profit & Loss	31-Dec-19
1	Current service cost	257,251
2	Net interest on net defined benefit liability / (asset)	(14,542)
	Cost r ecognized in P&L	242,709

C	Other Comprehensive Income (OCI)	31-Dec-19
1	Actuarial (gain)/loss due to experience adjustments	1,542,709
	Actuarial (gain) or loss recognized via OCI at current period end	1,542,709

D	Expected benefit payments (undiscounted) for the year ending	31-Dec-19
	Up to 1 year	328,189
	Between 1 to 3 years	852,469
	Between 3 to 5 years	1,094,461
	Over 5 years	9,306,766

1. Expected employer contributions for the period ending 31 December 2019 is Nil
2. Weighted average duration of defined benefit obligation 13.43 years
3. Significant estimates: acturial assumptions and sensitivity

A	Discount rate	31-Dec-19
	Discount rate	8%
	Effect on DBO due to 0.5% increase in discount rate	(72,698)
	Effect on DBO due to 0.5% decrease in discount rate	79,441

B	Salary escalation rate	31-Dec-19
	Salary escalation rate	7%
	Effect on DBO due to 0.5% increase in salary escalation rate	83,533
	Effect on DBO due to 0.5% decrease in salary escalation rate	(77,032)

C	Mortality rate	31-Dec-19
	Mortality rate	100% of IALM (2006-2008)
	Effect on DBO due to 10% upwad shift in mortality curve	108
	Effect on DBO due to 10% downward shift in mortality curve	(105)

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D	Employee turnover rate	31-Dec-19
	Employee turnover rate	5%
	Effect on DBO due to 1% increase in employee turnover rate	13,092
	Effect on DBO due to 1% decrease in employee turnover rate	(14,800)

Risk exposure

Through its defined benefit plan the Company is exposed to a number of risks, the most significant of which are detailed below:

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:

Employee 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 2006-08 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 transfer grant ceiling, introduction of transfer grant floor and change in vesting period or benefit accrual rate would eventually alter the liability.

Liquidity risk:

Finally, there is a risk that DCCL may not be able to honour the transfer grant payments in the short-run due to liquidity constraints.

39. Related Party Disclosures

(i) Name of the related party where control exists irrespective of whether transactions have occurred or not:
Druk Holding and Investment Ltd. (DHI)

(ii) Key managerial personnel with whom transactions have taken place during the year:

a. Dasho Karma Yezer Raydi, Chairman
b. Dasho Dr. Tobgyal Wangchhuk, Board Director
c. Mr. Phuntsho, Board Director
d. Mr. Tashi Penjore, Board Director
e. Mr. Dorji Nima, Board Director
f. Mrs. Dechen Yangden, Board Director
g. Mr. Sonam Jigme, CEO & Director

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

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

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

Nature of transaction	31-Dec-19	31-Dec-18
Bank of Bhutan Limited		
Interest & bank charges	37,971,690.41	52,035,320.78
Margin money deposits	-	180,000.00
Bond	1,314,917,000.00	1,414,917,000.00
Bhutan Power Corporation		
Electricity charges	215,168,501.74	214,940,000
Interest	-	-
Lease rent	517,985.75	517,985.75
Consulting fee	-	-
Sale of stores, spares and loose tools	-	630,000
Bhutan Telecom Limited		
Telephone and internet charges	1,904,157	2,368,299
Purchase of asset	-	-
Misc. expenses	19,780	-
Druk Holdings & Investments Limited		
Guarantee fee	16,824,149	17,540,000
Brand Management Fees	8,473,402.00	2,736,697.12
Interest	-	44,260,000
Dungsam Polymers Limited		
Rental income	722,329	722,329
Purchase of PP bag	127,974,801	140,937,362
State Trading Corporation of Bhutan Limited		
Spares & consumables	3,414,878	6,980,000
Purchase of office equipment	224,712	-
Running & Maintenance of Vehicle	700,241.72	712,483.56
Purchase of vehicle	26,817,354	6,020,000
Drukair Corporation Limited		
Air ticket	697,229	970,000
Druk Green Power Corporation Limited		
Interest	12,386,904	7,610,000
Spares & service charge	219,212	-
Penden Cement Authority Limited		

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Sales of clinker	21,267,618	88,290,000
Cement purchase	-	-
Wood Craft Centre Limited		
Purchase of furniture	-	210,000
State Mining Corporation Limited		
Purchase of Coal	353,983,619	361,800,000
Purchase of Gypsum	48,089,567	-
Testing charges	-	20,000
Construction Development Corporation Limited		
Sales of cement	18,314,111	24,726,981
Bhutan Board Products Ltd		
Purchase of Furniture	69,453	
Thimphu Tech Park Limited		
Miscellaneous expenses	648,518	60,000

Related Party	Nature of Transactions	Outstanding balance as on 31 Dec 2019	Outstanding balance as on 31 Dec 2018
Druk Holdings and Investments Limited	Payable	5,652,933	6,240,000
Bank of Bhutan Limited	Payable	582,919,712	482,270,000
Bhutan Telecom Limited	Payable	400,148,371	170,000
Bhutan Power Corporation Limited	Payable	20,162,208	18,590,000
State Trading Corporation Limited	Payable	346.18	10,000
Dungsam Polymers Limited	Payable	18,984,626	10,880,000
Druk Air Corporation Limited	Payable	23,802	-
Druk Green Power Corporation Limited	Payable	610,168,582	403,670,000
Wood Craft Centre Limited	Payable	-	-
State Mining Corporation Limited	Payable	273,681,700	190,480,000
Thimphu Tech Park Limited	Payable	341,325	-
Construction Development Corporation Limited	Receivable	3,993,369	6,800,000
Dungsam Polymers Ltd.	Receivable	468,993	480,000
Penden Cement Authority Ltd.	Receivable	29,577	1,800,000

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

a. Bond I : Nu. 220,311,000
b. Bond II : Nu. 700,000,000
c. Bond III : Nu. 1,500,000,000

(v) Compensation for key managerial personnel

Particulars	31-Dec-19	31-Dec-18
Short-term employee benefits	1,920,052	1,841,616
Post-employment benefits	115,510	107,184
Long-term employee benefits	-	-
Termination benefits	-	-
Director's sitting fee	514,000	518,000
Travelling expenses (CEO)	292,225	230,000
Total compensation	2,841,787	2,518,800

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Terms and conditions of the transactions:

a. Some amount has been written back/written off during the year in respect of dues to/ from related party:
- Nu. 63,925.50 written back from receivable from Bhutan Power Corporation Ltd.
- Nu. 8,996.00 written off from payable to State Trading Corporation Ltd.

b. All transactions were made on normal commercial terms and conditions and at market rates.
c. Outstanding balances are unsecured and are repayable in cash.

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

41. 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 favour of DCCL is valued at notional cost of Nu. 195,776,935.20 (for 199.752 acres @ Nu. 980,100 per acre based on the land compensation rates 2009 of the Government for Town C Category) as per the decision of the 11th Board Meeting of the company held in March 2011.

42. 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.

43. 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.

Entity- wide information:
Revenue from external customers by country, based on the destination of customers:

Country	2019	
	Quantity (MT)	Value (Nu.)
Bhutan	364,278.72	2,188,938,182
India	221,516.40	964,900,940
Total	585,795.12	3,153,839,122

Country	2018	
	Quantity (MT)	Value (Nu.)
Bhutan	468,383.00	2,956,171,919
India	165,001.50	862,173,682
Total	633,384.50	3,818,345,601

44. Auditors remuneration:

Particulars	31-Dec-19	31-Dec-18
Audit fees	115,500	115,500
Other audit expenses	225,747	96,528

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45. Capital management

Risk management

The Company is a wholly owned 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.

46. Operating lease

The future minimum lease receipts under non-cancellable operating leases in the aggregate and for each of the following periods:

Particulars	2019	2018
(i) not later than one year	722,329	722,329
(ii) later than one year and not later than five years	722,329	1,444,657
(iii) later than five years	-	-

47. Fair Value Measurements

Financial Instruments by category

Particulars	31-Dec-19	31-Dec-18
	Amortised cost	Amortised cost
Financial assets		
Security deposits	14,488,428	10,253,186
Cash and cash equivalents	50,747,083	67,528,219
Trade and other receivables	354,970,563	432,042,937
Total financial assets	420,206,074	509,824,341
Financial liabilities		
Borrowings	5,612,190,796	5,409,833,113
Trade payable and other payables	751,395,999	625,571,208
Total financial liabilities	6,363,586,795	6,250,060,984

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i) Fair value hierarchy

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

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

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

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

ii) Valuation technique used to determine fair value

Specific valuation techniques used to value financial instruments include:

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

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

Particulars	31-Dec-19		31-Dec-18	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Security deposits	10,738,428	8,374,025	10,253,186	7,507,474
Investments	193,109,539	190,660,508	2,956,062	2,851,671
Total financial assets	203,847,967	199,034,534	13,209,247	10,359,145
Financial liabilities				
Ngultrum borrowings	2,122,050,796	1,800,723,591	1,659,667,839	1,579,232,128
Ngultrum bonds	2,420,140,000	2,321,226,556	3,460,000,000	3,428,222,943
Total financial liabilities	4,542,190,796	4,121,950,146	5,119,667,839	5,007,455,071

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.

The fair values for financial instruments were calculated based on cash flows discounted using current borrowing rate.

Financial risk management

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

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Risk	Exposure arising from	Measurement	Management
Market risk – foreign exchange	Future commercial transactions and recognised 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 amortised 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

i. 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:

	31 Dec 2019	31 Dec 2018
	INR	INR
Financial assets	13,196,282	6,210,369
Financial liabilities	55,564,634	58,513,993
Net exposure to foreign currency risk	(42,368,352)	(52,303,624)

ii. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company as on 31 December 2019 and 2018 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.

(B) Liquidity risk

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

(i) Maturities of financial liabilities

The tables below analyse 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.

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Contractual maturities of financial liabilities - 31 Dec 2019	Upto 1 year	2-3 years	4-5 years	More than 5 years	Total
Ngultrum borrowings	151,803,575	340,935,491	397,443,896	1,231,867,834	2,122,050,796
Interest payable - Ngultrum borrowings	160,145,763	282,963,185	226,454,780	255,367,008	924,930,735
Ngultrum bonds		1,500,000,000	920,140,000		2,420,140,000
Interest payable - Ngultrum bonds	205,515,370	347,233,479	170,200,603	-	722,949,452
Borrowings - current	1,070,000,000				1,070,000,000
Trade payable and other payables	903,199,574				903,199,574
Total financial liabilities	2,490,664,282	2,471,132,155	1,714,239,278	1,487,234,842	8,163,270,558

Contractual maturities of financial liabilities - 31 Dec 2018	Upto 1 year	2-3 years	4-5 years	More than 5 years	Total
Ngultrum borrowings	216,639,384	503,075,371	612,951,195	327,001,889	1,659,667,839
Interest payable - Ngultrum borrowings	157,920,347	246,433,035	136,164,617	19,670,099	560,188,098
Ngultrum bonds			1,500,000,000	1,960,000,000	3,460,000,000
Interest payable - Ngultrum bonds	309,000,000	630,172,603	435,205,479	189,172,603	1,563,550,685
Borrowings - current	504,868,757				504,868,757
Trade payable and other payables	840,227,870				840,227,870
Total financial liabilities	2,028,656,359	1,379,681,009	2,684,321,292	2,495,844,591	8,588,503,250

(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.

(i) Trade Receivables

The Company's trade receivables comprises majorly from related parties. Trade receivables are non-interest bearing and are generally on 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 and upto 3 years	More than 3 years	Total
Trade receivable as on 31 December 2019 (Gross)	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 as on 31 December 2019 (Net)	342,162,957	4,558,092	-	346,721,049
Trade receivable as on 31 December 2018 (Gross)	432,119,454		4,993,795	437,113,249
Less: Provision for impairment loss	(382,320)		(4,993,795)	(5,376,115)
Trade receivable as on 31 December 2018 (Net)	431,737,133	-	-	431,737,133

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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.

(ii) 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.

48. The Physical Verification of Inventories was carried out on during the month of February 2020 as result of which following adjustment were made in the Books of Accounts as on 31.12.2019.

i) During the year consumption of inventory to the sum of Nu. 108,067,924.02 was charged to consumption in the year 2018 as a result of which the Financials of the year ended 31st December 2018 which has a corresponding effect in the profit and loss account of the year ended 31st December 2018. The financials are restated accordingly.
The corresponding effect in the Quantity of Inventory has been carried out during the opening of Financial Year 2020.

ii) During the year the company has accounted the Excess on Inventory of Nu. 46,553,668.51 on inventory by crediting the Misc. Income and debiting the Inventory to that extent in value.

The corresponding effect in the Quantity of Inventory has been carried out during the Financial Year 2020.

49. Reconciliation between earlier reported financial statement and restated financial statements due to BAS/BFRS review:
The Company during the year identified some of adjustments not recorded or errorneously recorded in earlier years. Rectification of the same has been carried out in the current year and below is the impact of the adjustments that has been made.

(A) Balance Sheet (extract)

Particulars	Note	31-Dec-18	Increase/ (Decrease)	31 Dec 2018 (Restated)	31-Dec-17	Increase/ (Decrease)	1 Jan 2018 (Restated)
ASSETS							
Non-current assets							
Deferred tax asset	1	310,322,276	(310,322,276)	-	1,104,484,023	(1,104,484,023)	-
Other receivables	2	9,326,699	926,487	10,253,186	8,085,229	45,940	8,131,169
Other non-current assets	2	19,522,460	(19,299)	19,503,161	17,497,377	(2,111)	17,495,266
Current assets:							
Inventories	3	873,987,983	(108,067,924)	765,920,059	818,475,552	-	818,475,552
Trade & other receivables	2	431,792,896	250,041	432,042,937	387,652,319	67,680	387,719,998
Other current assets	4	85,699,447	(624,683)	85,074,764	150,838,016	-	150,838,016
Assets classified as held for sale	4	-	624,683	624,683	-	-	-
EQUITY AND LIABILITIES							
Shareholder's equity							
Other equity		(3,575,674,449)	(411,045,433)	(3,986,719,882)	(2,738,887,688)	(1,098,407,830)	(3,837,295,518)
Non-current liabilities							
Other long-term liabilities	5	27,036,573	536,661	27,573,234	14,213,043	(1,060,428)	15,273,471

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Current liabilities							
Borrowings	4	719,572,240	(214,703,483)	504,868,757	1,679,516,417	1,679,512,217	4,200
Trade and other payables	4	625,571,208	214,656,663	840,227,870	741,114,383	(1,679,512,217)	2,420,626,600
Other current liabilities	4	26,081,915	(6,677,384)	19,404,531	39,629,470	7,025,112	32,604,358

(B) Reconciliation of total comprehensive income for the year ended December 31, 2018

Particulars	Note	31-Dec-18	Increase/ (Decrease)	31 Dec 2018 (Restated)
Income				
Other income	2	24,665,097	1,136,756	25,801,852
Expenditure				
Consumption of raw materials & consumables	3	848,881,331	(76,579,677)	772,301,654
Changes in inventory of work in progress and finished goods	3	(362,939,057)	84,093,049	(278,846,008)
Employee benefit expenses	6	131,090,302	109,860	131,200,161
Operation and maintainence expenses	4	101,839,995	100,554,552	202,394,547
Other expenses	5	262,427,669	(304,562)	262,123,107
Finance cost	5	583,982,777	98,896	584,081,673
Loss before income tax		(30,376,162)	(106,835,362)	(137,211,525)
Income tax expense:				
- Deferred tax	1	(794,161,748)	794,161,748	-
Loss after income tax		(824,537,910)	(687,326,385)	(137,211,525)
Other comprehensive income/(loss)				
Actuarial gain/(loss) on post employment benefit obligations	6	(12,322,700)	109,860	(12,212,840)
Basic and diluted earnings per share		(11.03)	9.00	(2.04)

Notes to above restatements

Note 1: Tax impact

In accordance with BAS 12, the Company has recognized deferred tax on temporary differences basis the restated financial statement.

Note 2: Impact of discounting and unwinding
In accordance with BFRS 9, the Company has rectified the impact of discounting and unwinding of financial assets.

Note 3: Impact of physical verfication of inventories

The Company during the year the Company has carried out physical verfication of inventories and has adjusted the resultant discrepancies.

Note 4: Impact of reclassifications

The Company has carried out various reclassifications as per the requirement BAS.

Note 5: Impact of discounting of long term provision

The Company as per BAS 37 has discounted long term provision for giving the impact of time value of money

Note 6: Investments and employee benefit obligation

Previously, the Company had recognized investments in fixed deposits and balance in banks as plan assets within the definition of BAS 19. However, since these investments do not meet the definition for plan assets, the same have now been rectified. Further the Company has accounted the employee benefit as per the requirement of BAS 19 basis the actuarial valuation report.