Year 2023

ANNUAL REPORT

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Year 2023

DUNGSAM CEMENT CORPORATION LTD.

THE YEAR IN REVIEW

On behalf of the Board and Management, I would like to extend our sincere gratitude and appreciation to all our valued stakeholders for their unwavering support and cooperation throughout the financial year 2023.

In 2023, DCCL produced a total of 496,437 MT of cement compared to 517,200 MT in 2022. The total cement sale for the year was 479,030 MT compared to 530,143 MT in 2022, marking a decrease of 10%. The plant experienced unforeseen issues with the raw mill pump, bucket elevator, and cooler. Additionally, a breach caused by a landslide between the water source and the treatment plant led to a plant stoppage for a few days. Furthermore, power fluctuations resulted in a considerable production loss. The inconsistent production disrupted the regular supply of cement in the mark, hampering sales.

The company conducted two scheduled maintenance periods totalling 50 days in the year to address various issues in the machines and equipment. It was a challenging year in terms of operation and maintenance of the plant.

In 2023, the company generated a total revenue of Nu. 2,902.47 million compared to Nu. 3,287.96 million in 2022, a decrease of 12%. With the decrease in production, the company also experienced a significant drop in revenue from the sale of clinker compared to 2022. The revenue from the sale of clinker in the year was Nu. 8.11 million, down from Nu. 188.44 million in 2022.

Although the company incurred a loss of Nu.66.04 million, the loss in the year reduced by Nu.31.89 million compared the previous year. Moving forward, we are committed to bringing about marked improvements in the overall performance of the company.

We seek the support of all the stakeholders in our efforts to move the company forward. We thank our valued customers for their trust in our Dragon cement.

Wishing everyone a successful 2024.

Tashi Delek!

(Dechen Choling)
Chief Executive Office

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DRAGON CEMENT

STRENGTH OF THE DRAGON

COMPANY PROFILE

The Royal Government of Bhutan initiated Dungsam Cement Project (DCP) in 1982 with assistance from the Government of India. It was incorporated as Dungsam Cement Corporation Limited (DCCL) on September 10, 2009 under the Companies Act of the Kingdom of Bhutan 2000/2016 as a wholly owned subsidiary of Druk Holding and Investment Limited (DHI), which is an investment arm of the Royal Government of Bhutan.

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

The plant has an installed capacity of 3,000 MT of clinker productions per day and 4,130 MT of cement productions per day making it the biggest cement producer in the country. The company produces three types of cement viz. Ordinary Portland Cement (OPC), Portland Pozzolona Cement (PPC) and Portland Slag Cement (PSC). The products are marketed under the brand name “Dragon Cement”. About80% of the cement produced is marketed in India and 20% of the cement produced is sold in the domestic market. As of now the company is in its 11th year of operation and given its potentials, it aspires to become one of the major profit-generating companies under DHI.

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

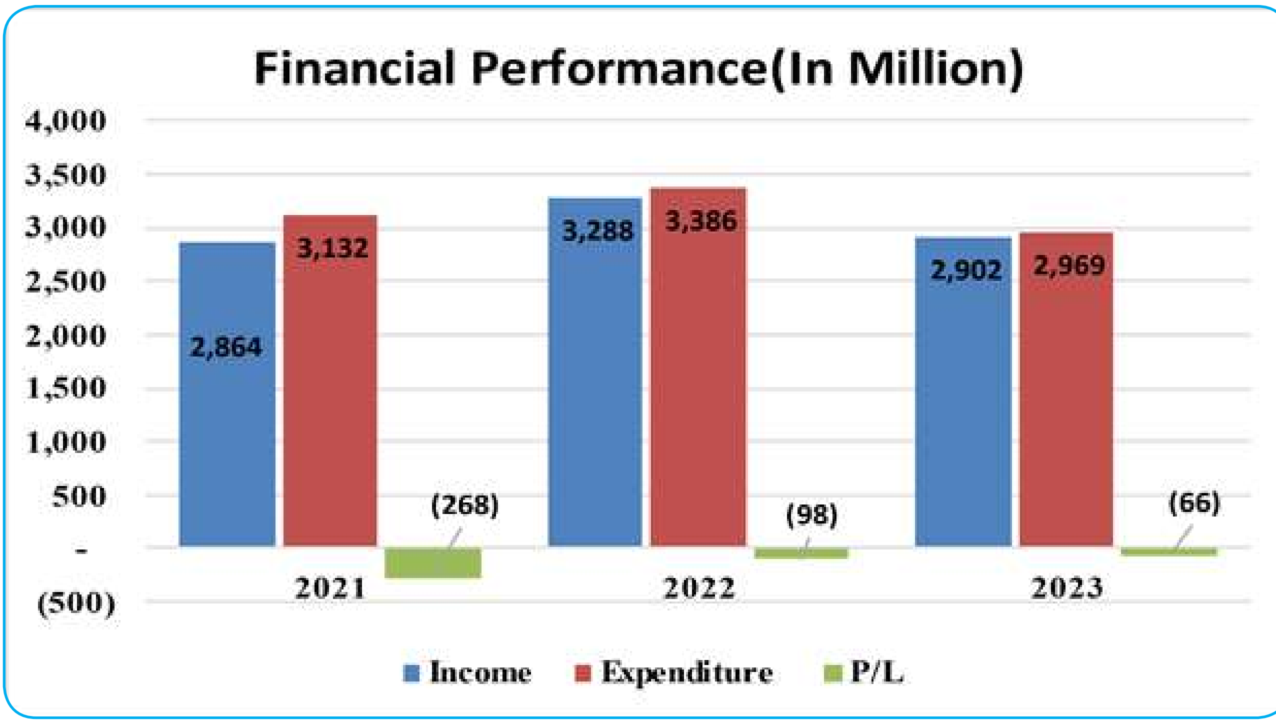
The Company had been ISO 9001:2015 certified by Bureau Veritas (BV), a certifying agent based in India, and consequently, all processes and operations are streamlined as per the ISO Standards.

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

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

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, 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 Chairman of DHI.

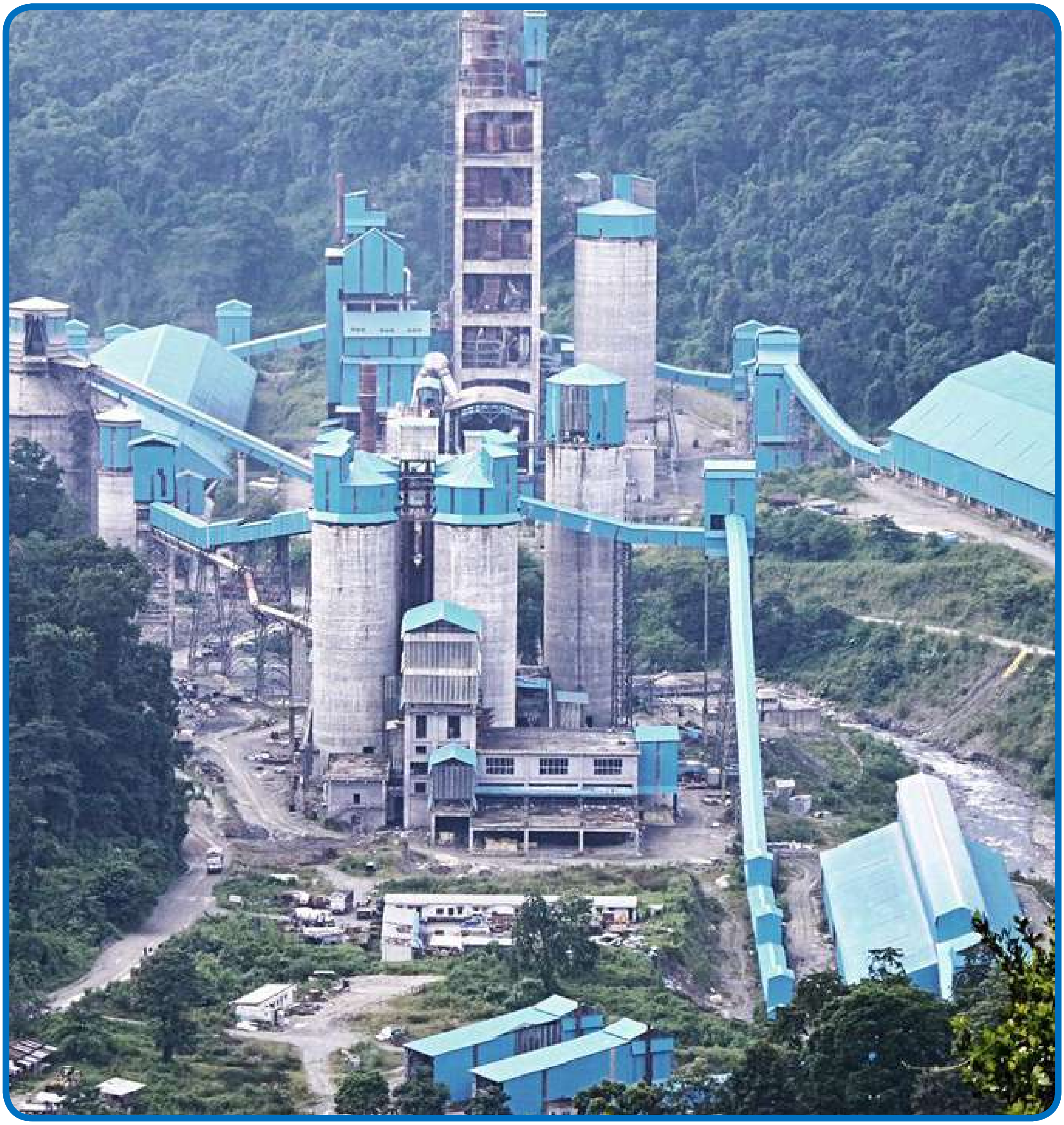
Mr. TashiPenjore obtained his Bachelor of Science (General) from Sherubtse College, Kanglung, Bhutan and Masters in Public Policy from Australian National University, Australia and Masters in International Development from Duke University NC USA. He served as Trainee officer in Royal Institute of Management, Assistant Meteorologist DRADS Ministry of Agriculture (2002-2009), also served as the Zimponwogm, Office of Gyalpoi Zimpon (OGZ), 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 is the Director of CPD at DHI. He heads the performance planning, monitoring and evaluation for the DHI Group. He has a Master's degree in Business Administration (MBA) from Australian Graduate School of Entrepreneurship, Melbourne, Australia. He received Aus AID scholarship to pursue MBA in Australia and RGoB scholarship to pursue Bachelor of Business Administration degree from Madras University, India in 2001. Mr. Dorji serves as the nominee board director from DHI.

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 Director, Department of Water, MoENR, Thimphu. She has a wide range of experience of 16 years in specialized technical fields such as planning, designing and implementation of urban infrastructur

Ms. Karma Yangzom Tshering earned her Bachelor of Commerce degree from North Bengal University, India in 2003, and completed an MBA program specializing in Corporate Strategy and Economic Policy at the Maastricht School of Management, the Netherlands, in 2009. She began her career at the National Pension and Provident Fund as a Program Officer for Pension and Provident Division from 2003 to 2004. From 2005 to 2013, she worked in the Credit and Investment Division, progressing from Program Officer to Acting Chief. She then served as the Acting Chief of the Internal Audit Cell from 2014 to 2022. Currently, Ms. Tshering holds the position of Chief of the Portfolio Investment Division at the National Pension and Provident Fund in Thimphu.

Mr. Dechen Choling obtained Bachelor of Technology in Electrical & Electronics Engineering from University of Kerala, India in 2002; Master of Science in Electrical Engineering (MScE) from University of New Brunswick, Canada in 2009 and Master of Business Administration (MBA) from University of Canberra, Australia in 2021. He worked for Bhutan Power Corporation Limited (BPC) from October 2002 – 2022. He was a General Manager for Strategic Planning & Business Development Department from 2019 – June 2022, Thimphu, General Manager for Renewable Energy Department from 2016 – 2019. He also worked as a Project Manager for Wind Power Project, Project Engineer for National Load Dispatch Centre (NLDC), now Bhutan Power System Operator (BPSO) from 2009 – 2011. He started his career in BPC as a Deputy Manager for Rural Electrification of six eastern districts of Bhutan from 2002 – 2005.



MANAGEMENT TEAM
Head of Departments

Mr. Samdrup
General Manager
Plant and Mines Department

Mr. Loday Zangpo
Officiating General Manager
Corporate Service Department

Mrs. Karma Lhamo
Officiating General Manager
Finance and Accounts Department

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. Loday Zangpo – Officiating General Manager (Corporate Service Department)

Mr. Loday Zangpo, Offtg. GM CSD holds a Bachelor's Degree in Arts from North Bengal University. He is currently serving as the head of the Procurement and Material Management Division at Dungsam Cement Corporation Limited. Before joining Dungsam Cement Corporation Limited, he worked as a manager at the Bhutan Institute of Well-being, which operates under the Bhutan Youth Development Fund (BYDF).

Mrs. Karma Lhamo – Officiating General Manager (Finance and Accounts)

Mrs. Karma Lhamo, the Officiating General Manager of the Finance and Accounts Department (FAD), obtained her bachelor's degree in business administration (Finance) from Gaeddu College of Business Studies in 2013. She is currently serving as the Head of the Accounts Division. Prior to this, she served as the Deputy Finance Manager at Dungsam Polymer Limited for two years (2014-2016) before joining Dungsam Cement Corporation Limited.

DIRECTORS REPORT

DCCL 2023

Dear Shareholders,

On behalf of the Board and the Management of Dungsam Cement Corporation Limited (DCCL), I extend a warm welcome to all our valued shareholders to the 14th Annual General Meeting (AGM) of DCCL.

The Board is pleased to report the company's performance for the period 1st January 2023 to 31st December 2023

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Operational Highlights

In 2023, DCCL produced a total of 496,437 MT of cement compared to 517,200 MT in 2022. The total cement sale for the year is 479,030 MT compared to 530,143 MT in 2022, a decrease by 10%.

The plant suffered unforeseen issues with raw mill pump and bucket elevator, as well as issues with the cooler and a breach between the water source and the treatment plant caused by a landslide. To compound matters, there were approximately 66.6 hours of power fluctuations occurring 34 times, leading to a considerable production loss and disruptions in the regular supply of cement to the market.

To mitigate the issues, the company carried out two scheduled maintenances for a period of 50 days as opposed to one in the earlier years. It had been a challenging year in terms of operation and maintenance of the plant.

Nonetheless, enough stock of both clinker and cement was ensured to kick-start the new year with deliveries as promised from day one itself.

Financial Highlights

1.Revenue

In 2023, the company generated a total revenue of Nu. 2,902.47 million compared to Nu. 3,287.96 million in 2022, a decrease of 12%.

With the decrease in production, the company also saw a significant drop in revenue from sale of clinker compared to 2022. The revenue from sale of clinker in 2023 is Nu.8.11 million against Nu.188.44 million in 2022.

2. Expenditure

The total expenditure during the year was Nu. 2,968.50 million as compared to Nu. 3,385.88 million in 2022, a decrease by 12%.

The decrease in expenditure is mainly on account of increase in the stock of clinker & cement and reduction of freight charges for the year.
The total average coal rate for the year is Nu. 9,983/MT as compared to Nu. 10,135/MT in 2022.

The O&M expenses for the year increased to Nu. 353.66 million from Nu. 202.27 million in 2022, as repair and maintenance works increased during the year including engagement of cement experts from Thailand.

3. Profit/Loss Before Tax

The company incurred a loss of Nu. 66.04 million in the year as compared to a loss of Nu. 97.93 million in 2022. Despite lower revenue from FY2022, the reported bottom line is 33% (or Nu. 32 million) improvement over FY2022.

HR and Other Systems

During the year, DHI approved revision in remuneration and benefits for the company's employees, effective from October 01, 2023. The company recruited a total of 39 employees as a replacement. A total of 40 employees left the company in 2023. The total strength of employees as on December 31, 2023 is 486.

The company is guided by the company's service rules and regulations in managing the HR and other systems.

Corporate Governance

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

The Company's Board, comprised of six Board Directors, had convened four Board meetings, six Board Audit Committee meetings and three Board Human Resource Committee meeting during the year. All the directives of the Board and the Board Committees were successfully implemented.

Corporate Social Responsibility

Corporate Social Responsibility (CSR) represents the obligations of business to align its actions with the objectives and values of society as a whole. DCCL acknowledges its responsibility to deliver and set a precedent for a sustainable CSR guided by the country's development philosophy of Gross National Happiness (GNH).

In pursuit of fostering a positive impact on surrounding environment and the communities within and outside of its business premises, establishing a strong reputation, enhancing stakeholder relationships, and contributing to the sustainable development of society and the environment, DCCL demonstrates solidarity and extends support to localities, communities, and other non-government organizations. As part of its CSR initiatives, DCCL has contributed good cement valued at Nu. 1,36,000 and provided additional support through a donation of drop cement valued at Nu. 1,06,700. Additionally, a monetary donation of Nu. 15,000 was made during the Pemagatshel Tshechu.

Statutory Audit

Appointed by the Royal Audit Authority (RAA), M/s T.K. Ghose and Co., Kolkata, India conducted the audit. The entire audit was conducted from 30th January to 15th February 2024.

We are pleased to report that during the year, no significant issues were raised by the auditors. There are observations on few specific areas, which the Management and the Board assure the shareholders that they would be resolved as soon as possible.

Further, as mandated, the Internal Audit of the company conducted regular auditing of the Company's activities and ensured the check and control and proper management of its resources.

Key Challenges & Way Forward

In 2023, DCCL faced numerous challenges leading to a dip in production and sales. It had been the toughest operational period in the last five years. The main challenges encountered were:

1. Production Hindrances: Persistent operational issues in the initial five months resulted in below-average production and sales performance, affecting overall operations.
2. Cash Flow Constraints: Ongoing cash flow challenges continued to limit the company's financial flexibility, hindering its ability to meet day-to-day operational needs and other financial commitments.

Way forward:

1. The company has been persistently on the job to stabilize the plant in order to increase the production using all available resources.
2. The commencement of the construction of the PHPA-I dam and Gelephu mindfulness project is anticipated within this fiscal year. The collective demand expected from these projects is poised to play a significant role in driving a positive bottom line for DCCL.
3. The implementation of advance payment requirements or the imposition of restrictive credit periods for upcoming mega projects will enhance the company's cash flow position.
4. Given that export markets are projected to remain the primary market for DCCL in the foreseeable future, the company will focus on establishing its presence in markets with potential for higher returns.

Acknowledgement

On behalf of the DCCL Board, the Management, and all the employees, I extend my heartfelt gratitude to DHI and our other shareholders for their unwavering support and invaluable guidance.

We also express our deep appreciation to the Royal Government of Bhutan, various ministries, departments, and local agencies for their steadfast support and collaboration.

The Board acknowledges the hard work and dedication of DCCL's management and the employee's despite of the challenges.

Lastly, we extend our sincere thanks to all our customers for their continued trust in our Dragon brand and for remaining loyal to us.

Tashi Delek!
For and on behalf of Board

[Dasho Karma Yezer Raydi]

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	Druk Holding & Investments Limited (DHI)	Chairman	December 2022	Non-Independent
3.	Mr. TashiPenjore	Director, Department of Law and Order	Director	March 2019	Independent
4.	Mr. Dorji Nima	Director,CPD, Druk Holding and Investments Limited	Director	June 2019	Non-Independent
5.	Ms. Dechen Yangden	Director, Department of Water Services, MoENR	Director	June 2019	Independent
6.	Ms. Karma Yangzom Tshering	Investment Division, NPPF, Thimphu.	Director	August 2023	Independent
7.	Mr. Dechen Choling	CEO, Dungsam Cement Corporation Limited	CEO/Director	July 2022	Non-Independent

Board Meetings:

To enhance good governance and provide appropriate policy directives to the company, four (4) Board meetings were convened during the FY 2023. 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
89	March 02, 2023	1. Dasho Karma Yezer Raydi 2. Mr. Dorji Nima 3. Msw. Dechen Yangden 4. Ms. Tshering Lham 5. Mr. Dechen Choling	1. Mr. Tashi Penjore
90	May 22, 2023	1. Dasho Karma Yezer Raydi 2. Mr.TashiPenjore 3. Mr. Dorji Nima 4. Ms. Dechen Yangden 5. Ms. Tshering Lham 6. Mr. Dechen Choling	None
91	August 04, 2023	1. Dasho Karma Yezer Raydi 2. Mr. Tashi Penjore 3. Mr. Dorji Nima 4. Ms. Dechen Yangden 5. Mr. Dechen Choling	
92	October 18, 2023	1. Dasho Karma Yezer Raydi 2. Mr. Dorji Nima 3. Mrs. Karma Yangzom Tshering 4. Mr. Dechen Choling	1. Ms. Dechen Yangden 2. Mr. Tashi Penjore

Board Sub-committee Meetings and Procedures:

Board Audit Committee Meetings (BAC)

Besides four (4) board meetings, six (6) 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
43	February 02, 2023	1. Mr. Dorji Nima 2. Ms. Dechen Yangden 3. Ms. Tshering Lham	None
44	February 24, 2023	1. Mr. Dorji Nima 2. Ms. Dechen Yangden 3. Ms. Tshering Lham	None
45	March 21, 2023	1. Mr. Dorji Nima 2. Ms. Dechen Yangden	1. Ms. Tshering Lham

46	July 07, 2023	1. Mr. Dorji Nima 2. Ms. Dechen Yangden 3. Ms. Tshering Lham	None
47	October 10, 2023	1. Mr. Dorji Nima 2. Ms. Dechen Yangden 3. Karma Yangzom Tshering	None
48	December 28, 2023	1. Mr. Dorji Nima 2. Ms. Dechen Yangden 3. Karma Yangzom Tshering	None

Board Human Resource Committee (BHRC

BHRC Meeting serial No.	Dates	Members Present	Leave of absence
17	February 28, 2023	1. Mr. Tashi Penjore 2. Mr. Dorji Nima	1. Ms. Dechen Yangden
18	April 21, 2023	1. Mr. Tashi Penjore 2. Mr. Dorji Nima 3. Ms. Dechen Yangden	None
19	September 08, 2023	1. Mr. Tashi Penjore 2. Mr. Dorji Nima	1. Ms. Dechen Yangden

Board Remuneration

Sl. no	Board Meetings Held	Board Directors	Remuneration paid (Nu)	Attendance
1	89th Board Meeting Venue: Zoom online conference Date: March 02, 2023	Dasho Karma Yezer Raydi, Chairman	8,000	Present
		Mr. TashiPenjore	NA	Absent
		Mr. Dorji Nima	8,000	Present
		Ms. Dechen Yangden	8,000	Present
		Ms. Tshering Lham	8,000	Present
		Mr. Dechen Choling	8,000	Present
2	90th Board Meeting Venue: Zoom online conference Date: May 22, 2023	Dasho Karma Yezer Raydi, Chairman	8,000	Present
		Mr. TashiPenjore	8,000	Present
		Mr. Dorji Nima	8,000	Present
		Ms. Dechen Yangden	8,000	Present
		Ms. Tshering Lham	8,000	Present
		Mr. Dechen Choling	8,000	Present
3	91st Board Meeting Venue: Zoom online conference Date: August 04, 2023	Dasho Karma Yezer Raydi, Chairman	8,000	Present
		Mr. TashiPenjore	8,000	Present
		Mr. Dorji Nima	8,000	Present
		Ms. Dechen Yangden	8,000	Present
		Mr. Dechen Choling	8,000	Present

4	92nd Board Meeting Venue: DHI, Thimphu Date: October 18, 2023	Dasho Karma Yezer Raydi, Chairman	8,000	Present
		Mr. TashiPenjore	NA	Absent
		Mr. Dorji Nima	8,000	Present
		Ms. Dechen Yangden	NA	Absent
		Ms. Karma Yangzom Tshering	8,000	Present
		Mr. Dechen Choling	8,000	Present

Annual General Meeting (AGM)

The 14thAGM for the financial year ended 2023 was convened on March 11, 2024 at Board Room, Druk Holding and Investments Limited (DHI). The following agenda were deliberated during the 13th AGM:

Agenda 14.01	Adoption of the 14th Annual General Meeting Agenda
Agenda 14.02	Confirmation and Adoption of the Minutes of the 13th Annual General Meeting
Agenda 14.03	Presentation of the Directors' Report for FY 2023
Agenda 14.0	Consideration of Audited Accounts for the Financial Year ended 31st December 2023
Agenda 14.05	Declaration of Dividend, if any
Agenda 14.06	Endorsement of Remuneration of CEO and Directors
Agenda 14.07	Appointment of Statutory Auditors
Agenda 14.08	Retirement and Appointment of Board Directors
Agenda 14.09	Review of Annual Compact 2023
Agenda 14.10	Any other matter

Appointment and Retirements of Board Directors

The Shareholders endorsed the appointment/reappointment of following board directors on DCCL Board.

Sl #	Current Board Director	Designation/Address	Remarks
1	Ms. Dechen Yangden	Director, DoW, MoENR	Continue for another term
2	Ms. Karma Yangzom	Investment Div, NPPF	
3	Mr. Dorji Nima	Director, CPD, DHI	
4	Dasho Karma Yezer Raydi	Chairman, DHI (Chairman of the Board)	Replace by: 1. Mr. Ugyen Namgyel, CEO, Druk Hydro Energy Limited 2. Mr. Sonam Tobgye, Director, Cabinet Secretariat 3. Mr. Tashi Dawa, Dzongdag, P/Gatshel

Risk Management System

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

SN	Identified Risk	Mitigation Measure	Risk Owner
1	Loss of market share/net realization on account of stiff competition and capacity additions in India	1. Strictly monitor the market trend and continue to assess the impact of the existing measures. 2. Explore secondary trade and institutional markets	Sales & Marketing Division
2	Inability to maintain enough critical spare parts and delays in delivery due to weak financial position of the company	1. Carry enough critical spare 2. Proper Inventory Management 3. Vendor Listing	PMMD
3	Technology and equipment/parts obsolescence	1. AMC contract and MoU with OEMs on long-term support on technology and supply.	GM, Plant & PMMD
4	Quality deviation, failure & rejection of cements due to wrong raw mix/mix design (strategic risk)	1. Regular in-house training and awareness to existing lab technician & new recruits 3. Continuous monitoring of Raw mix as an when source or the lot/batch of RM changes	Quality Division
5	Exorbitant rate of equipment/parts due to dependency on few vendors	1. Signing of MoUs with OEMs 2. Diversification of suppliers 3. Evaluation and Rating of supplier 4. Building mutual long-term relationship	PMMD
6	Accident at work place/loss of life due to improper work approach and lighting	1. Working platform to be extended and well maintained	HEAD, OHSE
		2. Installation of light in all plant area	Real Estate
7	Health hazards due to harsh work environment	1. Compiling the Material Safety Data Sheet (MSDS) 2. Safety awareness and using PPE	HEAD, OHSE
8	Damage of equipment due to mis-operation by controllers	1. Training & Development 2. Need to retain experience controller	Concerned division Head
9	Production loss due to breakdown	1. Condition Based Monitoring (CBM) team should timely monitor the checkup equipment	GM, Plant
		2. Needs to maintain back up spares for critically equipment	PMMD

10	Delay in maintenance of machines and equipment due to non-delivery of spare parts on time	1. Need to maintain adequate stock of critical materials 2. Constant follow-up with the suppliers	PMMD
11	Structural integrity	1. Sealing of all the material leakages 2. House keeping	Real Estate
12	Power fluctuation from grid (BPC)	No existing controls	Management
13	Abnormal coating formation in Kiln & snowman formation inside Cooler due to high MgO contain in limestone	1. Need good quality of coal to reduce marungri ratio in raw mix	Quality Head & Process Head
14	Impact on business operation due to disruption of supply chain of raw materials	1. Fund reservation for safety stocks of raw materials	Head, Raw Materials
		2. Exploring alternative route	Head, Raw Materials
15	Poor financial position.	1. Availing inter-corporate loan 2. Cost control and austerity measure. 3. Sales to be made on advance payment basis	Head, FAD
16	Litigation with parties/vendors due to delay in payment	1. Continue with existing measures	SMD

Corporate Social Responsibility (CSR)

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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.


Your Ultimate Choice !
PSC
OPC
PPC
DRAGON
CEMENT
Head Office Nganglam,Bhutan | Ph: +975-7-481114/481238 | Fax: +975-7-481191 | Write to us at info@dccl.bt | Website: www.dccl.bt


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CEMENT
INTERNATIONAL CHOICE

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

To the Members of,
Dungsam Cement Corporation Limited
Nganglam: Bhutan

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Dungsam Cement Corporation Limited (the Company), which comprise the statement of financial position as at 31st December 2023, the statement of comprehensive income, Statement of changes in equity and Statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

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

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

c) The Statement of Financial Position, The Statement of Comprehensive Income, The Statement of Changes in Equity and The Statement of Cash Flows dealt with by this report are in agreement with the books of accounts and returns.

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

For T.K. Ghose& Co.
Chartered Accountants

Dipanjan Bhattacharjee
Partner
M. No. 068908
Firm Registration No. 302002E
UDIN:

Date: 14/02/2024
Place: Kolkata

Appendix I

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

General

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

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

Matters pertaining to a manufacturing, mining or processing company:

1. The Company has generally maintained Property, Plant & Equipment (PPE) Register showing full particulars including quantitative details and location of PPE is available. Physical verification of PPE was done during the year internally.
2. None of the fixed assets of the Company have been revalued during the year under audit.
3. The procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business and the same is supported ***by a physical verification inventory report done by management on every half yearly basis***
4. The method of valuation of inventory for the company is adequate and commensurate with the size and nature of business.
5. ***On sample basis we have examined certain stocks and discrepancies were identified between physical verification of the stock and the book stock. We have communicated such cases to the management for adequate redressal.***
6. The Company is following a reasonable system of recording the receipts, issues and consumption of material and store. ***However, there is a delay in issue of GIN, GRN and updating the system after issues and receipts of material and store.***
7. At the end of the accounting year, the Company has carried out a quantitative reconciliation in respect of all the major items of inventories ***however, there is a difference in opening and***

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

closing balance of Inventories (Consumables) between the Financial Statements and the statement provided from the stores.

8. The obsolete, damaged, slow moving and surplus goods/ inventories has been identified by the management by a physical inventory verification report done on every half yearly basis. Where the value of such items are significant, adequate provision has been made.

9. Obsolete inventories has not been written off during the year 2023.

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

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

12. The Company has taken a working capital loan of Nu. 53,00,00,000 from National Provident Fund Limited, term loan amounting to Nu. 670,000,000 from Bank of Bhutan, and an intercorporate loan from DHI amounting to Nu. 330,000,000, intercorporate loan from DGPCL amounting to Nu. 340,000,000, intercorporate loan from DHPCL amounting to Nu. 120,000,000 and intercorporate loan from BTL amounting to Nu. 260,000,000 during the year and had repaid working capital loan amounting to Nu. 53,00,00,000 of National Provident Fund Limited, and also an intercorporate loan amounting to Nu. 120,000,000 of DHPCL and intercorporate loan of BTL amounting to Nu. 260,000,000 during the year.

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

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

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

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

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

Regn. No. 302002E
Chartered Accountants

18. Transactions for purchase and sale of goods and services with the director(s) or any other party(ies) related to the director(s) or with company or firms in which the director(s) are directly or indirectly interested are disclosed by the company in note no. 46 of the financial statements. As these transactions have been made at prices, which are reasonable having regard to the prevailing market prices or at prices at which such transactions have been made with other parties and are not prejudicial to the interest of other shareholders and the Company.

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

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

21. As informed 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.

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

23. Based on the records maintained by the company and produced before us, the company is not maintaining reasonable records for sale and disposal of realizable by-products and scraps.

24. According to the records maintained by the company and produced to us, the Company has generally been regular in depositing rates and taxes, provident fund and other statutory dues with the appropriate authorities.

25. 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 31.12.2023

    - Bhutan Sales Tax: Nu. 7,483,909

26. The Company has a reasonable system of allocation of man-hours to jobs/ contracts to commensurate with the size and nature of business of the Company.

27. In our opinion, there is a reasonable system of price fixation taking into account the cost of production and the market conditions as decided by the Sales Committee of the Company from time to time.

28. The Company has made credit sales during the year. The Company has formed 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. The Company does not have a policy of credit rating of customers.

29. The company has a process of regular evaluation of the commission agent on regular basis based on the industry norms/ market condition.

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

30. In our opinion, the Company, in general, has a system of following up with debtors and other parties except in few cases for recovery of outstanding dues. As explained to us, age wise analysis of debtors is regularly carried out and follow up actions undertaken.

31. In our opinion, and on the basis of information and explanations given to us, the management of liquid resources, particularly cash/bank etc. are, in general, reasonably adequate and excessive amounts are not lying idle in non-interest-bearing accounts.

32. According to the information and explanations given to us, and on the basis of available records and information, we are of the opinion that the financial activities carried out by the Company during the year are prima facie lawful and intra-vires to the Articles of Association of the Company.

33. We are given to understand that Capital investment decisions are made with prior approval of the Board and investments in new projects are made only after ascertaining the technical and economic feasibility of such new projects.

34. The present system of budgeting, in our opinion, is generally reasonable.

35. Standard costing system is being established but variance analysis is not being carried out by the company at regular intervals.

36. Directors who have acted as the CEO of the company have been paid remuneration other than sitting fees. The details of remuneration and other payments to the Managing Director/ CEO are disclosed in the accounts, is stated in Note No. 46. Based on the review of the records relating to the performance of the Board meetings, we have not come across any cases of disclosure of interest where payments have been made in cash or in kind to any of the directors and their relatives (including spouse(s) and child/children) by Company directly or indirectly, other than those mentioned above, nor have we been informed any of such case by the management.

37. As represented to us, the directives of the Board have generally been complied with.

38. We are given to understand by the management that the officials of the Company are refrained from transmitting any sensitive information which are not publicly available, unauthorized to their relatives/friends/associates or close persons which will directly or indirectly benefit themselves.

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

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

COMPUTERISED ACCOUNTING ENVIRONMENT

1. The Company has implemented "SAP", which seems to be fully stabilized to ensure effective internal control over operations but in our opinion a system audit should be carried out to ensure the same

2. According to the information and explanation given to us, the Company has adequate safeguard measures of its data and back up facilities for its data and maintains the same at Thimphu

3. The Company is maintaining appropriate backup facilities and disaster recovery measure at a different location.

4. The operational controls are found to be adequate to ensure correctness and validity of input data and output information subject to our Management Report.

5. ***The Company has not implemented proper measures for prevention of unauthorized access over the computer installation and files.***

6. The data migration system is effectively managed by the Company.

Facts for unfavourable/qualified answers:

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

GENERAL

1. Going Concern Issues:

On review of the state of affairs as reflected by the Company's Statement of Financial accepted auditing standards, we have no reason to believe that the Company is not a going concern on the date of the Statement of Financial Position (i.e. 31st December 2023).

For T.K. Ghose& Co.
Chartered Accountants

Dipanjan Bhattacharjee
Partner
M. No. 068908
Firm Registration No. 302002E
UDIN:

Date: 14/02/2024
Place: Kolkata

Particulars	2023	2022	2021	2020	2019
Sale	2870.6	3,228.41	2,793.54	2,649.25	3,287.48
Percentage increase/decrease in sale	-11.08%	15.57%	5.45%	-19.41%	-12.54%
EBITDA	591.56	572.62	387.62	333.77	755.02
PBT	-66.03	-97.93	-267.73	-313.78	-51.45
PAT	-66.03	-97.93	-267.73	-603.81	-331.15
Share Capital	7,330.65	7,330.65	7,330.65	7,473.95	7,473.95
Retained Earnings	-6,243.17	-5,921.32	-5,276.09	-4,924.10	-4,320.26
Net Worth	1,087.48	1,409.33	2,054.56	2,549.85	3,153.69
Percentage increase/decrease in net worth	-23%	-31%	-19%	-19%	-10%

Based on point no. 55 of the notes to accounts provided by the management and based on the above table we find that the sales have decreased but EBITDA of the company is increased while the PAT (loss) is reducing per year, thus we feel that the going concern of the company is not affected.

2. Ratio Analysis:

Included in a separate Annexure.

3. Compliances with the Companies Act of Bhutan, 2016

The company has generally complied with the requirements of the Companies Act of Bhutan, 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 and management report signed by us on the even date.

4. Adherence to Laws, Rules and Regulations

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

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

For T.K. Ghose& Co.
Chartered Accountants

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

Dipanjan Bhattacharjee

Dipanjan Bhattacharjee
Partner
M. No. 068908
Firm Registration No. 302002E
UDIN:

Date: 14/02/2024
Place: Kolkata

Dungsam Cement Corporation Limited
Statement of Financial Position as at December 31,2023

PARTICULARS	Notes	(Amount in Nu)	
		31/12/2023	31/12/2022
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	2	6,919,291,914	7,197,114,957
Right to Use Asset	3	7,236,770	8,989,671
Intangible Asset	4	34,085,085	37,359,079
Capital Work-in-Progress	5	171,946	5,111,355
Investments	6	87,230,120	25,619,260
Trade & Other Receivables	7(a)	-	6,103,345
Loans & Advances	8(a)	-	2,001,166
Other Non-Current Assets	9	49,622,111	44,465,080
		7,097,637,946	7,326,763,913
Current Assets:			
Inventories	10	1,028,589,036	676,370,437
Trade & Other Receivables	7(b)	250,588,198	295,906,919
Loans & Advances	8(b)	18,091,229	36,093,569
Cash and Cash Equivalents	11	36,870,914	94,839,985
Prepaid Tax	12	36,731,988	62,045,175
Pre-paid Expenses	13	18,146,899	29,918,258
		1,389,018,264	1,195,174,342
Asset classified as held for sale	14	3,192,986	464,041
TOTAL		8,489,849,197	8,522,402,295
EQUITY AND LIABILITIES			
Shareholders' Equity	15	7,330,645,000	7,330,645,000
Retained Earnings /(Loss)		(6,243,176,308)	(5,921,317,226)
		1,087,468,692	1,409,327,774
Non-Current Liabilities			
Borrowings	16	3,758,591,811	3,240,392,808
Lease Liability	17	8,676,242	10,613,596
Deferred tax liabilities(net)	34	1,431,897,276	1,202,567,494
Trade and Other Payables	18(a)	-	9,734,015
Employee benefit liabilities	19(a)	78,153,284	53,767,987
Other Long-Term Liabilities	20	2,387,155	2,203,594
		5,279,705,768	4,519,279,495

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

Current Liabilities			
Current Borrowings	21	983,821,109	1,724,178,062
Trade and Other Payables	18(b)	1,095,689,878	803,613,280
Employee benefit liabilities	19(b)	8,205,322	12,913,119
Other Current Liabilities	22	34,958,428	53,090,565
		2,122,674,737	2,593,795,027
TOTAL		8,489,849,197	8,522,402,295

For T.K Ghose & Company
Chartered Accountants
Firm Registration No. 302002E

For and on behalf of the Board of Directors

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

Dipanjan Bhattacharjee

(Dipanjan Bhattacharjee
Partner
Membership No. 068908

(Dechen Choling)
Chief Executive Officer

(Dasho Karma Yezer Raydi)
Chairman

Dated: 14 /02/2024
Place: Kolkata
UDIN: 23068908BGQKKH7971

Dungsam Cement Corporation Limited
Statement of Comprehensive Income for the Year ended December 31, 2023

Particulars	Notes	Current Year 31/12/2023	Previous Year 31/12/2022
Revenue			
Revenue from sale of Cement	23(a)	2,862,495,005	3,039,970,455
Revenue from sale of Clinker	23b)	8,109,104	188,442,192
Other Revenue	24	31,862,408	59,543,346
Total Revenue		**2,902,466,517**	**3,287,955,993**
Expenditure			
Consumption of raw materials & Consumables	25	570,612,799	615,137,799
Changes in Inventory of work in progress and finished goods	26	(539,410,624)	(155,738,018)
Power & Fuel	27	1,233,720,143	1,236,672,755
Employee benefit expenses	28	230,035,164	216,705,612
Depreciation & Amortization	29	306,503,755	309,148,156
Selling & Marketing Expenses	30	339,041,148	466,859,862
Operation & Maintenance Expenses	31	353,658,644	202,272,470
General Admin & Other Expenses	32	123,244,174	131,929,213
Finance Cost	33	351,098,273	362,894,112
Total Expenditure		**2,968,503,475**	**3,385,881,961**
Profit /(Loss) Before Income Tax		**(66,036,958)**	**(97,925,968)**
Current Income Tax			-
Profit/ (Loss) After Income Tax		**(66,036,958)**	**(97,925,968)**
Other Comprehensive income/(Loss)		-	-
Deferred Income Tax Income/(Expenses)	34	(229,329,782)	(549,362,767)
Actuarial Gain/(Loss) on post-employment benefit obligations		(25,683,263)	(563,624)
Gain/loss on revaluation of land		(809,079)	-
Net Other Comprehensive Income/(Loss)		**(255,822,124)**	**(549,926,391)**
Total Comprehensive Income/(Loss)		**(321,859,082)**	**(647,852,359)**
Basic and Diluted Earnings per share	**35**	**(0.90)**	**(1.34)**

For T.K Ghose & Company
Chartered Accountants
Firm Registration No. 302002E

For and on behalf of the Board of Directors

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

Dipanjan Bhattacharjee

(Dipanjan Bhattacharjee
Partner
Membership No. 068908

(Dechen Choling)
Chief Executive Officer

(Dasho Karma Yezer Raydi)
Chairman

Dated: 14 /02/2024
Place: Kolkata
UDIN: 23068908BGQKKH7971

Dungsam Cement Corporation Limited
Statement of Cash Flow Statement for the year ended December 31, 2023

Particulars	For the year ended 31/12/2023	For the year ended 31/12/2022
Cash Flow from Operating Activities		
Net Profit after Tax	**(66,036,958)**	**(97,925,968)**
Adjustment for:		
Prior period		2,623,807
Depreciation/amortization	306,503,755	309,148,156
(Gain)/Loss on disposal of PPE	6,665,382	8,712,038
Retirement/Scrapping of Inventories & PPE	56,675,011	70,410,801
Interest expenses on Borrowing	344,428,120	357,931,947
Unwinding interest (income)/expense on discounts	2,930,809	2,653,338
Income from Liabilities no longer required written back	-	8,716,541
Adjustment of Actuarial Gain/Loss	(25,683,263)	(563,624)
Gain/loss on revaluation of land	(809,079)	
Operating profit before working capital changes	**624,673,776**	**661,707,036**
Adjustment for		
(Increase)/Decrease in Trade Receivables and Other Receivables	51,422,066	(63,889,847)
(Increase)/decrease in loans and advances (Current & Non-Current)	20,003,505	(3,934,668)
(Increase)/Decrease in Other Non-Current Assets	(5,157,031)	(4,917,883)
(Increase)/Decrease in Other Current Assets	37,084,546	(15,813,362)
(Increase)/Decrease in Inventories	(352,218,599)	45,393,728
Increase/(Decrease) in Trade Payables	282,342,582	251,822,487
Increase/(Decrease) in Employee Liabilities	19,677,501	2,571,316
Increase/(Decrease) in Other Long-Term Liabilities	183,561	(3,781,825)
Increase/(Decrease) in Lease Liability	(1,937,354)	10,613,596
Increase/(Decrease) in Other Current Liabilities	(18,132,137)	(4,193,696)
Net cash generated from operating activities before income tax	**33,268,640**	**213,869,846**
Less: Tax Paid	-	-
Net Cash from Operating activities (A)	**657,942,416**	**875,576,882**
Cash Flow from Investing Activities		
Purchase of PPE & Intangible assets and CWIP	(18,714,408)	(27,540,655)
Fixed Deposit with Bank	(64,525,878)	594,570,228
Proceed from/withdrawal of Assets	(66,069,339)	(79,176,144)
Interest received during year	2,915,017	8,110,513
Net Cash from Investing Activities (B)	**(146,394,608)**	**495,963,942**
Cash Flow from Financing Activities		
Decrease/Issue of Share Capital		

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

Short term Borrowings repaid	(740,356,954)	736,653,504
Long term Borrowings repaid/availed during the year	518,199,003	(1,704,014,028)
Interest Paid during the year	(347,358,928)	(360,585,285)
Net cash generated from/use in financing activities (C)	**(569,516,879)**	**(1,327,945,809)**
Net Increase/ (Decrease) in Cash & Cash Equivalents (A+B+C)	**(57,969,070)**	**43,595,015**
Cash & Cash Equivalents at the beginning of the year	94,839,985	51,244,969
Cash & Cash equivalents at the end of the year	**36,870,914**	**94,839,985**

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. 11 to the Accounts].
3. Figures in brackets indicate cash outflows.

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

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

Dungsam Cement Corporation Limited
Statement of Changes in Equity for the Year ended December 31, 2023

Attributable to the Owners of the Company

Particulars	Ordinary Shares			Retained earnings/(Loss)	Total
	No. of Shares (issued and fully paid up)	Par value per share	Total value of share		
Balance as at January 01, 2022	**73,306,450**	**100**	**7,330,645,000**	**(5,276,088,674)**	**2,054,556,326**
Prior period adjustment				2,623,807	2,623,807
Profit/ (Loss) After Income Tax				(97,925,968)	(97,925,968)
Other Comprehensive income/(Loss)				(549,926,391)	(549,926,391)
Balance as at December 31, 2022	**73,306,450**	**100**	**7,330,645,000**	**(5,921,317,226)**	**1,409,327,774**
Balance as at January 01, 2023	**73,306,450**	**100**	**7,330,645,000**	**(5,921,317,226)**	**1,409,327,774**
Profit/ (Loss) After Income Tax				(66,036,958)	(66,036,958)
Other Comprehensive income/(Loss)				**(255,822,124)**	**(255,822,124)**
Balance as at December 31, 2023	**73,306,450**	**100**	**7,330,645,000**	**(6,243,176,308)**	**1,087,468,692**

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

Authorized Capital

Particulars	31/12/2023	31/12/2022
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**

For T.K Ghose & Company
Chartered Accountants
Firm Registration No. 302002E

For and on behalf of the Board of Directors

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

Dipanjan Bhattacharjee

(Dipanjan Bhattacharjee
Partner
Membership No. 068908

(Dechen Choling)
Chief Executive Officer

(Dasho Karma Yezer Raydi)
Chairman

Dated: 14 /02/2024
Place: Kolkata
UDIN: 23068908BGQKKH7971

Note 01: NOTES TO FINANCIAL STATEMENTS

A. General Information:

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

The Company's financial statements are prepared in accordance with and are fully compliant with the Bhutanese Accounting Standards (BAS), except as stated otherwise in the financial statements. The financial statements of the Company for the year ended December 31, 2023 were authorized for issue by the Board of Directors on dated March 11,2024.

B. Significant accounting policies:

1.1) Basis of preparation:

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

These financial statements have been prepared on the accrual basis of accounting with the historical cost convention and going concern basis except as stated otherwise in the Financial Statements.

The preparation of the Financial Statements requires the use of certain critical accounting estimates and judgments. It also requires management to exercise judgment in the process of applying the Company's accounting policies and the reported amounts of revenue, expenses, assets and liabilities may differ from the estimates. In areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements.

1.2) The functional/presentation currency:

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

1.3) Foreign currency translation:

Foreign currency transactions that are completed within the accounting period are translated into Bhutan Ngultrum using the exchange rates prevailing at the date of settlement. Monetary assets and liabilities in foreign currencies at balance sheet date are translated at the rates of exchange prevailing at balance sheet date.
Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Statement of Comprehensive Income.

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

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

a. Critical Spares to ensure smooth operation of Plant & Machinery without interruptions which Plant cannot operate. The depreciation of such will be immediately charged over the life of main assets.

b. Capital spares are replacement parts and that will be installed and put into use at a later date. The deprecation of such will be charged as and when it is installed, on the life of the main asset.

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

Asset Class	Useful life
Building and civil structure	35 years
Plant and machinery	30 years
Furniture and fixtures	7 years
Office equipment	7 years
Vehicle	10 years
Other equipment	7 years
Right to Use	Valued based on lease period

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

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

Assets in nature of tools, tackles, implements, equipment's which are consumables in nature and expected useful is not more than a year, assets costing Nu. 5,000 and below are expensed off. Assets that are fully depreciated but still in use are recorded at Nu.1 for each asset for the purpose of monitoring.

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Residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. The residual values are not more than 5% of the original cost of the asset.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized under other income or other expenses as the case may be, in the statement of comprehensive Income.

1.5) Intangible assets:

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

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

1.6) Impairment of assets:

Assets are tested for impairment as per BAS 36 whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

1.7) Investment Property:

The investment Property (BAS 40) is initially recognized at original cost and subsequently recognised the capital gains and earnings. The company follows cost model and are stated at cost less accumulated gains. The property, land, gratuity, and Bond redemption reserve are classified as investment property disclosed in Notes.

1.8) 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 asset only when its ready to use.

1.9) 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.

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b) Classification and subsequent measurement:

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

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

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

Financial assets measured at amortized cost:

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

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

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

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

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

ii. The asset's contractual cash flow represents SPPI.

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

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.

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c) Derecognition of financial assets:

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

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

ii. The company retains the contractual rights to receive the cash flows of the financial asset but assumes a contractual obligation to pay the cash flows to one or more recipients.
When the company has transferred an asset, it evaluates whether it has substantially transferred all risks and rewards of ownership of the financial asset. In such cases, the financial asset is derecognized. When the company has not transferred substantially all the risks and rewards of ownership of a financial asset, the financial asset is not derecognised. When the company has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is derecognised if the entity has not retained control of the financial asset. When the entity retains control of the financial asset, the asset is continued to be recognized to the extent of continuing involvement in the asset.

d) Income recognition:

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

1.10) Financial liability:

a) Initial recognition and measurement:

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

b) Subsequent measurement:

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

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

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

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

Financial Liability at Amortized cost:

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

Borrowings:

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

The company capitalise borrowing cost that are directly attributable to the acquisition, construction or production of qualifying asset to the extent in determining amount of borrowing cost eligible for capitalisations by applying a capitalisation rate to the expenditure on that asset.

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

Trade and other payables:

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

c) Derecognition:

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

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

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

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

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

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

1.11) Inventories:

Inventories are stated at the lower of cost and net realizable value. Cost is determined using moving average price for the materials procured from third parties. Cost of inventories is recognized including other incidental expenses incurred in acquiring inventories and bringing them to their existing location and condition. The standard cost is used for semi-finished and finished goods. The cost of finished goods and work in progress comprises of raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). The Inventory consists of Raw Materials, Fuel, Work in Progress, Finished Products, Capital Spares, Asset Spares and Stores, Spares, loose tools and other inventories.

The company assess the inventories as Fast, Slow and Non-moving items during physical verification. Company further reviews the inventories which has value more than Nu. 500,000/- and useful life more than one year as insurance/capital spares.

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

i) Inventory- Spare Parts:

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

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

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

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

ii) Inventory- Consumables:

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

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

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

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

iii) Inventory- Capital Spares/Materials:

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

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

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

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

iv)Treatment for Slow/Non-Moving:

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

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

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

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

1.12) Cash and cash equivalents:

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

1.13) Current and deferred income tax:

a.) Current income taxes:

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

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b.) Deferred tax:

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

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

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

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

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

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

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

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

1.14) 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 capitalization.

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

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1.15) Financial Liability at Amortized cost:

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

1.16) Employee benefits:

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

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

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

b. Defined Benefit Plans (Gratuity):

The liability or asset recognized in the balance sheet in respect of defined benefit gratuity plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation.
The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit and loss.

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

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

c. Defined Benefit Plans (Earned Leave/Carriage Charges/Transfer Grants/Repartition Allowances):

The liability or asset recognized in the balance sheet in respect of defined benefit plans such as Earned Leave/Carriage Charges/Transfer Grants/Repartition Allowances at 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.

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The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation.

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

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

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

d. 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.

e. Earned Leave Encashment:

The employees of the company are entitled for earned leave of 30 days but cannot carry forward earned leave balance. The employee can have the option of either availing the leave or encashing the earned leave withing the same financial year. Out of 30 days of earned leave during the year, if employee avails leave during the year and has balance earned leave, the balance shall be encashed on pro rate basis.

1.17) Provisions and Contingent Liabilities:

Provisions are recognized when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

A contingent liability is only disclosed in the notes to the account if an outflow of resources embodying economic benefits is possible.

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

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

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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.

1.18) Leases:

As a lessee:

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

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

As a lessor:

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

1.19) Non–current assets held for sale:

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

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

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.

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1.20) Revenue recognition:

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

Sale of goods:

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

The company discloses the reportable segment of revenue from each product OPC, PPC and PSC for the purposes of making decisions and about allocating resources, assessing its performance, costing etc. The segment reports are disclosed through the Notes.

Liquidated damages and penalties:

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

Interest income:

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

1.21) Unpaid Cheque:

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

1.22) Unclaimed/Unpaid Liabilities:

The company will review all outstanding liabilities or unclaimed payables in each reporting period and if it is established that any amount shall not payable, these amounts should be transferred to Unpaid and Unclaimed Liabilities Account.

If the unclaimed balances of vendors are determined that shall form no longer the liabilities of the company, the same shall be recognized as income from liabilities no longer required after expiry of 3 years with exception to litigation. In case of any subsequent claims, the same shall be debited to

Miscellaneous Expenses during the period of refund.

1.23) 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.

C. Critical accounting estimates and assumptions:

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

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

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

i) Useful lives of property, plant and equipment:

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

ii) Fair Value measurement of Financial Instruments:

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

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as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

iii) Retirement benefit obligations:

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

iv) Contingent Asset/Liabilities:

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

v) Provision/Loss Allowance on ECL:

The position of doubtful Debts is reviewed and monitored on yearly basis as expected credit Loss (ECL) per the ageing buckets: 0-30 days, 31-60, 61-90 days & above 90 days for the probability default, loss given default, exposure at default economic factor adjustment and the discount factor. The company also takes appropriate action to write off or reverse from the provision in case of subsequent recovery, the same is credited to impairment gain/losses.

vi) Provision for Advances/Claims/Receivables:

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

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

Dungsam Cement Corporation Limited
Notes forming part of Statement of Financial Position as at December 31, 2023

Note 2: Property, Plant & Equipment

(Amount in Nu)

	Freehold Land	Building & Civil Structure	Plant & Machineries	Furniture & Fixture	Office Equipment	Other Equipment's	Vehicles	Total
Balance as at 1 January 2023:								
Cost	1,200,000	4,749,828,669	5,430,165,013	20,476,853	28,121,114	107,797,918	52,580,256	10,390,169,824
Accumulated Depreciation	-	1,208,542,981	1,851,235,535	17,496,838	22,387,485	70,639,038	22,752,991	3,193,054,867
Book Value as at 1 January 2023:	**1,200,000**	**3,541,285,688**	**3,578,929,479**	**2,980,015**	**5,733,630**	**37,158,880**	**29,827,265**	**7,197,114,957**
								-
Changes in book value during the year:								
Addition	(809,079)	5,288,179	66,851,803	2,163,771	4,175,973	5,533,108	2,941,872	86,145,626
Deletion/Adjustment	-	(5,111,355)	98,379,757	1,151,312	11,108,869	5,055,490	2,789,260	113,373,333
Depreciation on deletions and Adjustment	-	(19,153,679)	51,678,192	1,110,324	10,555,067	4,248,621	2,394,155	50,832,680
Depreciation for the year	-	131,385,617	157,747,721	928,807	1,662,485	5,370,012	4,333,374	301,428,015
Total Changes	**(809,079)**	**112,408,761**	**374,657,474**	**5,354,214**	**27,502,394**	**20,207,230**	**12,458,661**	**551,779,654**
Balances as at 31 December 2023:								-
Cost	390,921	4,760,228,203	5,398,637,059	21,489,312	21,188,218	108,275,536	52,732,868	10,362,942,117
Accumulated Depreciation	-	1,359,082,277	1,957,305,064	17,315,321	13,494,902	71,760,429	24,692,210	3,443,650,203
Book value as at 31 December 2023:	**390,921**	**3,401,145,926**	**3,441,331,996**	**4,173,991**	**7,693,316**	**36,515,107**	**28,040,658**	**6,919,291,914**

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Dungsam Cement Corporation Limited
Notes forming part of Statement of Financial Position as at December 31, 2023

3. Right to Use Asset **Amount in Nu.**

Balance as at 1 January 2023:	
Cost	14,835,988
Accumulated Amortization	7,599,218
Book value as at 1 January 2023	**7,236,770**
	-
Changes in book value during the year:	
Addition	-
Deletion/Adjustment	-
Depreciation on deletions and Adjustment	-
Depreciation for the year	1,752,901
Total Changes	**1,752,901**
Balances as at 31 December 2023:	
Cost	14,835,988
Accumulated Amortization	7,599,218
Book value as at 31 December 2023:	**7,236,770**

4. Intangible Assets

Balance as at 1 January 2023:	
Cost	66,410,082
Accumulated Amortization	29,051,003
Book value as at 1 January 2023	**37,359,079**
Changes in book value during the year:	
Addition	48,845
Deletion/Adjustment	
Depreciation on deletions and Adjustment	-
Depreciation for the year	3,322,839
Total Changes	3,420,529
Balances as at 31 December 2023:	
Cost	66,458,927
Accumulated Amortization	32,373,842
Book value as at 31 December 2023:	**34,085,085**

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5. Capital Work-in-progress

Balance as at 1 January 2023	**5,111,355**
Additions	171,946
Capitalization	5,111,355
Expense-off	
Book value as at 31 December 2023:	**171,946**
Capitalization	-
Expense-off	
Book value as at 31 December 2023:	**171,946**

Note 6: Investments **(Amount in Nu)**

Particulars	31/12/2023	31/12/2022
Fixed Deposit with Bank (earmarked for gratuity liability)	3,972,483	2,863,052
Accrued Interest on Fixed Deposit (earmarked for gratuity liability)	126,554	980,556
Bond Redemption Reserve Fund	80,940,000	20,940,000
Accrued Interest on Fixed Deposit (Bond Redemption Reserve)	2,191,083	835,652
Total	87,230,120	25,619,260

Note 7(a): Trade & Other Receivables-Non-Current

Particulars	31/12/2023	31/12/2022
(Unsecured, Considered Good)		
Trade Receivables	-	14,483,914
Less: Provision for impairment of trade receivables		(8,380,569)
Net Trade Receivables	**-**	**6,103,345**
Other Receivables	-	-
Less: Provision for impairment of other receivables		
Net Other Receivables	**-**	**-**
Total	**-**	**6,103,345**

Provision for doubtful debts on outstanding receivables from customers are provided based on ECL.

Note 7(b): Trade & Other Receivables- Current

Particulars	31/12/2023	31/12/2022
(Unsecured, Considered Good)		
Trade Receivables	255,848,327	292,120,970
Less: provision for impairment of trade receivables	(5,260,129)	
Other Receivables	-	3,785,949
Total	**250,588,198**	**295,906,919**

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Note 8(a): Non-Current- Loans and Advances

Particulars	31/12/2023	31/12/2022
(Unsecured, Considered Good)		
Advance payments-Employees	-	319
Advance to vendors	-	2,000,847
Net advances to vendors	**-**	**2,001,166**
Total	**-**	**2,001,166**

Note 8(b): Current - Loans and Advances

Particulars	31/12/2023	31/12/2022
(Unsecured, Considered Good)		
Advance payments-Employees	1,576,498	901,903
Advance to vendors	16,514,731	35,191,665
Net advances to vendors	**18,091,229**	**36,093,569**
Total	**18,091,229**	**36,093,569**

Note 9: Other Non-current Assets

Particulars	31/12/2023	31/12/2022
(Unsecured, Considered Good)		
Security Deposits	22,426,916	19,979,253
Unamortised mine expenditure	27,195,195	24,485,827
Total	**49,622,111**	**44,465,080**

Note 10: Inventories

Particulars	31/12/2023	31/12/2022
(As taken, valued and certified by the management)		
Raw Materials	34,443,689	37,028,777
Fuel	106,252,530	67,153,541
Work in Progress	497,318,400	194,220,925
Finished Products	133,794,417	49,868,551
Asset Spares	1,522,368	1,714,302
Stores, Spares & loose tools	255,257,632	326,384,341
Total	**1,028,589,036**	**676,370,437**

Note 11: Cash and Cash Equivalents

Particulars	31/12/2023	31/12/2022
Cash-in-hand	3,822	29,675
Balances with Banks in Current Accounts	36,867,092	94,810,309
Total	**36,870,914**	**94,839,985**

There are no restricted cash and cash equivalents

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Note 12: Prepaid Tax

Particulars	31/12/2023	31/12/2022
Prepaid Tax	36,731,988	62,045,175
Total	**36,731,988**	**62,045,175**

Note 13: Other Current Asset

Particulars	31/12/2023	31/12/2022
Pre-paid Expenses	18,146,899	29,918,258
Total	**18,146,899**	**29,918,258**

Note 14: Asset classified as held for sale

Particulars	31/12/2023	31/12/2022
Property, plant & equipment	3,192,986	464,041
Total	**3,192,986**	**464,041**

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

Note 15: Equity share capital

Particulars	31/12/2023	31/12/2022
Issued, Subscribed and Paid-up		
73,306,451 Equity shares @ Nu. 100 each fully paid up	7,330,645,000	7,330,645,000
Total	**7,330,645,000**	**7,330,645,000**

Terms/Rights attached to equity shares

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

Authorized Capital

Particulars	31/12/2023	31/12/2022
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 16: Long-Term Borrowings

Particulars	31/12/2023	31/12/2022
Term Loan (Secured) - Non-Current Portion		
Ngultrum Borrowing	2,838,451,811	2,320,252,808
Ngultrum Bonds	920,140,000	920,140,000
Total	**3,758,591,811**	**3,240,392,808**

Details of Security

A. 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.
C. See accompanying Note 41 of financial statements on details of borrowings

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Note 17: Lease Liability

Particulars	31/12/2023	31/12/2022
Lease Liability	8,676,242	10,613,596
Tota	**8,676,242**	**10,613,596**

Note 18(a): Non-Current - Trade and Other Payables

Particulars	31/12/2023	31/12/2022
Trade payable for Goods/Services & Expenses	-	1,324,642
Amounts due to Related Parties	-	23,802
Total Trade payable	-	1,348,444
Security Deposits	-	7,693,273
Salary related payable to Employees	-	-
Retention Money payable	-	692,298
Total	**-**	**9,734,015**

Note 18 (b): Current - Trade and Other Payables

Particulars	31/12/2023	31/12/2022
Trade payable for Goods/Services & Expenses	302,079,043	190,050,631
Amounts due to Related Parties	650,579,187	503,781,193
Total Trade payable	952,658,229	693,831,824
Accrued Interest	102,683,032	67,979,618
Security Deposits	18,707,972	27,154,009
Salary related payable to Employees	15,867,464	6,550,840
Retention Money payable	5,773,181	8,096,989
Total	**1,095,689,878**	**803,613,280**

Note 19(a): Employee Benefit Liabilities (Non-Current)

Particulars	31/12/2023	31/12/2022
Post employment benefit obligation	78,153,284	44,721,068
Leave encashment obligation	-	9,046,919
Total	**78,153,284**	**53,767,987**

Note 19(b): Employee Benefit Liabilities (Current)

Particulars	31/12/2023	31/12/2022
Post employment benefit obligation	7,956,921	7,074,943
Leave encashment obligation		946,360
Provision for Employee Benefits	248,401	4,891,815
Total	**8,205,322**	**12,913,119**

Note 20: Other Long-Term Liabilities (Non-Current)

Particulars	31/12/2023	31/12/2022
Provision for mines reclamation and restoration	2,387,155	2,130,794
Other accounts payable - non-current	-	72,800
Total	**2,387,155**	**2,203,594**

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Note 21: Short-Term Borrowings

Particulars	31/12/2023	31/12/2022
Working Capital Loan (Secured)		
Working Capital Loan from Related Party	770,000,000	250,000,000
Working Capital Loan from NPPF	10,000,000	260,000,000
Commercial Papers	-	1,000,000,000
Current Maturities of Long-Term Borrowings	203,821,109	214,178,062
Total	**983,821,109**	**1,724,178,062**

See accompanying Note 42 of financial statements on details of borrowings

Note 22: Other Current Liabilities

Particulars	31/12/2023	31/12/2022
Advances received from Customers & Others	12,643,683	18,486,079
Other Accounts payable - current	14,709,276	17,892,649
Unpaid Cheque	6,060	6,060
BST payable	7,483,909	13,430,895
TDS Payable	-	2,926,153
Other Provision	115,500	348,730
Total	**34,958,428**	**53,090,565**

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Notes forming part of Statement of Comprehensive Income – December 31, 2023

Note 23(a): Revenue from Sale of Cement

Particulars	31/12/2023	31/12/2022
Revenue from Sale of Cement	2,919,396,308	3,110,370,797
less: Discount/Rebate	-613,450	-107,600
Less: Commission	-56,287,853	-70,292,742
Revenue from Sale of Cement	**2,862,495,005**	**3,039,970,455**

Note 23(b): Revenue from Sale of Clinker

Particulars	31/12/2023	31/12/2022
Revenue from Sale of Clinker	8,109,104	188,442,192
Total	**8,109,104**	**188,442,192**

Note 24: Other Revenue

Particulars	31/12/2023	31/12/2022
Rental Income	6,128,006	4,020,411
Liquidated Damages & Penalties	10,093,174	14,815,084
Income From Sale Of Scraps	6,665,382	8,712,038
Miscellaneous Income	5,201,022	15,063,082
Income from sale of quartzite	660,217	105,678
Liabilities no longer required	-	8,716,541
Price Difference-Material	0.60	0.05
Interest Income	2,915,017	8,110,513
Guest House Income	47,652	-
Gain on Foreign Currency fluctuation	151,938	-
Total	**31,862,408**	**59,543,346**

Note 25: Consumption & Consumables of raw materials & related expenses

Particulars	31/12/2023	31/12/2022
Consumption- Raw Materials	403,143,148	389,167,768
Consumption- Consumables	13,487,448	22,307,013
Mining related expenses	153,982,204	203,663,019
Total	**570,612,799**	**615,137,799**

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Note 26: Changes in inventory of work in progress and finished goods

Particulars	31/12/2023	31/12/2022
Consumption-Semi Finished Products	4,145,613,969	4,705,418,352
Cost of goods manufactured - Semi Finished Good	-4,863,680,660	-5,195,412,833
Cost of goods manufactured-Finished Goods	-2,132,537,266	-2,071,988,607
Cost of goods sold - Semi Finished Good	5,718,076	176,058,300
Cost of goods sold - Finished Good	1,931,389,738	2,039,774,551
Price Difference	374,085,519	190,412,218
Total	**-539,410,624**	**-155,738,018**

Note 27: Power & fuel expenses

Particulars	31/12/2023	31/12/2022
Electricity Charges - plant	235,573,796	203,362,201
Consumption- Fuel	998,146,346	1,033,310,554
Total	**1,233,720,143**	**1,236,672,755**

Note 28: Employee benefit expenses

Particulars	31/12/2023	31/12/2022
Salary & Allowances	178,185,072	173,048,296
Leave Travel Concession	6,810,625	6,532,116
Salary Indexation to Employees	0	-2,574,244
Repatriation Allowance	1,670,572	594,906
Transfer Grant	1,669,392	567,580
GPA Insurance	562,761	606,836
Wages	3,640,979	3,981,953
Short-term training	835,232	423,151
Leave encashment	8,080,617	8,079,665
Provident Fund -Matching Contribution	15,023,511	16,189,657
Gratuity	11,455,487	8,690,386
Carriage Charge of personal effects	633,542	210,778
Employee Related Expenses & Welfare Expenses	1,467,375	354,532
Total	**230,035,164**	**216,705,612**

Note 29: Depreciation & amortization

Particulars	31/12/2023	31/12/2022
Depreciation	303,180,916	299,981,329
Amortization	3,322,839	9,166,827
Total	**306,503,755**	**309,148,156**

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Note 30: Selling & Marketing Expenses

Particulars	31/12/2023	31/12/2022
Marketing & Sales Promotion Expenses	1,653,288	1,162,671
Consumption of Packing Materials	142,017,056	147,011,833
Handling Charges-Cement & Depo Rent	6,799,566	9,165,085
Freight Outward-Cement	188,556,004	309,520,274
Total	**339,041,148**	**466,859,862**

Note 31: Operation & Maintenance Expenses

Particulars	31/12/2023	31/12/2022
Consumption-Spare Parts	139,024,699	62,147,975
Operation & maintenance-Direct	195,070,661	119,155,832
Operation& maintenance-Indirect	19,563,284	20,968,662
Total	**353,658,644**	**202,272,470**

Note 32: General Admins & Other expenses

Particulars	31/12/2023	31/12/2022
P&M- Insurance	10,235,261	10,229,884
Material handling	26,019,485	25,436,915
Brand Management Fee	5,633,078	-
Retirement/Scrapping of Inventories	- 61,936	1,653,003
Retirement/Scrapping of Assets	56,736,947	68,757,798
Fees & subscriptions	11,317,395	11,414,689
Travelling expenses	4,022,316	2,884,297
Administration expenses	9,341,626	11,552,627
Total	**123,244,174**	**131,929,213**

Note 33: Finance cost

Particulars	31/12/2023	31/12/2022
Interest on borrowings	149,668,983	96,011,759
Coupon on Bonds	85,014,000	142,718,918
Interest on loans from BOBL	79,788,035	74,088,257
Bank charges - others	21,573	40,037
Bank charges and fees paid to BOBL	271,966	376,272
Other borrowing cost	3,445,806	1,892,518
Interest on Working Capital	29,957,102	45,113,014
Interest/Unwinding Cost	2,930,809	2,653,338
Total	**351,098,273**	**362,894,112**

See accompanying Note 42 of financial statements on details of Interest Cost on borrowings

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Note 34: Deferred tax liability/ (asset)

Particulars	31/12/2023	31-12-2022
Property, plant and equipment	1,488,597,784	1,488,597,784
Total deferred tax liability	**1,488,597,784**	**1,488,597,784**
Property, plant and equipment	-35,956,644	-32,935,301
Unused tax loss (refer note (i) below)	-20,743,864	-253,094,990
Total deferred tax asset	**-56,700,509**	**-286,030,291**
Net deferred tax liability	**1,431,897,276**	**1,202,567,494**

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

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

(b) Tax expense)

Particulars	31/12/2023	31-12-2022
Deferred tax:		
Decrease/(increase) in deferred tax assets	-229,329,782	-549,362,767
(Decrease)/increase in deferred tax liabilities	0	0
Total deferred tax expenses	**-229,329,782**	**-549,362,767**
Income tax expenses	**-229,329,782**	**-549,362,767**

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

Particulars	31/12/2023	31-12-2022
- Deferred tax	-229,329,782	-549,362,767
Total tax expense	-229,329,782	-549,362,767
Profit before tax	-66,036,958	-97,925,968
Income tax expense/(income) calculated at 30%	-19,811,088	-29,377,790
Impact of expenses (net) disallowed under tax laws for which no deferred tax has been recognised	-38,836,956	-14,576,816
Impact of reversal of deferred tax asset recognised in earlier year as the same has lapsed	210,736,790	216,833,196
Other differences	-381,418,528	-722,241,357
Reconciled with tax expense as above	**-229,329,782**	**-549,362,767**

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(d) Tax losses

Particulars	31-12-23	31-12-2022
Unused tax losses for which no deferred tax asset has been recognised		
- for the year 2021	0	0
- for the year 2022	0	0
- for the year 2023	0	0
Potential tax benefit @ 30%	**0**	**0**

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

Note 35: Earnings per share

Particulars	31/12/2023	31/12/2022
Profit/(Loss) after tax	-66,036,958	-97,925,968
Other comprehensive income for the year	-255,822,124	-563,624
Profit/(Loss) used to determine basic earnings per share	**-321,859,082**	**-98,489,592**
Numbers of shares at the beginning of the year	73,306,450	73,306,450
Number of shares allotted	-	0
Number of shares at the end of the year	73,306,450	73,306,450
Weighted average number of ordinary shares in issue	73,306,450	73,306,450
Basic and Diluted Earnings per share	**-0.90**	**-1.34**

36. Operating Profit/(Loss):

In the financial year (FY) 2023, company has achieved the operating profit (before depreciation and tax) of Nu.240,466,796 as compared to operating profit of Nu. 211,222,188/- in FY 2022. Although company has incurred losses during the year, however it's expected to turn around and confident of its ability to continue as a going concern. The company is optimistic to earn profit after tax of Nu. 163,545,196 in FY 2024.

37.Reclassification of Assets class in PPE

In the year 2023, the reclassification of assets class in note 2 PPE had been carried out. In the year's 2023, spares parts totaling to 90,640,057. were initially accounted under building and civil structure. In 2023, these spares were reclassified under plant and machinery as they those spares were component of the machineries. The assigned useful life for plant and machinery is 30 years, while the building and civil structure have life of 35 years. Consequently, depreciation was prospectively applied.

38 Financial Instrument:

The Company adopted the new standard in FY 2022 (effective from January 01, 2019) using the modified-retrospective approach issued by AASBB on BFRS-9: Financial Instruments – Expected Credit Losses especially for trade receivables which modifies the measurement of expected credit losses. Upon adoption, there was no impact on the company's consolidated financial statements as the loss allowances was recognized more in prior year than the computed ECL in FY 2023.

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Particular	31/12/2023		31/12/2022		Remarks
	Computed ECL	Provision Created	Computed ECL	Provision Created	
Loss Allowances	5,101,300	5,260,129	1,182,620	8,380,569	No Impact In SFP

39. Lease

The total Lease liabilities (of Depot Phuentsholing and DHI Land) of Nu. 8,676,242.15 only were computed in the year 2023.

i. Depot Phuentsholing:

The Company has lease area of 31,057 sq.ft. (Plot No. PGT 138) including office building, warehouse in Phuentsholing for cement stocking and supply in the western market. The lease was initially taken on august 1, 2019 from the owner Mr. Karma Gyeltshen.
The current monthly rent is Nu.190,545.00-/- only and it is valid until 01/08/2025. As per the new standards BFRS-16, the amount is computed and recognized under Right to Use of Assets and been presented under Note-3 and similarly the Lease Liabilities is disclosed under Note-17 of SFP as outlined under:

Particulars	31/12/2023	31/12/2022
Lease Liability	3,295,302	5,208,885

ii. DHI Land:

The ownership of land was taken by DHI and the Lease agreement is made and entered into 11/05/2021, effective from 17/02/2021 for initial term of 30 years measuring the land area of 188.59 acre expiring the lease agreement on 18/02/2051. The yearly lease payout is Nu.410,747/- only. As per the new standards BFRS-16, the amount computed and recognized under Right to Use of Asset and been presented under PPE (Note 2) and similarly the Lease Liabilities is disclosed under Note: 17 of SFP as outlined under:

Particulars	31/12/2023	31/12/2022
Lease Liability	5,380,940	5,404,710

40. Bond Redemption Reserve:

i. Bond Series-I: As per Bond Prospectus Clause 4.15 of Bond Redemption Reserve, the company will create Redemption Reserve Account to be maintained with a commercial bank and deposit 20% of the bond amount Nu. 44,028,000/- only from the sixth year of the bond issue. The company has completed the sixth year 30/04/2020 and created redemption reserve of Nu. 8,940,000/- only as of 31/12/2023.

ii. Bond Series-II: As per Bond Prospectus Clause 4.14 of Bond Redemption Reserve, The Company will create Redemption Reserve Account to be maintained with a commercial bank and deposit 20% of the bond amount Nu. 140,000,000/- only from the sixth year of the bond issue. The company has completed the sixth year 05/11/2020 and created redemption reserve of Nu. 72,000,000/- only as of 31/12/2023.

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41. Borrowings:

The detail of Borrowings including Repayment and Interest for the year is as under:

Lender	Balance as on 01/01/2023	Disbursement Date	Maturity Date	Ints. Rate	Addition in FY 2023	Repaid in FY 2023	Interest for FY 2023	Closing Loan Balance as on 31/12/2023
Term Loan:	2,530,658,967				670,000,000	158,386,047	190,498,168	3,042,272,920
BOB TL Nu. 600M	552,211,554	29-Nov-19	01-Jul-32	8%		44,042,993	40,751,672	508,168,561
BOB TL Nu. 610M	521,824,888	30-Nov-20	01-Nov-30	8%		49,372,446	37,948,019	472,452,442
BOBL TL Nu. 670M		25-Dec-23	01-Dec-33	9%	670,000,000	7,175,084	1,088,343	662,824,916
NPPF TL Nu. 1560M	1,456,622,525	09-Sep-19	01-Jan-33	8%		57,795,524	110,710,133	1,398,827,001
Short Term Loan:	510,000,000				1,580,000,000	1,310,000,000	29,987,923	780,000,000
NPPF 550 WCL	110,000,000	27-Mar-19	30-Jun-24	10%	530,000,000	635,000,000	11,352,870.71	5,000,000
NPPF 150 WCL	150,000,000	15-Sep-21	15-Sep-24	8%		145,000,000	9,730,395.23	5,000,000
DHPC 250 (ICL)	250,000,000	31-Aug-21	31-Mar-24	4%		150,000,000	7,412,329	100,000,000
DHI 330M (ICL)	0	25-Dec-23	25-Mar-24	3%	330,000,000	0	135,616	330,000,000
DGPC340M (ICL)	0	09-Nov-23	15-Jan-24	3%	340,000,000	0	1,210,959	340,000,000
DHPC 12O(ICL)	0	22-Jun-23	29-Jun-23	2%	120,000,000	120,000,000	46,027	0
BT 260(ICL)	0	22-Jun-23	29-Jun-23	2%	260,000,000	260,000,000	99,726	0
Bond:	920,140,000				0	0	85,014,000	920,140,000
Bond-I	220,140,000	30-Apr-14	29-Apr-24	10%			22,014,000	220,140,000
Bond-II	700,000,000	05-Nov-14	04-Nov-24	9%			63,000,000	700,000,000
Commercial Paper	1,000,000,000				1,000,000,000	2,000,000,000	38,958,850	0
Commercial Paper II	1,000,000,000	26-Dec-22	23-Jun-23	3%		1,000,000,000	14,301,350	0
Commercial Paper III		29-Jun-23	25-Dec-23	5%	1,000,000,000	1,000,000,000	24,657,500	0
Total	**4,964,570,871**					**3,468,386,047**	**344,458,941**	**4,742,412,920**

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42. Benefit of Interest Waiver:

During the FY 2023, DHI has also provided 100% guarantee fee waiver on Bond I and Bond II. The total financial benefits on account of waiver to company is Nu.4,380,560/.

43. Contingent Assets:

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

i. DCCL Vs GSA C/o Kuenga Tenzin (Nu. 52,14966.20/-)

The issue was first started in the year 2017 regarding the credit sales facilitated to M/s Gakhyil Supply Agency even after TPA agreement. After his failure to clear the debt amounting to Nu. 5,214,966/- only (including Nu. 450,000/- only receivables against VI-U Anagami) as of 30/06/2017 the issue was registered to Royal Court of Justice, Nganglam Dungkhag on 19/04/2018. After 5 months of rigorous case hearing the Hon'ble Court delivered its judgment on 27/09/2018 wherein it stated Mr. Kuenga Tenzin, C/o Ms. GSA to clear the debt balance in 5 months' time after the passing of the judgment by Dungkhag Court.

However, Mr. Kuenga Tenzin appealed to Pemagatshel Dzongkhag Court regarding the issue and the first hearing was conducted on 22/04/2019. In after 6 months' time of submitting rebuttals to the Hon'ble Court, the Dzongkhag Court held its judgment on 16/10/2019 stating Mr. Kuenga Tenzin to clear the debt balance of Nu. 5,214,966/- only as on 31/12/2019.

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

After judgment delivered from the High Court Bench II, Mr. Kuenga Tenzin appealed to High Court Larger Bench on 27/08/2021. With the following due process of law, Hon'ble Court held the closing hearing on 02/09/2021.Without any changes with the judgment, the Hon'ble High Court, Larger Bench delivered its judgment on 25/11/2021. However, Mr. Kuenga Tenzin appeal to Supreme Court and proceeding is underway.

The Honorable Supreme Court (SC) upheld the verdict of the High Court's Larger Bench, dismissing the appeal and rendering its judgment on February 17, 2023, in favor of DCCL. In its ruling, Supreme Court ordered the debt to be settled within six months from the date of the judgment. Since the six-month period has already elapsed, Mr. Kunga Tenzin has submitted a petition to the HM Secretariat and the Supreme Court. Therefore, the enforcement unit has advised us to wait until a response is received from HM Secretariat. Court.

ii. DCCL Vs M/s Samphel Doejung Transport (Nu. 854,519.01/-)

The first hearing has started in the year 23/08/2019 with the issue facilitated to shortage of cement. Since court has delivered the judgment accordingly with the procedure, the defendant Tenzin Wangda has ordered to pay only within 6 months. With the judgment rendered from Nganglam Dungkhag Court in 11/06/2021, the defendant has not satisfied with the judgment and he appealed to Pemagatshel Dzongkhag Court.

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The District Court of Pemagatshel issued its judgment on December 5, 2022, upholding the decision of the Dungkhag Court in favor of DCCL. Subsequently, the firm filed an appeal with the High Court, which affirmed the District Court's decision. Despite this, the firm pursued the case to the Supreme Court, which, on June 6, 2023, upheld the High Court's judgment, requiring the settlement of the amount within six months. However, M/s. Samphel Doejung Transport has submitted a petition to the HM Secretariat. We have been advised to await a response from the HM Secretariat.

44. 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.

45. Employee Benefits:

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

i. Expense recognized in the Statement of Comprehensive Income:

Particulars	Gratuity		Transfer Grant		Repatriation Allowance		Carriage Charge	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022	31/12/2023	31/12/2022	31/12/2023	31/12/2022
Current service cost	7,966,652	5,728,276	1,503,150	428,434	1,503,150	428,434	584,282	164,677
Past service cost								
Net Interest income / (cost) on the net defined benefit liability (asset)	3,488,835	2,962,110	166,242	139,146	167,422	139,146	49,260	46,101
Expenses recognized in the statement of profit or loss	11,455,487	8,690,386	1,669,392	5,675,806	1,670,572	567,580	633,542	210,778

ii. Amount recognized as Other Comprehensive Income:

Particulars	Gratuity		Transfer Grant		Repatriation Allowance		Carriage Charge	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022	31/12/2023	31/12/2022	31/12/2023	31/12/2022
Actuarial (gains)/losses due to liability experience	16,415,408	428,104	4,195,843	135,646.20	4,165,165	135,646	906,846	-20,993
Actuarial (gains)/losses due to liability assumption changes								
Return on plan assets (greater) or less than discount rate								
Remeasurement (gains)/ losses recognized in OCI	16,415,408	428,104	4,195,843	135,646.20	4,165,165	135,646	906,846	-20,993

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

Particulars	Gratuity		Transfer Grant		Repatriation Allowance		Carriage Charge	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022	31/12/2023	31/12/2022	31/12/2023	31/12/2022
Net defined benefit liability/(asset) in the beginning of current period	46,144,866	40,666,114	2,442,547	2,335,033	2,442,547	2,335,033	766,052	781,129
Add: Amount recognized in the income statement	11,455,487	8,690,386	1,669,392	567,580	1,670,572	567,580	633,542	210,778
Add: Amount recognized in the OCI	16,415,408	428,104	4,195,843	135,646	4,165,165	135,646	906,846	-20,993
Less: Contributions paid into the plan	-	-	-	-	-	-	-	-
Less: Benefits paid by employer	5,068,851	3,639,739	729,049	595,712	699,551	595,712	300,610	204,862
Net defined benefit liability/(asset) in the end of current period	68,946,910	46,144,866	7,578,733	2,442,547	7,578,733	2,442,547	2,005,830	766,052
Current Liability	6,159,121	5,324,100	748,868	723,448	748,868	723,448	300,064	303,947
Non-Current Liability	62,787,789	40,820,765	6,829,864	1,719,099	6,829,864	1,719,099	1,705,766	462,105

iv. Actuarial Assumption:

Particulars	**Gratuity**		**Transfer Grant**		**Repatriation Allowance**		**Carriage Charge**	
	31/12/2023	**31/12/2022**	**31/12/2023**	**31/12/2022**	**31/12/2023**	**31/12/2022**	**31/12/2023**	**31/12/2022**
Method used	Projected unit credit (PUC)							
Discount rate per annum	8%	8%	8%	8%	8%	8%	8%	8%
Salary escalation per annum	7%	7%	7%	7%	7%	7%	7%	7%
Increase in transportation cost							5%	5%
Mortality rate (of IAIM 2012-2014)	100%	100%	100%	100%	100%	100%	100%	100%
Attrition rate per annum	5%	5%	5%	5%	5%	5%	5%	5%

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i. Risk exposure:

Valuations are performed on certain basic set of pre-determined assumptions and other regulatory framework which may vary over time. Thus, the Company is exposed to various risks in providing the above gratuity benefit which are as follows:

Interest rate risk:

The plan is exposed to the risk of fall in interest rates. A fall in interest rates will result in an increase in the ultimate cost of providing the above benefit and will thus result in an increase in the value of the liability (as shown in financial statements).

Liquidity risk:

This is the risk that the plan is not able to meet the short-term gratuity payouts.
This may arise due to non-availability of enough cash / cash equivalent to meet the liabilities or holding of illiquid assets.

Salary escalation risk:

The present value of the defined benefit plan is calculated with the assumption of salary increase of plan participants in future. Deviation in the rate of increase of salary in future for plan participants from the rate of increase in salary used to determine the present value of obligation will have a bearing on the plan's liability.

Demographic risk:

The Company has used certain mortality and attrition assumptions in valuation of the liability. Thus, the plan is exposed to the risk of actual experience turning out to be worse compared to the assumption.

Asset liability mismatching or market risk:

The duration of the liability is longer than the duration of assets, exposing the Company to market risk for volatilities/fall in interest rate.

Investment risk:

The plan is exposed to the probability or likelihood of occurrence of losses relative to the expected return on any particular investment.

46.Related Party Disclosures:

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

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for the planning, management and control of the activities of the company.

The fellow subsidiaries are shown below:

i. Bank of Bhutan Limited

ii. Bhutan Board Product Ltd.

iii. Bhutan Telecom Limited

iv. Bhutan Power Corporation Limited

v. Bhutan Hydropower Services Corporation Limited

vi. Construction Development Corporation Limited

vii. Druk Air Corporation Limited

viii. Druk Green Power Corporation Limited

ix. Dungsam Polymers Limited

x. Dagachhu Hydro Power Corporation

xi. Natural Resources Development Corporation Ltd

xii. Penden Cement Authority Limited

xiii. State Mining Corporation Limited

xiv. State Trading Corporation of Bhutan Limited

xv. Tangsibji Hydro Electric

xvi. Thimphu Tech Park Limited

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

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

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

Nature of Transaction	31/12/2023	31/12/2022
Bank of Bhutan Limited:		
Interest, Coupon & bank charges	90,439,880.45	130,647,861.00
Interest income for Bond redemption reserve	475,650.00	7,178,627.00
Bond redemption reserve	-	16,500,000.00
Bhutan Power Corporation Ltd.:		
Electricity charges	236,335,646.75	209,349,053.00
Fees and Subscriptions		
Repair & Maintenance Office Equipment/Others		-
Bhutan Telecom Limited:		
Telephone and internet charges	945,838.22	1,690,287.00
Interest on borrowing	99,726.03	897,260.00
Misc. expenses		-
Druk Holdings & Investments Limited:		
Guarantee fee	3,315,505.86	1,661,918.00
Trainer & SDF Fees		41,485.00
Dungsam Polymers Limited:		
Purchase of PP bag	147,037,500.00	148,311,768.00
State Trading Corporation of Bhutan Limited		
Spares & consumables	962,872.01	-
Purchase of office equipment		-
Running & Maintenance of Vehicle		174,256.00
Purchase of vehicle	2,941,871.95	-
Druk Green Power Corporation Limited:		
Interest	1,210,958.90	19,449,247.00
Spares & service charge		308,396.00
State Mining Corporation Limited:		
Purchase of Coal	690,231,627.88	598,721,631.00
Purchase of Gypsum	50,209,227.31	38,471,155.00
Construction Development Corporation Ltd.:		
Sales of cement	64,408,623.75	44,972,318.00
Thimphu Tech Park Limited:		
Fees and Subscriptions	1,866,447.00	3,821,998.00
Dagachhu Hydro Power Corporation Ltd.:		
Interest	7,458,356.13	8,006,849.00

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ii. The borrowing balances with related parties as on 31/12/2023:

Lender	Closing Loan Balance as on 31/12/2023	Closing Loan Balance as on 31/12/2022
Term Loan:	**1,643,445,919**	**1,140,484,622**
BOB TL Nu. 600M	508,168,561	572,858,003
BOB TL Nu. 610M	472,452,442	567,626,619
BOB TL Nu. 670M	662,824,916	
Short Term Loan:	**770,000,000**	**650,000,000**
DHPC ICL Nu. 250M	100,000,000	250,000,000
DHI ICL Nu. 330M	330,000,000	-
DGPC340M (ICL)	340,000,000	-
BOBL Commercial Paper	-	400,000,000

iii. The balances with related parties as on 31/12/2023:

Related Party	Nature of Transactions	Outstanding balance as on 31 Dec 2023	Outstanding balance as on 31 Dec 2022
Druk Holdings and Investments Limited	Payable	7,61,993.59	182,466
Bank of Bhutan Limited	Payable	30,49,583.43	1,477,668,118
Bhutan Telecom Limited	Payable	3,05,492.58	308,808
Bhutan Power Corporation Limited	Payable	2,42,92,088.38	17,905,496
State Trading Corporation Limited	Payable	0	0
Dungsam Polymers Limited	Payable	3,23,77,500.00	24,127,540
Druk Green Power Corporation Limited	Payable	22,000.00	-
State Mining Corporation Limited	Payable	59,26,08,178.40	454,634,456
Thimphu Tech Park Limited	Payable	2,36,578.72	103,895
Construction Development Corporation Limited	Receivable	50,086,904.00	16,318,553
Penden Cement Authority Ltd.	Receivable	34,888.00	34,888.00

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

1. Bond I: Nu.220,140,000/- only.
2. Bond II: Nu.700,000,000/- only.
3. Working Capital Loan: Nu. 150,000,000/- only.
4. BOBL Term Loan: Nu. 670,000,000/- only.

v. Key Managerial Personnel (KMP):

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

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

1. Dasho Karma Yezer Raydi, Chairman
2. Dr. Tobgyal Wangchhuk, Board Director
3. Mr. Tashi Penjore, Board Director
4. Mr. Dorji Nima, Board Director
5. Mrs. Dechen Yangden, Board Director
6. Mrs. Tshering Lham, Board Director
7. Mrs. Karma Yangzom, Board Director
8. Mr. Dechen Choling, CEO

The summary of compensation paid to CEO:

Particular	FY 2023	FY 2022
Basic Salary and Allowances	2,133,024	1,027,500
Communication Facility Allowance	30,009	29,077
Contribution to provident fund	329,536	73,597
Sitting fees	48,000	164,000
Travel Expense	93,048	63,750
Separation Benefits		-
Total	**2,633,617**	**1,357,924**
Other Benefit:		
i) Housing A-type building	Free of Rent	Free of Rent
ii) Electricity	Free of Charges	Free of Charges

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In FY 2022, Mr. Tshering Tenzin, (CEO of DPL) was functioning as Interim CEO (ICEO) of company since his appointment in November 30, 2021. His tenure ended in company on 18/07/2020 after the appointment of Mr. Dechen Choling who took over the charge of Chief Executive Officer on the same date.

The sitting fees paid to the Board of Directors and Board's Member Secretary in FY 2023:

Sl. No	Name of Directors & Members	2023	Remarks
1	Dasho Karma Yezer Raydi, Chairman	36,000.00	
2	Mr. Tashi Penjore, Board Director	36,000.00	
3	Mr. Dorji Nima, Board Director	84,000.00	
4	Mrs. Dechen Yangden, Board Director	52,000.00	
5	Mrs. Tshering Lham, Board Director	36,000.00	Resigned on 31st July 2023
6	Mrs.Karma Yangzom Tshering, Board Director	16,000.00	Appointed on 1st August 2023
7	Mr. Dechen Choling, CEO	48,000.00	
8	Mr. Sonam Darjee, Company Secretary	20,000.00	
9	Mr. Tshering Gyeltshen, Member Secretary BAC	6,000.00	Resigned on 6th May 2023
10	Mr. Doten Wangdi, Member Secretary BAC	6,000.00	Appointed on 1st June 2023
11	Mr. Lodey Gawa, Member Secretary BHRC	4,000.00	Resigned on 26th May 2023
12	Mrs.Tshering Yuden, Member Secretary BHRC	2,000.00	Resigned on 25th september2023
	Total	**346,000.00**	

vi. Terms and conditions of the transactions:

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

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

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

Material	FY 2023		FY 2022	
	Closing Stock (MT)	Closing Value (Nu.)	Closing Stock (MT)	Closing Value (Nu.)
OPC 43	14,073	68,013,069	4,756	20,774,939
PPC	15,563	65,781,109	7,505	29,093,373
PSC	0.05	239	0.05	239
Total	**29,636**	**133,794,417**	**12,262**	**49,868,551**

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49. 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.

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

i. Entity- wide information:

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

Country	FY 2023		FY 2022	
	Quantity (MT)	Value (Nu.)	Quantity (MT)	Value (Nu.)
Bhutan	322,005	2,109,592,767.51	349,733	2,243,249,097
India	157,025	809,796,040.00	180,410	867,121,700
Total	**479,030**	**2,919,396,308**	**530,143**	**3,110,370,797**

ii. Auditors' remuneration:

Particulars	FY 2023(Nu)	FY 2022(Nu)
Audit fees	115,500.00	115,500.00
Other audit expenses	295,581.00	184,492.00
Total	**411,081.00**	**299,992.00**

51. Operating Lease:

DCCL have two captive Mines to extract Limestone and Phyllite to be used as raw materials for production of Clinker. The Lease agreement was drawn between DCCL and Department of Geology and Mines (DGM) dated 29/06/2010 for the initial period of 25 years from date of signing whereby DCCL leased Kangrezi area covering of 120.83 hectors (298.57 Acres) and Marung Ri area covering of 152.78 hectors (377.52 acres).

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

52. Capital Advance and Capital Payables:

The management do not recognize the advances and payables as capital advance and capital payables. However, the management recognize and treat spare parts as inventory and expensed off

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as and when consumed. However, major spare parts and stand-by equipment which qualifies as PPE are capitalized as Capital Spares.

53. Fair Value Measurement:

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

Financial Instruments by category:

Particulars	31-Dec-23	31-Dec-21
	Amortized cost	Amortized cost
Total Financial assets:	**438,676,857**	**933,501,398**
i) Security deposits	19,979,253	15,836,011
ii) Cash and cash equivalents	94,839,985	51,244,969
iii) Investments	25,619,260	628,300,001
iv) Trade and other receivables	298,238,359	238,120,417
Total Financial liabilities:	**5,788,000,825**	**6,484,739,662**
i) Borrowings	4,960,798,966	5,931,931,394
ii)Trade payable and other payables	827,201,859	552,808,268

i. Fair value hierarchy:

The fair value of assets and liabilities is categorized into a fair value hierarchy that provides three levels defined as follows on the basis of the inputs to valuation techniques used to measure fair value:
Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities to which the Company has access at the measurement date.

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

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

ii. Valuation technique used to determine fair value:

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

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a) Recognized and measured at fair value and

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

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

The carrying amounts of loans and advances, trade and other receivables, cash and cash equivalents and trade and other payables are considered to be the same as their fair values, due to their short-term nature.
The fair values for financial instruments such as borrowings, retention money and security deposits were calculated based on cash flows discounted using current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs including counter party credit risk

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

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

Particulars	31-Dec-23		31-Dec-22	
	Carrying amount	Fair value	Carrying amount	Fair value
Total Financial assets:	**109,657,036**	**94,083,810**	**45,598,513**	**31,946,291**
i) Security deposits	22,426,916	11,140,566	19,979,253	10,247,031
ii)Investments	87,230,120	82,943,244	25,619,260	21,699,260
Total Financial liabilities:	**3,962,412,920**	**3,337,936,251**	**3,240,392,808**	**2,586,717,347**
i) Borrowings	3,042,272,920	2,598,829,421	2,320,252,808	1,920,737,463
ii)Bonds	920,140,000	739,106,829	920,140,000	665,979,884

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

iv. Fair Valuation of Land
In the year 2018 May 8, the 30 decimal land was capitalized at initial purchase cost at Nu. 12,000,000. It was revalued at Nu. 390,921 based on the government compensation rate of Nu.13,030.69 per decimal. The difference of Nu.809,079.30 was presented under loss on revaluation of land under Other Comprehensive Income.

54. Capital management:

i. Risk management

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

ii. Financial risk management:

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

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

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

a. Market risk- Foreign currency risk:

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

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

1. Nu vs INR:

Particulars	31-Dec-23	31-Dec-22
	INR	INR
Financial assets	24,324,217	83,569,563
Financial liabilities	-256,479,805	-135,693,249
Net exposure to foreign currency risk	**-232,601,062**	**-52,123,687**

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2. Nu vs US $:

The company created the liabilities of US$ 255,000/- only as on 31/12/2023 at the equivalent value of Nu. 21,254,250.00 /- only at foreign exchange (FX) rate of Nu.83.35 per US$ against consultancy services provided by M/s ECO Plant, Thailand for operation and maintenance of plant.

In the year 2023, Nu. 151,937.50 million was recognized the gain/losses on account of foreign currency exchange fluctuation as tabulated below:

Date	USD	Exchange Rate	Amount in Nu.	Remarks
31/12/2022	106,250	82.58	8,774,125	Balance sheet date
06/07/2023	106,250	81.15	8,622,188	Payment Date
			151,938	**Difference**

b. Market risk- Interest rate risk:

The 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 31/12/2023 and in FY 2023 was 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 BFRS-7, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

c. Credit Risk:

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

Trade Receivables:

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

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Description	Current	1-30 days	31-60 days	61-90 days	> 90 days	Total
Trade Receivable as 31.12.2023	11,251,082	55,883,260	25,154,340	22,941,786	140,617,859	255,848,327
Less: Provision for impairment Loss	-	-	-	-	-5,260,129	-5,260,129
Net Receivable as on 31.12.2023	11,251,082	55,883,260	25,154,340	22,941,786	135,357,730	250,588,198
Trade Receivable as 31.12.2022	3,128,069	127,969,257	39,167,152	37,886,916	98,453,489	306,604,883
Less: Provision for impairment Loss	-	-	-	-	-8,380,569	-8,380,569
Net Receivable as on 31.12.2022	**3,128,069**	**127,969,257**	**39,167,152**	**37,886,916**	**106,834,058**	**298,224,314**

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

Cash and cash equivalents and other financial assets:

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

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

d. Liquidity risk:

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

Maturities of financial liabilities:

The tables below analyze the Company's financial liabilities into relevant maturity groupings based on their contractual maturities for all financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows. The balances due within 12 months equal their carrying

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balances as the impact of discounting is not significant.

Contractual maturities of financial liabilities 31/12/2023	Up to 1 year	2-3 years	4-5 years	More than 5 years	Total
Borrowings- Long Term	203,821,109	582,810,579	835,724,334	1,419,916,898	3,042,272,920
Interest payable – Borrowings	235,766,987	406,169,014	291,945,386	211,678,324	1,145,559,711
Bonds		920,140,000			920,140,000
Interest payable – Bonds	74,007,000				74,007,000
Borrowings – Short Term	780,000,000				780,000,000
Trade payable and other payables					
Total financial liabilities	**1,293,595,096**	**1,909,119,593**	**1,127,669,720**	**1,631,595,222**	**5,961,979,631**

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

Despite of the best efforts put by everyone; the company incurred a loss of Nu.(66,036,958) only as compared to Nu. (97,925,968) only in FY 2022.Company generated the sales revenue of Nu. 2,927,505,412 as compared to Nu. 3,298,812,989 in 2022. The revenue is less by 11% from previous year because company not sell clinker to maintain the stock and low cement sales because of election time in Q4 2023.

The total expenditure during the year was Nu. 2,968,503,475 as compared to Nu. 3,385,881,961 in 2022. The company expenditure reduced by 12% on account of cost cutting measure taken place however the operation & maintenance expenses was Nu. 353,658,644 in 2023 as compared to Nu. 202,272,470 in 2022, increase of 75% (Nu. 151,386,174) which is mainly due to Covid 19 Pandemic in 2022 and 2021 where major plant maintenance is not carried out. The major plant maintenance was carried out in 2023 for 53.83 days resulting the increased the O&M expenses by 75%.

56. Additional Disclosures:

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

ii. Production and Sales:

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

Particulars	Unit	FY 2023	FY 2022
Production Qty.:			
i) Cement	MT	496,437	517,200
ii) Clinker	MT	416,200	470,506
Sales Qty.:			
i) Cement	MT	479,030	530,143
ii) Clinker	MT	3,074	43,265

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iii. Segment reporting on Sales:

The Company operates only in cement and for internal reporting purposes it is considered the entire business as one segment i.e., cement and the performance is reviewed accordingly. 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. Since these products are being of similar nature, production processes, customers and distribution channel it is not considered for segment reporting.

However, the quantitative detail of sales of Cement and Clinker as under:

Sales	FY 2023		FY 2022	
	MT	Revenue -Nu	MT	Revenue -Nu
OPC-43	126,317	737,979,304	194,265	1,122,918,249
PPC	352,713	2,181,402,004	328,459	1,937,988,947
PSC	0	0	7,419	49,463,601
Clinker	3,074	8,109,104	43,265	188,442,192
Total	**482,104**	**2,927,490,412**	**573,408**	**3,298,812,989**

For T.K Ghose & Company
Chartered Accountants
Firm Registration No. 302002E

For and on behalf of the Board of Directors

(Dipanjan Bhattacharjee
Partner
Membership No. 068908

(Dechen Choling)
Chief Executive Officer

(Dasho Karma Yezer Raydi)
Chairman

Dated: 14 /02/2024
Place: Kolkata
UDIN: 23068908BGQKKH7971

Ratio Analysis

RATIO	BASIS	31/12/2023	31/12/2022
Earnings per share	PAT/ No of Shares Issued	-0.90	-1.34
		Per Share	Per Share
Net Profit Ratio (%)	PAT/ Turnover *100	-2.3%	-3.0%
Return on Assets (%)	PAT/ Total Assets*100	-0.8%	-1.1%
Return on Equity (%)	PAT/ Owners Equity*100	-0.9%	-1.3%
Debt to Equity Ratio	Total Debt/Equity	0.65	0.68
Net Worth	Total Asset – Total Liabilities	1087.47	1409.33
		Nu Millions	Nu Millions
Gearing Ratio	Total Debt/Gross Value of Fixed Assets	0.45	0.48
Current Ratio	Current Assets/ Current Liabilities	0.65	0.46
Working Capital	Current Assets – Current Liabilities	-733.66	-1,398.62
		Nu Millions	Nu Millions
Average Collection Period Ratio	Total Receivable/Sales*365	31.24	33.42
		Days	Days

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DUNGSAM CEMENT CORPORATION LTD.