ANNUAL REPORT 2020

DUNGSAM CEMENT CORPORATION LIMITED

The year in review

On behalf of the Hon'ble Chairman, Board Directors, the management and all the employees of the Company, and on my own behalf, I would like to take this opportunity of conveying our heartfelt gratitude and appreciation to all our valued stakeholders~~,~~ and business partners for their unwavering support and co-operation extended to the Company during the financial year 2020.

The year 2020 was a very difficult year for the world as the Covid-19 pandemic brought about unprecedented disruption to the world economy, causing unbearable pain and suffering to the people across the countries and Bhutan was no exception. As the countries were going through series of lockdowns to break the chain of transmission, our foremost concern was the prevention, safety and protection of our employees, a concern, which was enhanced by implementation of strict safety, and health Protocols~~-~~designed to prevent the contagion of COVID-19. Fortunately, in-spite of handling more than 9000 Indian trucks and 24,000 Bhutanese trucks during the year and managing more than 6 containment parking, not a single case have been reported and we have managed to keep our Company free from COVID-19 pandemic. Therefore, on behalf of the Board and the management, I commend the staffs for their cooperation, support and strict adherence to the guidelines.

While the sales to export market, Hydro Power Projects and dealers were adversely affected by two nationwide lockdowns, we managed to keep the plant under operation even during the lockdowns. I am pleased to report that in 2020, the Company produced a total of 442,729.96 MT of clinker and 466,120.07 MT of cement and sold 475,032 MT of cement and 45,495.84 MT of clinker, a decrease of 19% and 33% respectively from 2019. As a result, the revenue generation also decreased from Nu. 3.38 billion in FY- 2019 to Nu. 2.69 billion in FY- 2020, thereby recording a loss of Nu. 313 million during the year, despite of best efforts put in by everyone.

Amongst the numerous memorable events and activities, the Company was honored with the visit of His Majesty the King on 16th March 2020, to oversee the Preparedness and Response Plan should there be an outbreak of COVID-19 in Nganglam. The company was privileged to host the meeting in our Boardroom and I had the honor to make presentation on the Preparedness and Response Plan on behalf of the Nganglam Dungkhag Task Force in the absence of Pemagatsel Dzongdag who had just superannuated.

We were again honored with the second visit of His Majesty the King on 27th September 2020. During the visit, His Majesty granted audience to the Dungkahg COVID-19 Task Force members at the Company's Executive guesthouse and commanded to put in place every measure to prevent the pandemic from entering the country.

We also had the honor of visit by Hon'ble Dasho Karma Yezer Raydi, Chairman of DCCL on 1st April 2020 and personally showing solidarity and support to the staff and family members in preventing the spread of COVID-19.

During the year, we also had the visit by Dasho Pema Chewang, Honble Chairman of Eastern COVID-19 Task Force (EC19TF) to inspect the safety and security measures put in place at various DCCL premises to prevent the spread of COVID-19~~.~~

Lastly, the entire DCCL family join me in extending our gratitude and appreciations to all the stakeholder, customers, business partners and Druk Holding and Investments Limited, who have supported us during this difficult but remarkable journey; and further, would like to thank all with deep sense of gratitude for their sustained belief in the company. We remain committed towards generating steady returns for our shareholders and other stakeholders in future.

Wishing all our valued stakeholders a successful year 2021.

Tashi Delek!

[Sonam Jigme]
Chief Executive Officer

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COMPANY PROFILE

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

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

The plant has an installed capacity of 3,000 MT of clinker productions per day and 4,130 MT of cement productions per day making it the biggest cement producer in the country. The company produces three types of cement viz. Ordinary Portland Cement (OPC), Portland Pozzolona Cement (PPC) and Portland Slag Cement (PSC). The products are marketed under the brand name “Dragon Cement”. About 80% of the cement produced is marketed in India and 20% of the cement produced is sold in the domestic market. As of now the company is in its 8th 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.

MISSION

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

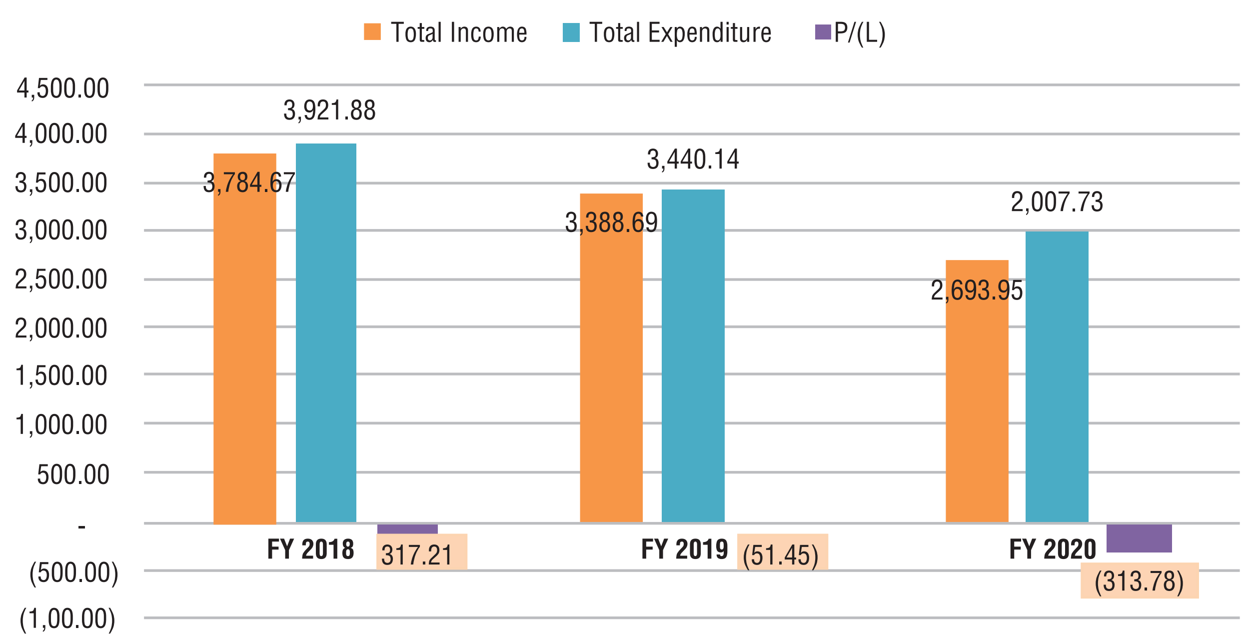
VISION

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

CORE VALUES

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

FINANCIAL PERFORMANCE (IN MILLION)



Directors Portfolio
(DCCL Board of Directors)

Dasho Karma Yezer Raydi – Chairman, DCCL Board.

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

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

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

Mr. Tashi Penjore – Director DCCL Board

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

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

Mr. Dorji Nima – Director DCCL Board

Ms. Dechen Yangden – Director DCCL Board

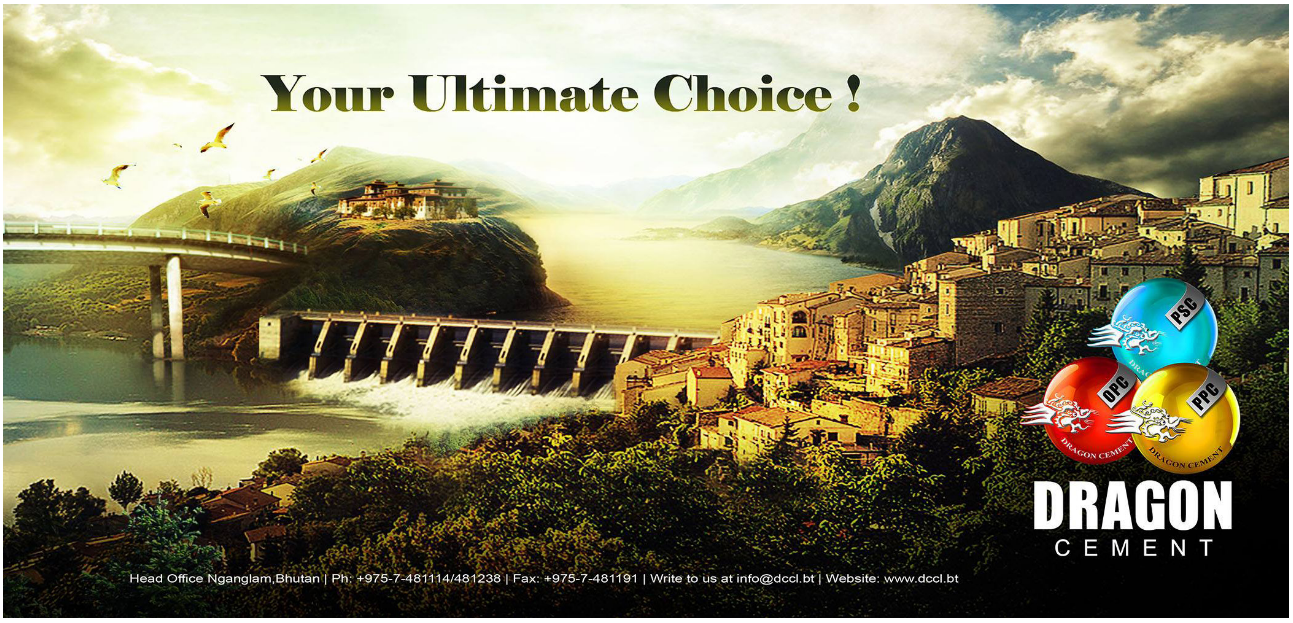
Ms. Dechen Yangden obtained her Bachelor Degree in Civil Engineering from University of Wollongong, Australia and Masters of Philosophy in Urban Infrastructure Management from Yokohama National University, Japan. She served as Assistant Engineer in BUDP, MoWHS (2002-2005), also served as Executive Engineer,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

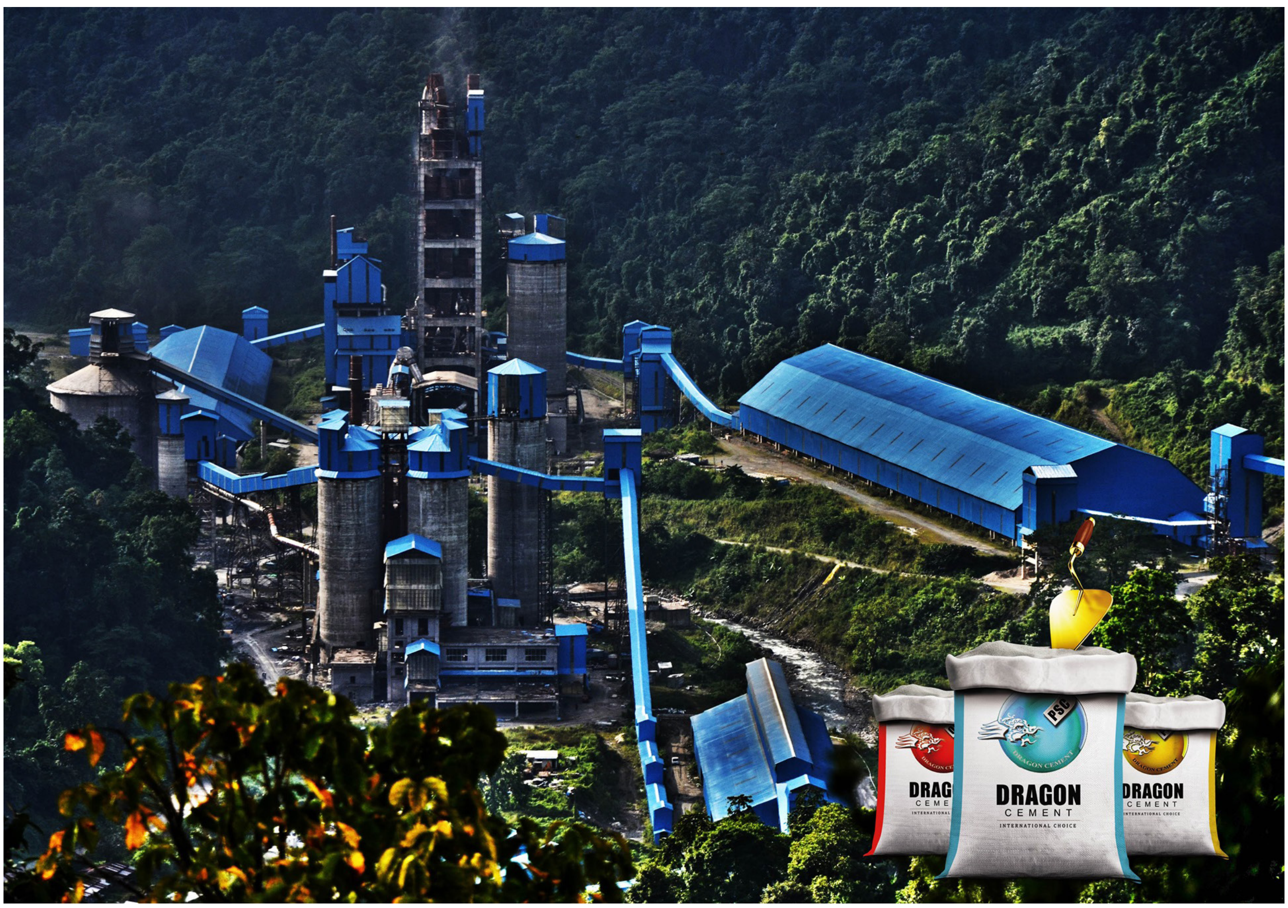
Ms. Tshering Lham obtained her Bachelor of Commerce (Honors) Degree from Sherubtse College, Kanglung, Bhutan, and MBA (Corporate Strategy & Economic Policy) from Maastricht School of management, Netherlands. She served as Program Officer, Credit and Investment Department in National Pension and Provident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

Ms. Tshering Lham – Director DCCL Board

Mr. Sonam Jigme – CEO

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


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


DRAGON
CEMENT
INTERNATIONAL CHOICE

Management team: Head of Departments

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

Mr. Karma Gayleg, Dy.CEO obtained his Bachelors degree in Civil Engineering from VNIT, Nagpur, Government of India (GoI) Scholarship in 1990. He also obtained Masters in Engineering (Soil/Geotechnical Engineering) from Asian Institute of Technology (AIT), Bangkok, Thailand in 2000. He started his career in the civil service since 1995 and he had served as the Director for Hotel and Tourism Management Training Institute (HTMTI), Thimphu, Bhutan (2006-2011). Before joining Dungsam Cement Corporation Limited he served as the General Manager, Project Department at DHI Infra Limited (2011-2015). Mr Karma joined DCCL in 2015.

Head of Departments




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

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

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

Mr. Samdrup – General Manager (Plant and Mines Department)

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

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

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

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

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

DIRECTORS REPORT

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Dungsam Cement Corporation Limited
Nganglam, Pemagatshel, Bhutan

DIRECTOR'S REPORT – DCCL 2019

Introduction

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

Dear Shareholder,

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

Operational highlights

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

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

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

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Dungsam Cement Corporation Limited
Nganglam, Pemagatshel, Bhutan

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

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

Financial highlights

1. Revenue

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

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

2. Expenditure

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

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

3. Profit/(Loss) Before Tax

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

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Dungsam Cement Corporation Limited
Nganglam, Pemagatshel, Bhutan

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

HR and other systems

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

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

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

Corporate governance

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

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

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Dungsam Cement Corporation Limited
Nganglam, Pemagatshel, Bhutan

Corporate social responsibility

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

Statutory audit

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

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

Key Challenges & Way Forward

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

Acknowledgement

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

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Dungsam Cement Corporation Limited
Nganglam, Pemagatshel, Bhutan

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

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

The Board would like to thank DCCL management and employees for their efforts and dedicated hard work in improving the performance of the company.

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

Tashi Delek!
For and on behalf of the Board

[Dasho Karma Yezer Raydi]
Chairman

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

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

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

CONSTITUTION OF THE BOARD AND ITS MEETINGS

Constitution of the Board of Directors:

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

No	Name	Addresses	Designation	Date of appointment	Status of Independent and non-independent Director
1.	Dasho Karma Yezer Raydi	CEO, Druk Holding & Investments Limited (DHI)	Chairman	March 2018	Non-Independent
2.	Dasho (Dr.) Tobgyal Wangchhuk	Changkhap, HMS Kidu Fund	Director	March 2018	Independent
3.	Mr. Tashi Penjore	Director, Department of Law and Order	Director	March 2019	Independent
4.	Mr. Dorji Nima	Director, PMD, Druk Holding and Investments Limited	Director	June 2019	Non-Independent
5.	Ms. Dechen Yangden	Chief Engineer, Department of Engineering Services, MoWHS	Director	June 2019	Independent
6.	Ms. Tsheing Lham	Dy. Chief Portfolio Investment Division, NPPF, Thimphu.	Director	July 2020	Independent
7.	Mr. Sonam Jigme	CEO, Dungsam Cement Corporation Limited	CEO/Director	June 2020	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 2020. 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
68	March 12, 2020	1. Dasho Karma Yezer Raydi 2. Dasho (Dr.) Tobgyal Wangchhuk 3. Mr. Dorji Nima 4. Mr. Sonam Jigme	1. Mr. Tashi Penjore 2. Ms. Dechen Yangden
69	July 27, 2020	1. Dasho Karma Yezer Raydi 2. Tashi Penjore 3. Mr. Dorji Nima 4. Ms. Dechen Yangden 5. Ms. Tshering Lham 6. Mr. Sonam Jigme	1. Dasho (Dr.) Tobgyal Wangchhuk
70	November 25, 2020	1. Dasho Karma Yezer Raydi 2. Mr. Tashi Penjore 3. Mr. Dorji Nima 4. Ms. Dechen Yangden 5. Ms. Tshering Lham 6. Mr. Sonam Jigme	1. Dasho (Dr.) Tobgyal Wangchhuk
71	December 22, 2020	1. Dasho Karma Yezer Raydi 2. Mr. Tashi Penjore 3. Mr. Dorji Nima 4. Ms. Dechen Yangden 5. Ms. Tshering Lham 6. Mr. Sonam Jigme	1. Dasho (Dr.) Tobgyal Wangchhuk

Board Sub-committee Meetings and Procedures:

Board Audit Committee Meetings (BAC)

Besides four (4) board meetings, four (4) Board Audit Committee meetings were also conducted. In all the BAC meetings, quorum was maintained as required. The details of the board attendance are as follows:

BAC Meeting No.	Dates	Members Present	Leave of Absence
27	January 4, 2020	1. Mr. Dorji Nima 2. Ms. Dechen Yangden	1. Mr. Tashi Penjore
28	March 7, 2020	1. Mr. Dorji Nima 2. Mr. Tashi Penjore	1. Ms. Dechen Yangden
29	September 25, 2020	1. Mr. Dorji Nima 2. Mr. Tashi Penjore 3. Mrs. Dechen Yangden 4. Ms. Tshering Lham	Nil
30	December 11, 2020	1. Mr. Dorji Nima 2. Mr. Tashi Penjore 3. Mrs. Dechen Yangden 4. Ms. Tshering Lham	Nil

Board Level Human Resource Committee (BLHRC)

During the year there were no Board Level Human Resource Committee (BLHRC) Meetings conducted.

Board Remuneration

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

Sl. no	Board Meetings Held	Board Directors	Remuneration paid (Nu)	Attendance
1	68th Board Meeting Venue: Board Room, Druk Holding and Investments Limited, Thimphu Date: March 13, 2020	Chairman Dasho Karma Yezer Raydi	8,000	Present
		Dasho (Dr.) Tobgyal Wangchhuk	8,000	Present
		Mr. Tashi Penjore	NA	Absent
		Mr. Dorji Nima	8,000	Present
		Ms. Dechen Yangden	NA	Absent
		Mr. Mr. Sonam Jigme	8,000	Present
2	69th Board Meeting Venue: Virtual Confer-ence (Zoom) Date: July 27, 2020	Chairman Dasho Karma Yezer Raydi	8,000	Present
		Dasho (Dr.) Tobgyal Wangchhuk	NA	Absent
		Mr. Tashi Penjore	8,000	Present
		Mr. Dorji Nima	8,000	Present
		Ms. Dechen Yangden	8,000	Present
		Ms. Tshering Lham	8,000	Present
		Mr. Sonam Jigme	8,000	Present

3	70th Board Meeting Venue: Virtual Conference (Zoom) Date: November 25, 2020	Chairman Dasho Karma Yezer Raydi	8,000	Present
		Dasho (Dr.) Tobgyal Wangchhuk	NA	Absent
		Mr. Tashi Penjore	8,000	Present
		Mr. Dorji Nima	8,000	Present
		Ms. Dechen Yangden	8,000	Present
		Ms. Tshering Lham	8,000	Present
		Mr. Sonam Jigme	8,000	Present
4	71st Board Meeting Venue: Virtual Conference (Zoom) Date: December 22, 2020	Chairman Dasho Karma Yezer Raydi	8,000	Present
		Dasho (Dr.) Tobgyal Wangchhuk	NA	Absent
		Mr. Tashi Penjore	8,000	Present
		Mr. Dorji Nima	8,000	Present
		Ms. Dechen Yangden	8,000	Present
		Ms. Tshering Lham	8,000	Present
		Mr. Sonam Jigme	8,000	Present

Annual General Meeting (AGM)

The 11th AGM for the financial year ended 2020 was convened on March 22, 2021 at Board Room, Druk Holding and Investments Limited (DHI), Thimphu. The following agenda were deliberated during the 11th AGM:

11.01 Adoption of the 11th Annual General Meeting Agenda;

11.02 Confirmation and adoption of the minutes of the 10th Annual General Meeting;

11.03 Re-appointment of incumbent CEO;

11.04 Presentation and endorsement of Directors Report;

11.05 Consideration and adoption of Audited Accounts and Audit Report for the financial year ended December 31, 2020;

11.06 Endorsement of remunerations paid to the CEO and Directors;

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

11.08 Retirements and appointment of directors;

11.09 Review of annual compact 2020;

11.10 Declaration of dividend; and

11.11 Any other matter

DURING THE 11TH AGM, THERE HAS BEEN CHANGE IN THE CONSTITUTION OF THE BOARD.

New appointment of Directors:

- The AGM approved the new appointment of following board directors as per the letter no. 5/DHI/CPD-CGRD/Boards/2021/156 dated March 9, 2021, as follows:

Sl. No.	Name	Designation/Address	Remarks
1.	Dasho Ugen Chewang	Chairman, DHI	To replace Dasho Karma Yezer Raydi – CEO, DHI
2.	Dasho (Dr.) Tobgyal Wangchhuk	HM's Secretariat	Continue (term not completed)
3.	Mr. Tashi Penjore	Director, Dept. of Law and Order, MoHCA	Reappointed for another term
4.	Mr. Yeshey Rangrik Dorjee	Dzongda, PemaGatshel	To replace Mr. Phuntsho – former Pema Gatshel Dzongda
5.	Mr. Dorji Nima	Director, CPD, DHI	Reappointed for another term
6.	Ms. Tshering Lham	Investment Division, NPPF	Continue (term not completed)
7.	Ms. Dechen Yangden	Chief Engineer, DoES, MoWHS	Reappointed for another term
8.	Mr. Sonam Jigme	CEO, DCCL	

Risk Management System

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

SL.NO	IDENTIFIED RISK	MITIGATION	LOCATION
1	Political instability and change in market scenario in export market	1. Maintaining cordial relationship with neighboring states. 2. Diversify and explore alternative markets	Marketing Division
2	Over reliance on hydropower project in domestic market	1. Exploring new projects in Export market. 2. Product Diversification.	Marketing Division
3	Ad-hoc orders for parts and spares from the end user	1. Proper planning, Coordination and Communication. 2. Inspection of Plant on regular basis by the end users. 3. Timely raising of Purchase requisition (PR) by the end users.	Procurement Division.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

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

Expenses	Cement	Amount	Narrations
Donation		50,000.00	Donation for Moenlam Chenmo, Samdrup Jongkhar
		31,000.00	Expenses against Refreshment & Chagep to Je Khenpo
		83,921.60	DHI Group Support to Covid Situations
	Total Donation	**164,921.60**	
CSR	800 MT PPC	4,576,001.00	Cement issued to HM Kidu for construction of Bhutanese Resettlement Project at Torsa
	17.5 MT PPC	62,236.77	Construction of Hindu Temple, Gelephu
	94.1 MT PPC	377,662.82	Detail attached
	1882 PP Bags	20,513.80	
	Total CRS	**5,036,414.39**	
	Total CSR and Donation	**5,201,335.99**	

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.

DRAGON

CEMENT

International Choice

INDEPENDENT AUDITOR'S REPORT

S.K. MITTAL & CO.
Chartered Accountants

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

INDEPENDENT AUDITOR'S REPORT

To the Members of
DUNGSAM CEMENT CORPORATION LIMITED
NGANGLAM, BHUTAN

Report on the Audit of the Financial Statement

Opinion

We have audited the financial statements of DUNGSAM Cement Corporation Limited (the Company) which comprise the statement of financial position as at 31December 2020, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31December 2020, and its financial performance and its cash flows for the year then ended in accordance with Bhutanese Accounting Standards (BAS).

Basis for Opinion

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

Emphasis of Matter

a) *The company has not created the Bond Redemption Reserve for Nu. 509.468 million as required by Bond Prospectus*

b) *The company has incurred losses for consecutive years and the net worth of the Company has been substantially eroded. However,various measures have been put in place by the management to turnaround the performance of the company. Based on theseinitiatives, we have no reason to believe that the company is not a going concern.*

c) *Attention is invited to Note No. 42 to the Financial Statements regarding certain debit/credit balances, which are subject to confirmation/reconciliation and adjustments, if any.*

S. K. MITTAL & Co.
New Delhi
CHARTERED ACCOUNTANTS

Our opinion is not modified in respect of these matters.

Other Matter

Due to the outbreak of COVID-19 pandemic that caused worldwide lockdown and other travel restrictions imposed by the local administration of Bhutan during the period of our audit, we could not travel to the Corporate Offices and carry out the audit processes physically at the respective offices.

Wherever physical access was not possible, necessary records/ reports/ documents/ certificates were made available to us by the Company through digital medium, emails and remote access. To this extent, the audit process was carried out on the basis of such documents, reports and records made available to us which were relied upon as audit evidence for conducting the audit and reporting for the current period.
Accordingly, we modified our audit procedures as follows:

i. Conducted verification of necessary records/documents and other Application software electronically through remote access/emails in respect of the Company wherever physical access was not possible.

ii. Carried out verification of scanned copies of the documents, deeds, certificates and the related records made available to us through emails and remote access over secure network of the Company.

iii. Making enquiries and gathering necessary audit evidence through Video Conferencing, dialogues and discussions over phone calls/conference calls, emails and similar communication channels.

iv. Resolution of our audit observations telephonically/through email instead of a face-to-face interaction with the designated officials.

Responsibilities of Management and Those Charged with Governance for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with BAS, and for such internal control as 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 maintain professional skepticism throughout the audit. We also:

S. K. MITTAL & Co. New Delhi CHARTERED ACCOUNTANTS

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

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

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

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

Report on Other Legal and Regulatory Requirements

As required by the section 266 of the Companies Act of Bhutan, 2016 (Minimum Audit Examination and Reporting Requirements) we enclose in the Annexure 'A' statement on the matters specified therein to the extent applicable.

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CHARTERED ACCOUNTANTS

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

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

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

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

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

Dated: 08.06.2021
Place: New Delhi
UDIN: 21072290AAAADE8735

For S. K. MITTAL & CO.
Chartered Accountants
FRN: 001135N

S. K. MITTAL & Co. New Delhi CHARTERED ACCOUNTANTS

S. Murthy
(Partner)
Membership No. 072290

REPORT ON MINIMUM AUDIT EXAMINATION REQUIREMENTS

General

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

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

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

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. The Company's management have conducted physical verification of fixed assets other than plant and machinery during the year. As reported by the management, no discrepancies were observed during such physical verification.
2. As informed to us, none of the fixed assets were revalued during the year under audit.
3. The Company has carried out physical verification of inventories in respect of raw materials, work in progress, finished product, consumables, stores and spares in a phased manner during the year.
4. In our opinion and as per the information and explanations given to us the procedures of physical verification of stocks followed by the management during were reasonable and adequate in relation to the size of the company and the nature of its business.
5. No material discrepancies were noticed on physical verification of stocks as compared to the book records.
6. The Company has a reasonable system of recording receipts, issues and consumption of materials and stores and allocation of materials consumed to the respective jobs. However, the same needs to be further improved to make it commensurate with its size and nature of its business.
7. As informed to us, quantitative reconciliation has been made at the year-end in respect of all major items of inventories i.e. finished goods and raw materials.
8. The company has an Asset Write off and Disposal Committee in place to identify obsolete, damaged, slow moving and surplus goods/inventories etc. Provision was considered necessary for the same. However, no aging analysis of inventory has been carried out.

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New Delhi
CHARTERED ACCOUNTANTS

9. The Company has a reasonable system for disposal of obsolete and surplus inventories and accounting of proceeds from such disposal.

10. The Company has a system to obtain approval of the Board/appropriate authority for writing off amounts due to material loss/discrepancies in physical/book balances of inventories including finished goods, raw materials, stores and spares etc.

11. In our opinion valuation of stocks is fair and proper in accordance with the applicable Accounting Standards issued by the Accounting and Auditing Standard Board of Bhutan (AASBB). We are informed that the basis of valuation of stocks is the same as in the preceding year.

12. The rate of interest and other terms and conditions of loans availed by the company secured or unsecured are prima facie not prejudicial to the interest of the Company. However due to COVID-19 pandemic the Interest on Loan from Bank of Bhutan and loan from NPPF has been waived off 100% for the period April 2020 to September 2020 and 50% for the period October 2020 to December 2020.

13. The company has not granted any loans to other parties during the year which are ultra-vies to its Articles of Incorporation and other relevant Acts and regulations.

14. According to information and explanations given to us, the advances granted to officers/staff are in keeping with the provisions of service rules and by and large, no excessive / frequent advances are granted and accumulation of large advances against particular individual is generally avoided.

15. In our opinion and according to the information and explanations provided to us, the Company has established the system of internal controls to ensure completeness, accuracy and reliability of accounting records, carrying out the business in an orderly and efficient manner, to safeguard the assets of the Company as well as to ensure adherence to the rules/regulations and system and procedures. However, in our opinion, the internal control system needs to be further strengthened w.r.t. to completeness and accuracy of inventory management and credit policy for customers.

16. The Company has a reasonable system of authorization at proper levels, and an adequate system of internal control (which needs strengthening) commensurate with the size of the Company and nature of its business, on issue of stores and allocation of materials and labour to jobs.

17. The Company follows a system of competitive biddings commensurate with the size and nature of its business for the purchase of goods and services including stores, raw materials, plant and machinery, equipment and other assets, and for the sale of goods and services.

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. 39 of the financial statements. We are informed that these transactions have been made at prices, which are reasonable having regard to the prevailing market prices or at prices at which such transactions have been made with other parties and are not prejudicial to the interest of other shareholders and the Company.

19. As per the information and explanations given to us and as per the test checks performed by us, expenses charged to the Company accounts represent legitimate business expenses and no personal expenses are charged to the Company except those payable under contractual obligations/service rules.

20. As per the information and explanations given to us, unserviceable or damaged stores, raw materials or finished goods are determined, and provisions for loss have been made in the accounts.

21. In our opinion and as per information and explanations given to us, there is reasonable system of ascertaining and identifying point of occurrence of breakage/damages of raw materials, packaging materials and finished

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

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

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

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 31.12.2020.which have since been paid by the Company:

    - Bhutan Sales Tax: Nu. 5,031,572.92
    - TDS Payable: Nu. 32,642.99

26. According to the information and explanations given to us and on the basis of our observation the company has a reasonable system of allocating man-hours utilized to the respective jobs, commensurate with the size and nature of its business.

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

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. Further, credit rating of the customers has also not been carried out.

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

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

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

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

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

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

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

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

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

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

39. On the basis of information and explanations given to us, proper records are kept for inter unit transactions/ services and arrangements for services made with other agencies engaged in similar activities.

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.

Computerized Accounting Environment

1. In our opinion the organizational and system development controls and other internal controls are adequate relative to size and nature of computer installations. In our opinion system audit should be carried out to ensure its smooth working.

2. The Company has adequate safeguard measures and backup facilities.

3. As regards backup facilities and disaster recovery measures, we are given to understand that the backup files are kept at different locations.

4. The operational controls are found adequate to ensure correctness and validity of input data and output information.

5. Measures taken by the Company to prevent unauthorized access over the computer installations and files are generally adequate.

6. There has been no data migration to any new system during the year as per information and explanation to us.

Facts for unfavorable/qualified statements

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

Other requirements:

1. Going Concern Problems

The Company has made an operating loss before depreciation and taxation during the year 2020 of Nu. 7,254,478 (though there is a loss of Nu. 603,808,177 after depreciation and taxation) as against operating profit before depreciation and taxation of Nu 251,124,625 during previous year 2019. The management is hopeful that the Company would at least break even in the year 2021 though it has projected positive PAT of Nu. 182.13 million For the FY 2021. In view of above, we have no doubt on the Company's ability to continue as a going concern.

MITTAL & CO. New Delhi CHARTERED ACCOUNTANTS

2. Ratio Analysis

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

RATIO	BASIS	2020	2019
Earnings per share	Profit after Tax/ No of Shares Issued	-8.08 Per Share	-4.43 Per Share
Net Profit Ratio (%)	Net Profit/ Turnover *100	-22.79%	-10.15%
Return on Assets (%)	Net Profit/ Total Assets*100	-6.25%	-3.37%
Return on Equity (%)	Net Profit/ Owners Equity*100	-8.08%	-4.46%
Debt to Equity Ratio	Total Debt/Equity	2.23	1.78
Net Worth	Total Asset – Total Liabilities	Nu. 2,549.85 Millions	Nu. 3,153.69 Millions
Gearing Ratio	Total Debt/Gross Value of Fixed Assets	0.54	0.53
Current Ratio	Current Assets/ Current Liabilities	Nu. 0.85	Nu. 0.75
Working Capital	Current Assets – Current Liabilities	Nu. (231.50) Millions	Nu. (496.82) Millions
Average Collection Period Ratio	Total Receivable/Sales*365	37.29 Days	38.91 Days

3. Compliance with the Companies Act of Bhutan 2016

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

4. Adherence to Laws, Rules and Regulations

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

Dated: 08.06.2021
Place: New Delhi
UDIN: 21072290AAAADE8735

For S. K. MITTAL & CO.
Chartered Accountants
FRN: 001135N

S. K. MITTAL & Co. New Delhi CHARTERED ACCOUNTANTS

S. Murthy
(Partner)
Membership No. 072290

DUNGSAM CEMENT CORPORATION LIMITED

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31,2020

PARTICULARS	Notes	(Amount in Nu)	
		31/12/2020	31/12/2019
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	2	7,854,639,932	8,082,311,891
Intangible Asset	3	44,000,099	47,320,609
Capital Work-in-Progress	4	97,830	1,025,536
Deferred tax asset	30	0	0
Investments	5	455,242,473	193,109,539
Other receivables	6	13,566,783	10,738,428
Other Non-Current Assets	7	22,835,472	22,158,605
		8,390,382,589	8,356,664,608
Current Assets:			
Inventories	8	842,472,157	1,077,640,759
Trade & Other Receivables	9	270,653,519	350,488,826
Cash and Cash Equivalents	10	59,744,582	50,747,083
Other Current Assets	11	105,370,964	51,139,656
		1,278,241,223	1,530,016,324
Asset classified as held for sale	12	66,736	27,186
TOTAL		**9,668,690,547.53**	**9,886,708,117.11**
EQUITY AND LIABILITIES			
Shareholder's Equity	13	7,473,947,900	7,473,947,900
Retained Earnings /(Loss)		(4,924,102,343)	(4,320,260,616)
Non-Current Liabilities			
Borrowings	14	4,996,656,924	4,390,387,221
Other Long-Term Liabilities	15	42,720,556	36,094,970
		5,609,104,037	4,706,181,512
Current Liabilities			
Short-Term Borrowings	16	560,000,000	1,070,000,000
Trade and Other Payables	17	920,695,274	903,199,574
Other Current Liabilities	18	29,045,680	53,639,747
		1,509,740,953	2,026,839,321
TOTAL		**9,668,690,547.53**	**9,886,708,117.11**

See accompanying notes to the financial statements 1-50

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

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

(S.MURTHY)
PARTNER
MEMBERSHIP NO.:072290

(SONAM JIGME)
CHIEF EXECUTIVE OFFICER

(DASHO KARMA YEZER RAYDI)
CHAIRMAN

S.K. Mittal & Co. New Delhi Chartered Accountants

Dated: 08.06.2021
Place: New Delhi
UDIN: 21072290AAAADE8735

DUNGSAM CEMENT CORPORATION LIMITED
STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED DECEMBER 31,2020

Particulars	Unit	Jan-Dec 31/12/2020	Jan-Dec 31/12/2019
Income			
Revenue from sale of Cement	19(a)	2,490,846,865	3,079,770,919
Revenue from sale of Clinker	19(b)	158,399,300	207,711,193
Other Revenue	20	44,705,873	101,210,655
Total Income		**2,693,952,038**	**3,388,692,767**
Expenditure			
Consumption of raw materials &Consumables	21	419,127,540	640,792,835
Changes in Inventory of work in progress and finished goods	22	- 73,940,059	- 251,323,213
Power & Fuel	23	968,553,284	1,073,788,894
Employee benefit expenses	24	210,604,271	155,748,247
Depreciation and amortization	25	306,526,463	302,574,558
Selling & Marketing Expenses	26	407,345,126	522,875,494
Operation &Maintenance Expenses	27	228,113,748	216,595,480
Other Expenses	28	200,381,429	275,190,111
Finance Cost	29	341,021,177	503,900,293
Total Expenditure		**3,007,732,979**	**3,440,142,700**
Profit /(Loss) Before Income Tax		**(313,780,941)**	**(51,449,933)**
Income Tax Income/(Expenses)	30	(290,027,237)	(279,699,321)
Profit/ (Loss) After Income Tax		**(603,808,177)**	**(331,149,254)**
Other Comprehensive income/(Loss)		**-**	**-**
Actuarial Gain/(Loss) on post employment benefit obligations		(33,550)	(2,391,480)
Net Other Comprehensive Income/(Loss)		**(33,550)**	**(2,391,480)**
Total Comprehensive Income/(Loss)		**- 603,841,727**	**(333,540,734)**
Basic and Diluted Earnings per share	**31**	**- 8.08**	**- 4.43**

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

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

S.K. MITTAL & Co. New Delhi CHARTERED ACCOUNTANTS

(S.MURTHY)
PARTNER
MEMBERSHIP NO.:072290

(SONAM JIGME)
CHIEF EXECUTIVE OFFICER

(DASHO KARMA YEZER RAYDI)
CHAIRMAN

Dated: 08.06.2021
Place: New Delhi
UDIN: 21072290AAAADE8735

DUNGSAM CEMENT CORPORATION LIMITED
STATEMENT OF CASH FLOW FOR THE YEAR ENDED DECEMBER 31, 2020

Particulars	For the year ended	For the year ended
	31/12/2020	**31/12/2019**
Cash Flow from Operating Activities		
Net Profit after Tax	(603,841,727)	(333,540,734)
Adjustment for		
Depreciation/amortization	306,526,463	302,574,558
Interest on Borrowing	333,398,138	485,562,495
Provision for Deferred tax	290,027,237	279,699,321
Changes in Working Capital :	**326,110,110**	**734,295,640**
Adjustment for		
(Increase)/Decrease in Trade Receivables and Other Receivables	79,835,307	81,068,864
(Increase)/Decrease in Other Current Assets	(54,231,308)	34,532,606
(Increase)/Decrease in Inventories	235,168,601	(311,720,700)
(Increase)/Decrease in Other Non-Current Assets	(3,544,772)	(2,655,444)
Increase/(Decrease) in Trade Payables	17,495,700	62,971,704
Increase/(Decrease) in Other Current Liabilities	(24,594,067)	34,235,215
Increase/(Decrease) in Other Long-Term Liabilities	6,625,586	8,521,736
	582,865,156	641,249,622
Less : Tax Paid	-	
Net Cash used in Operating activities (A)	**582,865,156**	**641,249,622**
Cash Flow from Investing Activities		
Purchase of Fixed Assets and Capital Work in Progress	(74,606,288)	(32,868,893)
Fixed Deposit with Bank	(262,132,934)	(190,153,477)
Net Cash used in Investing Activities (B)	**(336,739,222)**	**(223,022,371)**
Cash Flow from Financing Activities		
Issue of Share Capital	-	-
Short term Borrowings repaid	(510,000,000)	565,131,243
Long term Borrowings repaid/availed during the year	606,269,703	(514,577,135)
Interest Paid during the year	(333,398,138)	(485,562,495)
Cash flow from Financing Activities (C)	**(237,128,435)**	**(435,008,387)**
Net Increase/ (Decrease) in Cash & Cash Equivalents (A+B+C)	**8,997,499**	**(16,781,136)**
Cash & Cash Equivalents at the beginning of the year	**50,747,083**	**67,528,219**
Cash & Cash equivalents at the end of the year	**59,744,582**	**50,747,083**

1. The above Statement of Cash Flow has been prepared under the "Indirect Method" as set out in the Bhutanese Accounting Standard-7 on 'Statement of Cash Flows'.
2. Cash and Cash Equivalents include cash in hand and bank balances in current accounts [Refer Note No. 9 to the Accounts].
3. Figures in brackets indicate cash outflows.

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

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

(S.MURTHY)
PARTNER
MEMBERSHIP NO.:072290

S. K. MITTAL & Co. New Delhi CHARTERED ACCOUNTANTS

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

(SONAM JIGME)
CHIEF EXECUTIVE OFFICER

(DASHO KARMA YEZER RAYDI)
CHAIRMAN

Dated: 08.06.2021
Place: New Delhi
UDIN: 21072290AAAADE8735

DUNGSAM CEMENT CORPORATION LIMITED
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2020

(Amount in Nu.)

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 1 January 2019	74,739,479	100	7,473,947,900	(3,986,719,882)	3,487,228,018
Issue of share during the year	-	-	-	-	-
Profit/ (Loss) After Income Tax				(331,149,254)	(331,149,254)
Other Comprehensive income/ (Loss)				(2,391,480)	(2,391,480)
Balance as at December 31 2019	**74,739,479**	**100**	**7,473,947,900**	**(4,320,260,616)**	**3,153,687,284**
Balance as at December 1 2020	74,739,479	100	7,473,947,900	(4,320,260,616)	3,153,687,284
Issue of share during the year	-	-	-	-	-
Profit/ (Loss) After Income Tax				(603,808,177)	(603,808,177)
Other Comprehensive income/ (Loss)				(33,550)	(33,550)
Balance as at December 31 2020	**74,739,479**	**100**	**7,473,947,900**	**(4,924,102,343)**	**2,549,845,557**

Authorized Capital

Particulars	31/12/2020	31/12/2019
80,000,000 Equity shares of Nu.100 each	8,000,000,000	8,000,000,000
20,000,000 Preference shares of Nu.100 each	2,000,000,000	2,000,000,000
Total	**10,000,000,000**	**10,000,000,000**

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

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

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

S.K. MITTAL & Co. New Delhi CHARTERED ACCOUNTANTS

(S.MURTHY)
PARTNER
MEMBERSHIP NO.:072290

(SONAM JIGME)
CHIEF EXECUTIVE OFFICER

(DASHO KARMA YEZER RAYDI)
CHAIRMAN

Dated: 08.06.2021
Place: New Delhi
UDIN: 21072290AAAADE8735

NOTE 01: NOTES TO FINANCIAL STATEMENTS

A. General Information

Dungsam Cement Corporation Limited (DCCL) is a company incorporated under the Companies Act of the Kingdom of Bhutan 2000on 10th September 2009 (revised to Companies Act of Bhutan 2016). The DCCL is a limited liability company incorporated and domiciled in Bhutan. The company is a subsidiary company of Druk Holding and Investments Ltd (DHI).The registered office of the company is located in Nganglam, Pemagatshel, Bhutan.

The company is engaged in manufacturing and selling of cement(OPC, PPC and PSC) within the country and export to India.

The Company's financial statements are prepared in accordance with and are fully compliant with the Bhutanese Accounting Standards (BAS), except as stated otherwise in the financial statements.

The financial statements of the Company for the year ended December 31, 2020 were authorized for issue by theBoard of Directors on dated March 9,2021.

B. Significant accounting policies

1.1) Basis of preparation

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

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

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

1.2) The functional/presentation currency

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

1.3) Foreign currency translation

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

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

1.4) Property, plant and equipment

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

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

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

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

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

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

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

1.5) Intangible assets

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

S. MITTAL & CO. New Delhi CHARTERED ACCOUNTANTS as incurred.

1.6) Impairment of assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is 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) Capital- Work- In-Progress

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

1.8) Financial assets

a) Initial measurement

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

b) Classification and subsequent measurement

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

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

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

Financial assets measured at amortized cost:

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

i. The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows; and
ii. Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the profit or loss. The losses arising from impairment are recognized in the profit or loss. This category generally applies to trade and other receivables, bank deposits, security deposits, investment in government

S.K. MITTAL & CO. New Delhi CHARTERED ACCOUNTANTS

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.

c) Derecognition of financial assets

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

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

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

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

d) Income recognition

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

1.9) Financial liability

a) Initial recognition and measurement

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

b) Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

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

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

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

Borrowings

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

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

Trade and other payables

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

c) Derecognition

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

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets

S.K. MITTAL & Co. New Delhi CHARTERED ACCOUNTANTS

transferred or liabilities assumed, is recognized in profit or loss as other gains/(losses).

1.10) Inventories

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

1.11) Current and deferred income tax

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

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

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

Deferred income tax is 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.

1.12) Borrowing costs

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

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

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

1.13) Employee benefits

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

a. Defined Contribution Plan (Pension and Provident Fund)

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

S. KUMAR TAK & CO. New Delhi CHARTERED ACCOUNTANTS becomes due.

b. Defined Benefit Plans (Gratuity)

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

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

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

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

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

c. Short Term Benefits

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

d. Earned Leave Encashment

The employees of the company are entitled for earned leave. The employees can carry forward a portion of the unutilized earned leave subject to the limit set as per PCAL service manual and utilize it in future periods or compensated in cash during retirement or termination of employment for the unutilized accrued earned leave based on the salary at the time . The company's net obligation in respect of the earned leave is calculated by estimating the amount of future benefits that the employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The calculation is performed annually by a qualified actuary and amount of obligation is provided in profit or loss. The plan is unfunded.

1.14) Provisions and Contingent Liabilities

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

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

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

Mining Engineer.

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

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

1.15) Revenue recognition

Revenue is measured at the amount entity expects to be entitled in exchange for transferring promised goods or services to a customer, and represents amounts receivable for goods supplied, stated net of discounts, returns and taxes and royalty collected on behalf of government.

Sale of goods: The Company recognizes revenue when the entity satisfies a performance obligation identified in the contract by transferring a promised good or service (ie an asset) to a customer and the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Company. An asset is assumed to be transferred to customer when (or as) the customer obtains control of that asset. Incremental cost incurred by the company for obtaining as contract with customer is 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.

1.16) 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.

1.17) Non–current assets held for sale

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

MITTAL & CO. New Delhi CHARTERED ACCOUNTANTS 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.

1.18) Earnings per share

Basic earnings per share are 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.

1.19) 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. The parked unpaid cheques account under this account for 3 years, after that it will recognized as miscellaneous income.

1.20) 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 miscellaneous income after expiry of 3 years with exception to litigation. In case of any subsequent refunds, the same shall be debited to Miscellaneous Expenses during the year of refund.

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

S. Mittal & Co. New Delhi CHARTERED ACCOUNTANTS adjustment to the carrying values of assets and liabilities within the next financial year are discussed below.

i) Useful lives of property, plant and equipment:

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

ii) Fair Value measurement of Financial Instruments:

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

iii) Retirement benefit obligations

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

iv) Provision for Doubtful Debt/Bad Debts/Advances/Claims/Receivables

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

The Provision for doubtful debts at the end of the reporting period should be reconciled as under:
Opening provision as on 1st Januaryxxx

Add: Provision for doubtful debts created during the year xxx

Less: Provision for doubtful debts written back during the year xxx

Closing provision for doubtful debts as on 31st December xxx

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

S. K. MITTAL & Co. New Delhi CHARTERED ACCOUNTANTS

DUNGSAM CEMENT CORPORATION LIMITED
NOTES FORMING PART OF STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2020

Note 2: Property, Plant &Equipment

	Freehold Land	Building & Civil Structure	Plant & Machineries	Furniture & Fixture	Office Equipment	Other Equipments	Vehicles	Total
Balance as at 1 January 2020:								
Cost	144,502,787.89	4,740,138,737.43	5,349,904,260.98	19,494,643.78	27,890,352.86	101,365,803.96	51,344,741.12	10,434,641,328.02
Accumulated Depreciation	-	829,405,791.43	1,411,394,415.98	15,178,844.78	20,406,466.16	57,831,227.96	18,112,691.12	2,352,329,437.43
Book Value as at 1 January 2020:	**144,502,787.89**	**3,910,732,946.00**	**3,938,509,845.00**	**4,315,799.00**	**7,483,886.70**	**43,534,576.00**	**33,232,050.00**	**8,082,311,890.59**
Changes in book value during the year:								
Addition	-	1,577,715.68	82,408,848.81	113,716.67	773,464.00	3,035,371.29	3,977,219.58	91,886,336.03
Deletion/Adjustment	-	-	21,208,549.77	204,316.25	2,333,806.12	718,036.98	-	24,464,709.12
Depreciation on deletions and Adjustment	-	-	5,624,155.95	174,054.25	1,870,134.12	444,022.58	-	8,112,366.90
Depreciation for the year	-	130,234,557.68	157,892,459.39	1,088,699.67	1,902,194.00	8,274,287.39	3,813,754.58	303,205,952.71
Total Changes	**-**	**131,812,273.36**	**267,134,013.92**	**1,580,786.84**	**6,879,598.24**	**12,471,718.24**	**7,790,974.16**	**427,669,364.76**
Balances as at 31 Dec 2020:								
Cost	144,502,787.89	4,741,716,453.11	5,411,104,560.02	19,404,044.20	26,330,010.74	103,683,138.27	55,321,960.70	10,502,062,954.93
Accumulated Depreciation	-	959,640,349.11	1,563,662,719.42	16,093,490.20	20,438,526.04	65,661,492.77	21,926,445.70	2,647,423,023.24
Book value as at 31 December 2020:	**144,502,787.89**	**3,782,076,104.00**	**3,847,441,840.60**	**3,310,554.00**	**5,891,484.70**	**38,021,645.50**	**33,395,515.00**	**7,854,639,931.69**

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DUNGSAM CEMENT CORPORATION LIMITED
NOTES FORMING PART OF STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31,2020

Note 3: Intangible Assets

Amount(Nu)

Balance as at 1 January 2020:	
Cost	**66,410,081.99**
Accumulated Amortization	19,089,472.99
Book value as at 1 January 2020	**47,320,609.00**
Changes in book value during the year:	
Addition	**-**
Deletion/Adjustment	-
Depreciation on deletions and Adjustment	-
Depreciation for the year	3,320,510.00
Total Changes	**3,320,510.00**
Balances as at 31 December 2020:	
Cost	**66,410,081.99**
Accumulated Amortization	22,409,982.99
Book value as at 31 December 2020	**44,000,099.00**

Note 4:Capital Work-in-progress

Amount(Nu)

Balance as at 1 January 2020	**1,025,536.00**
Additions	**97,830.00**
Capitalization	1,025,536.00
Expense-off	0.00
Book value as at 31 December 2020	**97,830.00**

(Amount in Nu)

Note 5: Investments

	31/12/2020	31/12/2019
Fixed Deposit with Bank (earmarked for gratuity liability)	2,863,052	2,863,052
Accrued Interest on Fixed Deposit (earmarked for gratuity liability)	536,783	314,896
Bond Redemption Reserve Fund	424,559,999	187,088,697
Accrued Interest on Fixed Deposit (Bond Redemption Reserve)	27,282,640	2,842,894
Total	**455,242,473**	**193,109,539**

Note 6: Non-current Other receivables

(Unsecured, Considered Good) Security Deposits	13,566,783	10,738,428
Total	**13,566,783**	**10,738,428**

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Note 7: Other Non-current assets

(Unsecured, Considered Good) Unamortised mine expenditure	22,835,472	22,158,605
Total	**22,835,472**	**22,158,605**

Note 8: Inventories

(As taken, valued and certified by the management)		
Raw Materials	3,949,279	79,926,636
Fuel	836,076	62,668,030
Work in Progress	414,567,201	411,461,115
Finished Products	132,955,835	152,510,213
Stores, Spares & loose tools	290,163,766	371,074,765
Total	**842,472,157**	**1,077,640,759**

Note 9: Trade & Other Receivables

(Unsecured, Considered Good)		
Trade Receivables	271,724,988	352,097,397
Less: provision for impairment of trade receivables	(4,839,248)	(5,376,348)
Net Trade Receivables	**266,885,740**	**346,721,049**
Other Receivables	4,328,949	578,947
Less: provision for impairment of other receivables	(561,170)	(561,170)
Net Other Receivables	**3,767,779**	**17,777**
Security Deposit	0	3,750,000
Total	**270,653,519**	**350,488,826**

Note 10: Cash and Cash Equivalents

Cash-in-hand	5,662	31,855
Balances with Banks in Current Accounts	59,738,920	50,715,227
Total	**59,744,582**	**50,747,083**

Note 11: Other Current Assets

(Unsecured, Considered Good)		
Advance payments-Employees	2,556,985	1,726,860
Advance to vendors	34,492,935	6,500,526
Less provision for impairment	(1,673,942)	(1,758,212)
Net advances to vendors	**32,818,993**	**4,742,315**
Prepaid Taxes	45,277,502	29,217,657
Pre-paid Expenses	24,717,484	15,452,824
Total	**105,370,964**	**51,139,656**

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NOTES FORMING PART OF STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31,2020

Note 12: Asset classified as held for sale

Property, plant & equipment	66,736	27,186
Total	**66,736**	**27,186**

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

Note 13: Equity share capital

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

Note: 8,756,000 fully paid equity shares of Nu. 100 Each were issued during the year 2018 in kind upon conversion of debt into equity.

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 amounts. The distribution will be in proportion to the number of Equity Shares held by the share holders.

Authorized Capital

Particulars		
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
	10,000,000,000	**10,000,000,000**

Note 14: Long-Term Borrowings

Term Loan (Secured) - Non Current Portion		
Ngultrum Borrowing	2,576,516,924	1,970,247,221
Ngultrum Bonds	2,420,140,000	2,420,140,000
Total	**4,996,656,924**	**4,390,387,221**

Details of Security

A. Consortium term loans in Ngultrum are secured by way of first mortgage on all the present and future assets of the company

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

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Note 15: Other Long-Term Liabilities(Non-Current)

Post employment benefit obligation (non-current portion)	33,642,395	27,744,189
Leave encashment obligation	7,601,463	7,083,338
Provision for mines reclamation and restoration	1,476,698	1,267,443
Total	**42,720,556**	**36,094,970**

Note 16: Short-Term Borrowings

Working Capital Loan (Secured)		
Working Capital Loan from Related Party	400,000,000	1,010,000,000
Working Capital Loan from NPPF	160,000,000	60,000,000
Total	**560,000,000**	**1,070,000,000**

Note 17: Trade and Other Payables

Trade payable for Goods/Services & Expenses	297,142,349	417,339,182
Amounts due to Related Parties	482,660,383	318,305,625
Security Deposits	6,308,113	5,514,280
Salary Payable to Employees	8,525,778	4,981,183
Retention Money payable	7,842,724	5,255,729
Current Maturities of Long-Term Borrowings	118,215,926	151,803,575
Total	**920,695,274**	**903,199,574**

Note 18: Other Current Liabilities

Advances received from Customers & Others	13,278,166	38,242,028
BST payable	5,031,573	3,240,301
TDS payable	32,643	-
Other Miscellaneous Liabilities	6,186,436	8,507,989
Post employment benifits -Current Portion	4,055,903	3,221,279
Leave encashment obligation -Current Portion	460,959	428,148
Total	**29,045,680**	**53,639,746**

Note 19(a): Revenue from Sale of Cement	**For the Period ended** 31/12/2020	**For the Period ended** 31/12/2019
Revenue from Sale of Cement	2,556,781,015	3,153,961,942
less : Discount/Rebate	-276,545	-103,427
Less: Commission	-65,657,605	-74,087,597
Revenue from Sale of Cement	**2,490,846,865**	**3,079,770,919**

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Note 19 (b): Revenue from Sale of Clinker

	31/12/2020	31/12/2019
Revenue from Sale of Clinker	158,399,300	207,711,193
Revenue from Sale of Clinker	**158,399,300**	**207,711,193**

Note 20: Other Income

	For the Period ended 31/12/2020	For the Period ended 31/12/2019
Rental Income	4,427,921	4,823,246
Liquidated Damages	10,766,039	3,591,642
Income From Sale of Scraps	11,420	2,672,801
Audit Recoveries	-	40,000
Miscellaneous Income	3,680,757	86,770,694
Interest Income	25,819,736	3,300,949
Income from Sale of Quartzite	-	11,323
Total	**44,705,873**	**101,210,655**

Note 21: Consumption of raw materials & Consumables

	For the Period ended 31/12/2020	For the Period ended 31/12/2019
Consumption- Raw Materials	411,343,470	612,680,714
Consumption- Consumables	7,784,070	28,112,121
Total	**419,127,540**	**640,792,835**

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

	For the Period ended 31/12/2020	For the Period ended 31/12/2019
Consumption-Semi Finished Products	3,538,643,898	4,178,319,119
Cost of goods manufactured - Semi Finished Good	-3,969,325,871	-4,560,834,261
Cost of goods manufactured-Finished Goods	-1,807,377,405	-2,164,770,206
Cost of goods sold - Semi Finished Good	163,247,303	212,403,681
Cost of goods sold - Finished Good	1,880,969,368	2,280,161,695
Price Difference	119,902,648	-196,603,241
Total	**-73,940,059**	**-251,323,213**

Note 23: Power & fuel expenses

	For the Period ended 31/12/2020	For the Period ended 31/12/2019
Electricity Charges – plant	186,207,804	214,021,737
Consumption- Fuel	782,345,481	859,767,157
Total	**968,553,284**	**1,073,788,894**

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Note 24: Employee benefit expenses

	For the Period ended 31/12/2020	For the Period ended 31/12/2019
Allowances	26,779,568	34,812,443
Basic pay	103,327,862	76,204,722
Special Incentive	-	5,100,229
Leave Travel Concession	6,655,585	5,391,292
Overtime Allowance	9,150,599	7,750,324
Salary Indexation to Employees	2,530,535	-
Compensatory Allowance	1,822,240	-
Repatriation Allowance	386,401	244,232
Shift Allowance	2,832,165	2,666,553
Contract Allowances	1,945,664	-
Position Specific Allowances	823,269	-
Corporate Allowances & Hardship Allowances	16,605,635	-
Communication Facility Allowance	15,000	-
Housing Allowance	15,274	-
Cash Handling Allowance	1,000	-
Fuel Allowance	14,562	-
Transfer Grant	384,959	242,709
GPA Insurance	428,407	554,076
Subsidy to Dungsam Sport Club	360,000	360,000
Wages	5,910,967	-
Short-term training	-	20,000
Training-Foreign training	-	96,060
Defined benefit plan expense (Gratuity)	7,202,354	6,524,803
Leave encashment	7,517,884	6,287,038
Provident Fund -Matching Contribution	15,471,831	9,365,379
Carriage Charge of personal effects	105,726	58,635
Other Employee Expenses	316,783	69,751
Total	**210,604,271**	**155,748,247**

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NOTES FORMING PART OF STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31,2020

Note 25: Depreciation & amortization

	For the Period ended 31/12/2020	For the Period ended 31/12/2019
Depreciation	303,205,953	299,254,048
Amortization	3,320,510	3,320,510
Total	**306,526,463**	**302,574,558**

Note 26: Selling & Marketing Expenses

	For the Period ended 31/12/2020	For the Period ended 31/12/2019
Marketing & Sales Promotion Expenses	711,460.00	991,762.00
Consumption of Packing Materials	103,171,344.03	127,974,801.42
Handling Charges-Cement & Depo Rent	8,025,311.84	6,761,876.15
Freight Outward-Cement	289,987,102.26	379,065,924.90
Selling Expenses	4,843,005.88	12,596,821.27
Bad Debts	606,901.63	-4,515,691.25
Total	**407,345,125.64**	**522,875,494.49**

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

Note 27: Operation & Maintenance Expenses

	For the Period ended 31/12/2020	For the Period ended 31/12/2019
Consumption-Spare Parts	92,075,804	80,636,936
Operation & maintenance-Direct	118,714,539	100,089,628
Operation& maintenance-Indirect	17,323,404	35,868,916
Total	**228,113,748**	**216,595,480**

Note 28: Other expenses

	For the Period ended 31/12/2020	For the Period ended 31/12/2019
P&M- Insurance	12,883,680	12,990,440
Material handling	18,365,753	17,716,401
Mining related expenses	110,604,432	170,878,798
Retirement/Scrapping of Inventories	9,824,243	10,357,398
Retirement/Scrapping of Assets	16,284,217	659,465
Fees & subscriptions	5,530,282	8,579,952
Travelling expenses	2,338,948	6,373,471
Administration expenses	24,549,873	47,634,184
Total	**200,381,429**	**275,190,111**

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DUNGSAM CEMENT CORPORATION LIMITED
NOTES FORMING PART OF STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31,2020

Note 29: Finance cost

	For the Period ended 31/12/2020	For the Period ended 31/12/2019
Interest on borrowings	75,839,004	139,235,223
Coupon on Bonds	205,011,056	297,975,130
Interest on loans from BoBL	20,540,427	37,588,508
Bank charges – others	126,741	88,348
Bank charges and fees paid to BoBL	308,465	383,182
Other borrowing cost and unwinding of provision discounting	5,603,570	17,758,149
Interest on Working Capital	32,007,650	10,763,633
Interest/Unwinding Cost	1,584,263	108,119
Total	**341,021,177**	**503,900,293**

Note 30: Earnings per share

	For the Period ended 31/12/2020	For the Period ended 31/12/2019
Profit/(Loss) after tax	(603,808,177)	(331,149,254)
Numbers of shares at the beginning of the year	74,739,479	74,739,479
Number of shares allotted	-	-
Number of shares at the end of the year	74,739,479	74,739,479
Weighted average number of ordinary shares in issue	74,739,479	74,739,479
Basic and Diluted Earnings per share	**- 8.08**	**- 4.43**

Note 31: Deferred tax liability/ (asset)

Particulars	31-12-20	31-12-19
Property, plant and equipment	1,274,630,429.53	1,054,978,732.03
Total deferred tax liability	**1,274,630,429.53**	**1,054,978,732.03**
Trade receivables and other receivables	(1,451,774.45)	(1,781,185.60)
Advance to Vendor	(502,182.68)	(527,463.46)
Unused tax loss (refer note (i) below)	(702,949,914.78)	(772,970,761.94)
Total deferred tax asset	**(704,903,871.91)**	**(775,279,411.00)**
Net deferred tax liability	**569,726,557.62**	**279,699,321.03**

(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 recognized 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.

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(b) Tax expense

Particulars		31-12-19
(a) Income tax expenses		
Current tax		
Current tax on profit for the year		-
Current tax adjustment for earlier years		-
Total current tax expenses		**-**
Deferred tax		
Decrease/(increase) in deferred tax assets	70,375,539.10	70,683,774.61
(Decrease)/increase in deferred tax liabilities	219,651,697.50	209,015,546.42
Total deferred tax expenses	**290,027,236.60**	**279,699,321.03**
Income tax expenses	**290,027,236.60**	**279,699,321.03**

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

Particulars		31/12/2019
Tax expenses		
- Current tax		-
- Deferred tax	290,027,236.60	279,699,321.03
Total tax expense	**290,027,236.60**	**279,699,321.03**
Profit before tax	-313,780,940.79	-51,449,932.67
Income tax expense/(income) calculated at 30%	-94,134,282.24	-15,434,979.80
Impact of expenses (net) disallowed under tax laws for which no deferred tax has been recognized	109,721.08	71,682.10
Impact of deferred tax asset being recognized for tax losses of earlier years		-
Impact of reversal of deferred tax asset recognized in earlier year as the same has lapsed	383,649,411.85	295,062,618.73
Other differences	402,385.91	-
Reconciled with tax expense as above	**290,027,236.60**	**279,699,321.03**

(d) Tax losses

Particulars	31-Dec-20	31-Dec-19	Expiry date
Unused tax losses for which no deferred tax asset has been recognized			
- for the year 2018	-		31-Dec-21
- for the year 2019	-	-	31-Dec-22
- for the year 2020	-	-	31-Dec-23
Potential tax benefit @ 30%	-	-	

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

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32. The Company has incurred operating loss before depreciation and taxation during the year 2020 of Nu. (7,254,478) and in the year 2019 the operating profit was Nu. 251,124,625. This has been due to huge impact of covid-19 pandemic, where the company's sales have been affected by lockdown and vehicle movement restrictions. Otherwise, the company was earning operating profits till year 2019. The management is hopeful that the Company would at least break even in the year 2021 and is confident of its ability to continue as a going concern. In-fact management has realistically projected positive PAT of Nu. 182.13 Million for the FY-2021.

33. Bond Redemption Reserve:

a. 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 from the sixth year of the bond issue. The company has completed the sixth year 30th April 2020 and created redemption reserve of Nu. 4,440,000 only out of total.

b. 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 from the sixth year of the bond issue. The company has completed the sixth year 5th November 2020 and no redemption reserve has been maintained as on 31.12.2020.

c. Bond Series-III: As per Bond Prospectus Clause 4.16 of Bond Redemption Reserve, The Company will create Redemption Reserve Account to be maintained with a commercial bank and deposit 25% of the bond amount Nu. 750,000,000 from the fourth year of the bond issue. The company has completed the fifth year 23rd June 2020 and created redemption reserve of Nu. 420,120,000 only out of total redemption amount.

34. Benefit of Interest Waiver:

a. In financial year 2020, as per the monetary measures published on 14th April 2020 by Royal Monetary Authority of Bhutan (RMA) in response to Covid-19 pandemic, during the financial year 2020 due to Covid-19 pandemic Banks has offered 100% interest waived off from April-September 2020 and 50% interest waived off from October 2020 -March 31, 2021 on BOBL Term loan, Working Capital Loan and Term Loan from NPPF.

b. The DHI has considered the waiver of Brand and Management fees which is 1% on EBITA on preceding year to the company in view of the impact of the COVID-19 pandemic.

c. The DHI has provided guarantee fee waiver on Bond I, Bond II and Bond III of 100% waiver from April-September 2020 and 50% waiver from October 2020 - March 2021. Also on account of Bhutan Telecom Inter-Corporate Loan from September –December 2020 the 100% guarantee fee waiver was provided. Further on account of BOB Term Loan(New) the 100% guarantee fee waiver for the month of December 2020 was provided.

Therefore the total of Nu.12,606,377.57 financial waiver benefit to company in the year are as follows:

1. Total interest waiver- Nu. 111,035,849.97
2. Total guarantee fee waiver- Nu. 9,203,656.40
3. Total brand management fees waiver- Nu. 7,366,871.20

35. Contingent Assets not provided for pertains to one pending civil suit:

In the Court of Chief Judicial Magistrate, Kamrup at Guwahati against Dewan Engineering Private Limited for recovery of outstanding amount of Nu 2,839,315.19. The case is still under trial in the Guwahati court.

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

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

38. Provision for all defined employee benefits and leave encashment has been made on the basis of actuarial valuation of their liabilities carried out by and independent valuer namely Druk Infinity Consulting as required by BAS-19 on "Employee Benefit".

Summary of key results of Gratuity for the year ended 31 December 2020 are presented below:

A. LIABILITY RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION Nu.	**31-Dec-2020**	**31-Dec-2019**
Present value of define benefit obligation	33,845,164	27,729,881
Fair value of plan assets	-	-
Funded status - surplus/(deficit)	(33,845,164)	(27,729,881)
Effect of asset ceiling	-	-
Net defined benefit asset/(liability)	**(33,845,164)**	**(27,729,881)**

B. COMPOSITION OF DEFINED BENEFIT COST Nu.	**31-Dec-2020**	**31-Dec-2019**
Expense recognised in profit or loss	7,202,354	6,524,803
Expense recognised in other comprehensive income	(84,541)	(1,160,861)
Defined benefit cost	**7,117,813**	**5,363,942**

C. EXPENSE RECOGNISED IN STATEMENT OF PROFIT OR LOSS Nu.	**31-Dec-2020**	**31-Dec-2019**
Current service cost	5,024,065	4,651,529
Past service cost	-	-
Loss/(Gain) on settlement	-	-
Interest on DBO	2,178,289	1,873,274
Interest on plan asset	-	-
Expenses recognised in profit or loss	**7,202,354**	**6,524,803**

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D. AMOUNT RECOGNISED AS OTHER COMPREHENSIVE INCOME Nu.	31-Dec-2020	31-Dec-2019
Actuarial (gain) or loss due to experience adjustments	(84,541)	(1,160,861)
Actuarial (gain) or loss due to changes in financial assumptions	-	-
Actuarial (gain) or loss due to changes in demographic assumptions	-	-
Return on plan assets (greater) or less than discount rate	-	-
Expenses recognised as OCI	**(84,541)**	**(1,160,861)**

E. RECONCILIATION OF CHANGES IN PRESENT VALUE OF DEFINED BENEFIT OBLIGATION Nu.	31-Dec-2020	31-Dec-2019
DBO at the beginning of period	27,729,881	24,465,900
Add: Current service cost	5,024,065	4,651,529
Add: Past service cost	-	-
Add: Interest cost	2,178,289	1,873,274
Less: Benefits paid by the plan	-	-
Less: Benefits paid by the employer	(1,002,530)	(2,099,961)
Actuarial (gain) or losses due to experience adjustment	(84,541)	(1,160,861)
Actuarial (gain) or losses due to change in financial assumptions	-	-
Actuarial (gain) or losses due to change in demographic assumptions	-	-
DBO at the end of period	**33,845,164**	**27,729,881**

I. EXPECTED BENEFIT PAYMENTS IN FUTURE YEARS In.	Nu.
December 31, 2021	3,427,208
December 31, 2022	4,430,679
December 31, 2023	4,520,959
December 31, 2024	6,256,239
December 31, 2025	7,784,713
December 2026 to December 2030	39,127,952
December 2031 to December 2040	157,963,662

i) Expected employer contributions for the period ending 31 December 2020 is not applicable as there is no plan asset

ii) Weighted average duration of defined benefit obligation 17.10 years

iii) Significant estimates: actuarial assumptions and sensitivity

Assumption/Parameter	Scenario	Defined Benefit Obligation (DBO)	Net effect of DBO	Percent change
Discount rate	+ 0.5%	31,643,947	(2,201,217)	-6.50%
Base rate		33,845,164	-	0.00%
- 0.5%		36,270,107	2,424,943	7.16%
Salary growth rate	+ 0.5%	36,368,997	2,523,833	7.46%
Base rate		33,845,164	-	0.00%
- 0.5%		31,538,105	(2,307,059)	-6.82%
Mortality rate	+ 0.5%	33,804,130	(41,034)	-0.12%
Base rate		33,845,164	-	0.00%
- 0.5%		33,886,486	41,322	0.12%

Risk exposure

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

Discount rate risk:

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

Salary growth risk:

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

Employee turnover risk:

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

Demographic risk:

In the absence of credible scheme-specific data, the IALM 2006-08 mortality rate has been used in projecting the benefits. Thus, deviation of the actual experience from the rates used will result in change in the cost of the plan.

Regulatory risk:

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

Liquidity risk:

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

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

A. LIABILITY RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION Nu.	31-Dec-2020	31-Dec-2019
Present value of define benefit obligation	460,434	391,857
Fair value of plan assets	-	-
Funded status - surplus/(deficit)	(460,434)	(391,857)
Effect of asset ceiling	-	-
Net defined benefit asset/(liability)	**(460,434)**	**(391,857)**

B. COMPOSITION OF DEFINED BENEFIT COST Nu.	31-Dec-2020	31-Dec-2019
Expense recognised in profit or loss	105,726	58,635
Expense recognised in other comprehensive income	25,742	506,529
Defined benefit cost	**131,468**	**565,164**

C. EXPENSE RECOGNISED IN STATEMENT OF PROFIT OR LOSS Nu.	31-Dec-2020	31-Dec-2019
Current service cost	79,409	72,500
Past service cost	-	-
Loss/(Gain) on settlement	-	-
Interest on DBO	26,317	(13,865)
Interest on plan asset	-	-
Expenses recognised in profit or loss	**105,726**	**58,635**

D. AMOUNT RECOGNISED AS OTHER COMPREHENSIVE INCOME Nu.	31-Dec-2020	31-Dec-2019
Actuarial (gain) or loss due to experience adjustments	25,742	506,529
Actuarial (gain) or loss due to changes in financial assumptions	-	-
Actuarial (gain) or loss due to changes in demographic assumptions	-	-
Return on plan assets (greater) or less than discount rate	-	-
Expenses recognised as OCI	**25,742**	**506,529**

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E. RECONCILIATION OF CHANGES IN PRESENT VALUE OF DEFINED BENEFIT OBLIGATION Nu.	31-Dec-2020	31-Dec-2019
DBO at the beginning of period	391,857	-
Add: Current service cost	79,409	72,500
Add: Past service cost	-	-
Add: Interest cost	26,317	(13,865)
Less: Benefits paid by the plan	-	-
Less: Benefits paid by the employer	(62,891)	(173,307)
Actuarial (gain) or losses due to experience adjustment	25,742	506,529
Actuarial (gain) or losses due to change in financial assumptions	-	-
Actuarial (gain) or losses due to change in demographic assumptions	-	-
DBO at the end of period	**460,434**	**391,857**

I. EXPECTED BENEFIT PAYMENTS IN FUTURE YEARS In.	Nu.
December 31, 2021	137,952
December 31, 2022	147,434
December 31, 2023	154,078
December 31, 2024	178,741
December 31, 2025	198,299
December 2026 to December 2030	866,003
December 2031 to December 2040	1,896,958

i) Expected employer contributions for the period ending 31 December 2020 is not applicable as there is no plan asset

ii) Weighted average duration of defined benefit obligation 11.71 years

iii) Significant estimates: actuarial assumptions and sensitivity

Assumption/Parameter	Scenario	Defined Benefit Obligation (DBO)	Net effect of DBO	Percent change
Discount rate	+ 0.5%	439,363	(21,071)	-4.58%
Base rate		460,434	-	0.00%
- 0.5%		483,325	22,891	4.97%
Increase in transportation cost	+ 0.5%	485,126	24,692	5.36%
Base rate		460,434	-	0.00%
- 0.5%		437,557	(22,877)	-4.97%
Mortality rate	+ 0.5%	460,687	253	0.05%
Base rate		460,434	-	0.00%
- 0.5%		460,180	(254)	-0.06%
Employer turnover rate	+ 0.5%	467,487	7,053	1.53%
Base rate		460,434	-	0.00%
- 0.5%		452,932	(7,502)	-1.63%

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Risk exposure

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

Discount rate risk:

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

Increase in cost of transportation risk:

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

Employee turnover risk:

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

Demographic risk:

In the absence of credible scheme-specific data, the IALM 2006-08 mortality rate has been used in projecting the benefits. Thus, deviation of the actual experience from the rates used will result in change in the cost of the plan.

Regulatory risk:

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

Liquidity risk:

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

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

A. LIABILITY RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION Nu.	31-Dec-2020	31-Dec-2019
Present value of define benefit obligation	1,696,350	1,421,863
Fair value of plan assets	-	-
Funded status - surplus/(deficit)	(1,696,350)	(1,421,863)
Effect of asset ceiling	-	-
Net defined benefit asset/(liability)	**(1,696,350)**	**(1,421,863)**

B. COMPOSITION OF DEFINED BENEFIT COST Nu.	31-Dec-2020	31-Dec-2019
Expense recognized in profit or loss	386,401	244,232
Expense recognized in other comprehensive income	27,426	1,503,103
Defined benefit cost	**413,827**	**1,747,335**

C. EXPENSE RECOGNISED IN STATEMENT OF PROFIT OR LOSS Nu.	31-Dec-2020	31-Dec-2019
Current service cost	278,226	257,251
Past service cost	-	-
Loss/(Gain) on settlement	-	-
Interest on DBO	108,175	(13,019)
Interest on plan asset	-	-
Expenses recognised in profit or loss	**386,401**	**244,232**

D. AMOUNT RECOGNISED AS OTHER COMPREHENSIVE INCOME Nu.	31-Dec-2020	31-Dec-2019
Actuarial (gain) or loss due to experience adjustments	27,426	1,503,103
Actuarial (gain) or loss due to changes in financial assumptions	-	-
Actuarial (gain) or loss due to changes in demographic assumptions	-	-
Return on plan assets (greater) or less than discount rate	-	-
Expenses recognised as OCI	27,426	1,503,103
Expenses recognised in profit or loss	**386,401**	**244,232**

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E. RECONCILIATION OF CHANGES IN PRESENT VALUE OF DEFINED BENEFIT OBLIGATION Nu.	31-Dec-2020	31-Dec-2019
DBO at the beginning of period	1,421,863	-
Add: Current service cost	278,226	257,251
Add: Past service cost	-	-
Add: Interest cost	108,175	(13,019)
Less: Benefits paid by the plan	-	-
Less: Benefits paid by the employer	(139,340)	(325,472)
Actuarial (gain) or losses due to experience adjustment	27,426	1,503,103
Actuarial (gain) or losses due to change in financial assumptions	-	-
Actuarial (gain) or losses due to change in demographic assumptions	-	-
DBO at the end of period	**1,696,350**	**1,421,863**

i. Expected employer contributions for the period ending 31 December 2020 is not applicable as there is no plan asset
ii. Weighted average duration of defined benefit obligation 13.13 years
iii. Significant estimates: actuarial assumptions and sensitivity

Assumption/Parameter	Scenario	Defined Benefit Obligation (DBO)	Net effect of DBO	Percent change
Discount rate	+ 0.5%	1,611,513	(84,837)	-5.00%
Base rate		1,696,350	-	0.00%
- 0.5%		1,788,895	92,545	5.46%
Salary growth rate	+ 0.5%	1,793,775	97,425	5.74%
Base rate		1,696,350	-	0.00%
- 0.5%		1,606,348	(90,002)	-5.31%
Mortality rate	+ 0.5%	1,696,461	111.17	0.01%
Base rate		1,696,350	-	0.00%
- 0.5%		1,696,243	(107)	-0.01%
Employer turnover rate	+ 0.5%	1,704,772	8,422	0.50%
Base rate		1,696,350	-	0.00%
- 0.5%		1,687,473	(8,877)	-0.52%

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Risk Exposures

Valuing a defined benefit plan is fundamentally an exercise in estimating the future cost of the benefit, the exact value for which only time will reveal. It relies on a set of financial and demographic assumptions along with prevalent regulatory framework in valuing liability. Thus, the Plan is exposed to a variety of risk as discussed herein.

Discount rate risk

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

Salary growth risk

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

Employer turnover risk

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

Demographic risk

In the absence of credible scheme-specific data, the IALM 2006-08 mortality rate has been used in projecting the benefits. Thus, deviation of the actual experience from the rates used will result in change in the cost of the plan.

Regulatory risk

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

Liquidity risk

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

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

A. LIABILITY RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION Nu.	31-Dec-2020	31-Dec-2019
Present value of define benefit obligation	1,696,350	1,421,863
Fair value of plan assets	-	-
Funded status - surplus/(deficit)	(1,696,350)	(1,421,863)
Effect of asset ceiling	-	-
Net defined benefit asset/(liability)	**(1,696,350)**	**(1,421,863)**

C. EXPENSE RECOGNISED IN STATEMENT OF PROFIT OR LOSS Nu.	31-Dec-2020	31-Dec-2019
Current service cost	278,226	257,251
Past service cost	-	-
Loss/(Gain) on settlement	-	-
Interest on DBO	106,733	(14,542)
Interest on plan asset	-	-
Expenses recognized in profit or loss	**384,959**	**242,709**

D. AMOUNT RECOGNISED AS OTHER COMPREHENSIVE INCOME Nu.	31-Dec-2020	31-Dec-2019
Actuarial (gain) or loss due to experience adjustments	64,923	1,542,709
Actuarial (gain) or loss due to changes in financial assumptions	-	-
Actuarial (gain) or loss due to changes in demographic assumptions	-	-
Return on plan assets (greater) or less than discount rate	-	-
Expenses recognised as OCI	64,923	1,542,709
Expenses recognized in profit or loss	**384,959**	**242,709**

E. RECONCILIATION OF CHANGES IN PRESENT VALUE OF DEFINED BENEFIT OBLIGATION Nu.	31-Dec-2020	31-Dec-2019
DBO at the beginning of period	1,421,863	-
Add: Current service cost	278,226	257,251
Add: Past service cost	-	-
Add: Interest cost	106,733	(14,542)
Less: Benefits paid by the plan	-	-
Less: Benefits paid by the employer	(175,395)	(363,555)
Actuarial (gain) or losses due to experience adjustment	64,923	1,542,709
Actuarial (gain) or losses due to change in financial assumptions	-	-
Actuarial (gain) or losses due to change in demographic assumptions	-	-
DBO at the end of period	**1,696,350**	**1,421,863**

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i) Expected employer contributions for the period ending 31 December 2020 is not applicable as there is no plan asset

ii) Weighted average duration of defined benefit obligation 13.13 years

iii) Significant estimates: actuarial assumptions and sensitivity

Assumption/Parameter	Scenario	Defined Benefit Obligation (DBO)	Net effect of DBO	Percent change
Discount rate	+ 0.5%	1,611,513	(84,837)	-5.00%
Base rate		1,696,350	-	0.00%
- 0.5%		1,788,895	92,545	5.46%
Salary growth rate	+ 0.5%	1,793,775	97,425	5.74%
Base rate		1,696,350	-	0.00%
- 0.5%		1,606,348	(90,002)	-5.31%
Mortality rate	+ 0.5%	1,696,461	111.17	0.01%
Base rate		1,696,350	-	0.00%
- 0.5%		1,696,243	(107)	-0.01%
Employer turnover rate	+ 0.5%	1,704,772	8,422	0.50%
Base rate		1,696,350	-	0.00%
- 0.5%		1,687,473	(8,877)	-0.52%

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Risk exposure

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

Discount rate risk:

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

Salary growth risk:

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

Employee turnover risk:

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

Demographic risk:

In the absence of credible scheme-specific data, the IALM 2006-08 mortality rate has been used in projecting the benefits. Thus, deviation of the actual experience from the rates used will result in change in the cost of the plan.

Regulatory risk:

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

Liquidity risk:

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

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39. Related Party Disclosures

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

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

a. DashoKarma YezerRaydi, Chairman
b. DashoDr.TobgyalWangchhuk, Board Director
c. Mr.Phuntsho, Board Director
d. Mr.TashiPenjore, Board Director
e. Mr.DorjiNima, Board Director
f. Mrs.DechenYangden, Board Director
g. Mrs.TsheringLham, Board Director
h. Mr.SonamJigme, CEO & Director

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

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

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

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Transactions during the year with Related Parties:

Nature of transaction	31-Dec-20	31-Dec-19
Bank of Bhutan Limited		
Interest & bank charges	20,848,892.72	37,971,690.41
Margin money deposits	3,750,000.00	0
Bond	1,314,917,000.00	1,314,917,000.00
Bhutan Power Corporation		
Electricity charges	186,955,462	215,168,502
Lease rent	517,986	517,986
Repair & Maintenance Office Equipments/others	34,013	0
Bhutan Telecom Limited		
Telephone and internet charges	1,773,892	1,904,157
Interest on borrowing	20,000,000	11,013,699
Misc. expenses	11,950	19,780
Druk Holdings & Investments Limited		
Guarantee fee	5,008,570	16,824,149
Brand Management Fees	-	8,473,402
Dungsam Polymers Limited		
Rental income	722,329	722,329
Purchase of PP bag	103,560,447	127,974,801
State Trading Corporation of Bhutan Limited		
Spares & consumables	13,067	3,414,878
Purchase of office equipment	101,860	224,712
Running & Maintenance of Vehicle	868,443	700,241.72
Purchase of vehicle	0	26,817,354
Drukair Corporation Limited		
Air ticket	0	697,229
Druk Green Power Corporation Limited		
Interest	37,617,251	12,386,904
Spares & service charge	179,400	219,212
Penden Cement Authority Limited		
Sales of clinker	0	21,267,618
Wood Craft Centre Limited		
Purchase of furniture	0	0
State Mining Corporation Limited		
Purchase of Coal	369,760,148	353,983,619
Purchase of Gypsum	28,161,903	48,089,567
Testing charges	0	0

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Construction Development Corporation Limited		
Sales of cement	18,822,182	18,314,111
Bhutan Board Products Ltd		
Purchase of Furniture	0	69,453
Thimphu Tech Park Limited		
Miscellaneous expenses	1,388,744	648,518

Balances with Related parties as on 31.12.2020:

Related Party	Nature of Transactions	Outstanding balance as on 31 Dec 2020	Outstanding balance as on 31 Dec 2019
Druk Holdings and Investments Limited	Payable	1,440,332.34	5,652,933
Bank of Bhutan Limited	Payable	1,244,655,790.15	582,919,712
Bhutan Telecom Limited	Payable	405,214,877.15	400,148,371
Bhutan Power Corporation Limited	Payable	35,985,632.01	20,162,208
State Trading Corporation Limited	Payable	131,437.66	346.18
Dungsam Polymers Limited	Payable	16,790,787.60	18,984,626
Druk Green Power Corporation Limited	Payable	0	610,168,582
Wood Craft Centre Limited	Payable	0	-
State Mining Corporation Limited	Payable	414,090,534.53	273,681,700
Thimphu Tech Park Limited	Payable	0	341,325
Penden Cement Authority Ltd.	Payable	29,577.48	
Druk Air Corporation Limited	Receivable	23,802.00	23,802
Construction Development Corporation Limited	Receivable	2,816,860.78	3,993,369
Dungsam Polymers Ltd.	Receivable	430,513.65	468,993
Penden Cement Authority Ltd.	Receivable	34,887.50	29,577

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

a. Bond I : Nu. 220,140,000

b. Bond II : Nu. 700,000,000

c. Bond III : Nu. 1,500,000,000

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(v) Compensation for key managerial personnel

Particulars	31-Dec-20	31-Dec-19
Short-term employee benefits	2,469,856	1,920,052
Post-employment benefits	110,400	115,510
Long-term employee benefits	0	-
Termination benefits	0	-
Director’s sitting fee (Board Director's)	292,000	514,000
Travelling expenses (CEO)	150,550	292,225
Total compensation	**3,022,806**	**2,841,787**

Terms and conditions of the transactions:

a. All transactions were made on normal commercial terms and conditions and at market rates.

b. Outstanding balances are unsecured and are repayable in cash.

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

41. The Company owns freehold land measuring 199.752 acres as per the new land title certificate issued by National Land Commission on 6th January 2015. Land registered in favour of DCCL is valued at notional cost of Nu. 195,776,935.20 (for 199.752 acres @ Nu. 980,100 per acre based on the land compensation rates 2009 of the Government for Town C Category) as per the decision of the 11th Board Meeting of the company held in March 2011.

42. Certain balance of advances to Vendors and others, Trade Receivables, Sundry Creditors, Intra Group Company Balances, Advances received from Customers & others and other Current Liabilities are subject to confirmation/ reconciliation and consequential adjustment if any, required.

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

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Entity- wide information:

Revenue from external customers by country, based on the destination of customers for cement:

Country	2020	
	Quantity (MT)	Value (Nu.)
Bhutan	277,757.53	1,684,752,779.96
India	197,258.00	872,178,335.00
Total	**475,015.53**	**2,556,931,114.96**

Country	2020	
	Quantity (MT)	Value (Nu.)
Bhutan	364,278.72	2,188,938,182
India	221,516.40	964,900,940
Total	**585,795.12**	**3,153,839,122**

44. Auditors remuneration:

Particulars	31-Dec-2020	31-Dec-2019
Audit fees	115,500.00	115,500
Other audit expenses	278,524.00	225,747

45. Capital management

Risk management

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

46. Operating lease

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

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Particulars	FY_2020	FY_2019
(i) not later than one year	722,329	722,329
(ii) later than one year and not later than five years	-	722,329
(iii) later than five years	-	-

47. Fair Value Measurements

Financial Instruments by category

Particulars	31-Dec-20	31-Dec-19
	Amortized cost	Amortized cost
Financial assets		
Security deposits	13,566,783	10,738,428
Cash and cash equivalents	59,744,582	50,747,083
Investments	455,242,473	193,109,539
Trade and other receivables	271,724,988	350,488,826
Total financial assets	**800,278,826**	**605,083,876**
Financial liabilities		
Borrowings	5,556,656,924	5,460,387,221
Trade payable and other payables	920,695,274	903,199,574
Total financial liabilities	**6,477,352,197**	**6,363,586,795**

i) Fair value hierarchy

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

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

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which 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: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

ii) Valuation technique used to determine fair value

Specific valuation techniques used to value financial instruments include:

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

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

	FY 2020		FY 2019	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Financial assets				
Security deposits	13,566,783	10,083,876	10,738,428	8,374,025
Investments	455,242,473	447,954,645	193,109,539	190,660,508
Total financial assets	**468,809,256**	**458,038,521**	**203,847,967**	**199,034,534**
Financial liabilities				
Ngultrum borrowings	2,694,732,850	1,818,963,278	2,122,050,796	1,800,723,591
Ngultrum bonds	2420140000	2,312,345,684	2,420,140,000	2,321,226,556
Total financial liabilities	**5,114,872,850**	**4,131,308,962**	**4,542,190,796**	**4,121,950,146**

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

48. Financial risk management

The Company's activities expose it to credit risk, liquidity risk and market risk (i.e. foreign currency risk and interest rate risk).This note explains the sources of risk which the entity is exposed to and how the entity manages the risk and the impact of it in the financial statements.

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 amortised cost	Ageing analysis Credit worthiness	Diversification of customer base
Liquidity risk	Trade and other payables	Cash flow forecasts	Availability of committed facilities

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(A) Market risk

i. Foreign currency risk

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

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

Particulars	31-Dec-20	31-Dec-19
	INR	INR
Financial assets	7,126,228	13,196,282
Financial liabilities	120,420,041	55,564,634
Net exposure to foreign currency risk	**-113,293,813**	**-42,368,352**

ii. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company as on 31 December 2020 and 2019 is not exposed to the risk of changes in market interest rates because it does not have any floating rate borrowings nor does it have any floating interest bearing financial assets.

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

(B) Liquidity risk

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

(i) Maturities of financial liabilities

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

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Contractual maturities of financial liabilities - 31 Dec 2020	Upto 1 year	2-3 years	4-5 years	More than 5 years	Total
Ngultrum borrowings	118,215,926	429,650,203	500,354,618	1,646,512,103	2,694,732,850
Interest payable - Ngultrum borrowings	185,559,606	369,526,781	298,822,366	356,815,649	1,210,724,402
Ngultrum bonds		1,500,000,000	920,140,000	-	2,420,140,000
Interest payable - Ngultrum bonds	205,014,000	229,700,131	60,787,973	-	495,502,104
Borrowings - current	560,000,000	-	-	-	560,000,000
Trade payable and other payables	802,479,348	-	-	-	802,479,348
Total financial liabilities	**1,871,268,880**	**2,528,877,115**	**1,780,104,957**	**2,003,327,751**	**8,183,578,703**

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

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(C) Credit Risk

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

(i) Trade Receivables

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

Particulars	Less than one year	More than one year and upto 3 years	More than 3 years	Total
Trade receivable as on 31 December 2020 (Gross)	258,164,992	8,720,748	4,839,248	271,724,988
Less: Provision for impairment loss			-4,839,248	-4,839,248
Trade receivable as on 31 December 2020(Net)	**258,164,992**	**8,720,748**	**0**	**266,885,740**

Particulars	Less than one year	More than one year and upto 3 years	More than 3 years	Total
Trade receivable as on 31 December 2019 (Gross)	342,162,957.23	5,122,972.30	4,811,467.16	352,097,397
Less: Provision for impairment loss		(564,881)	(4,811,467)	(5,376,348)
Trade receivable as on 31 December 2019 (Net)	**342,162,957**	**4,558,092**	**-**	**346,721,049**

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

(ii) Cash and cash equivalents and other financial assets

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

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

49. In the opinion of Board there is huge impact due to Covid-19 on the business of the Company. Due to lockdown situations in both Bhutan and India for months, the company's overall smooth sales infrastructure and mechanisms had been totally disrupted. For instance, this year we experienced the lowest ever recorded sales of Nu. 94.05 million only in the month of August 2020, during the initial lockdown due to COVID-19 pandemic. Had it not been for the pandemic, the chances were very high that the Company could have generated a respectable profit for the year. Hence, this pandemic is considered as main factor that led the company to accrue an annual loss of Nu. 313.78M which was beyond the Management's control and other factors as mentioned above.

    In addition, there were times when the Plant was starved of raw materials and had to be shut down since the raw materials had to be imported from India. Almost all the spare parts are sourced from India and our key Original Equipment Manufacturers (OEMs) such as the Humboldt, ABB, Pfeifer, SIEMENS are based outside either in India or in the third countries. Hence, the timely procurement of spare parts and the expert services from OEMs including the consultants/experts movements were restricted due to COVID-19. All these factors have hindered the smooth and profitable operations of the Company.

50. Loss before income tax during the year (01-01-2020 to 31-12-2020):

    The overall revenue from sale of cement earned as compared to previous year 2019 has marginally decreased by negative of 23.4% with absolute differences of lesser by Nu. 597.18 Million. Further, the Inventories that qualified as PPE which has remained under Qualified Opinion until last year were resolved and the accounting adjustment were effected in books of accounts that has attributed to additional depreciation expenses of Nu. 4.8 Million in the current year. In addition to this, during the year the company has further provisioned the new expenditure of Nu. 2.5 million as salary indexation which is in line with Salary Revision of Oct 2019. The salary revision of Oct 2019 as further impacted the incremental employee benefit expenses by Nu. 38.67 Million as compared to previous year.

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