DUNGSAM POLYMERS LIMITED

ANNUAL REPORT 2019

THE YEAR IN REVIEW

The year 2019 started with the blessing from His Holiness, The Je Khenpo during the Moenlam Chenmo at Nganglam on 1st January. Besides, there was every reason to smile in 2019 as DPL employees received monitory incentives amounting to one-month basic pay for the outstanding achievement in 2018. It was a recognition from the Board and the Shareholders for the hard work and consistent effort made by the employees.

The year 2019 has been a special year for Dungsam Polymers Limited (DPL) as it embarked to a profitable company after eight years of operation. For the first time, DPL has managed to breakeven with profit after tax (PAT) of Nu 8.21 million in 2019 as compared to a loss of Nu 0.65 million in the previous year.

While the revenue from the sale of PP bags has slightly dropped, the company has managed to pull through with the sale of fabric rolls to few industries in Guwahati (India). In fact, it was an opening for a new market; an alternative to low demand from DCCL and also a means to earn Indian Currency (IC).

With the setting up of mechanical workshop within the factory, there was considerable reduction in the repair and maintenance cost. To enhance the capacity of human resource, DPL sent a couple of technical staff for a short-term training to Lohia Corp in India. Besides, the Management members made visits to factories in Guwahati as part of the capacity building.

Even at DPL, the welfare of the employees is considered the most important. The family members of DPL were given preference to work as wageworkers in Finishing Unit. A 12 -seater TATA winger was replaced with a new 32-seater School bus to ferry over 40 students from DPL colony to schools in Nganglam. As requested by the employees, the Employee Welfare Scheme (EWS) was revised to make it more beneficial and included close relatives of the members as additional beneficiary.

In terms of the Occupational Health & Safety, the company had made a tremendous improvement and there was zero accident in 2019. The company also received a certificate of recognition in 2019 from the Ministry of Labour and Human Resources for making effort in improving Health & Safety at workplace.

On behalf of the Management of DPL, I would like to express our sincere gratitude to the Board and DHI for their unconditional support at all times. It is with your unwavering support that we are able to stand where we are today. I would also like to thank all the employees for consistently delivering beyond expectation.

Lastly, I would like to assure our valued shareholders that we would do everything to make 2020 an another successful year for all of us.

Tashi Delek!

Tshering Tenzin

Chief Executive Officer


APNA TIME

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COMPANY PROFILE

The Dungsam Polymers Limited (DPL) is a Poly woven bags manufacturing company. It was incorporated on August 12, 2010 under the Companies Act of the Kingdom of Bhutan, 2000, as one of the companies of Druk Holding & Investment (DHI). Initially, the company was established with the total equity from Druk Holding & Investments Limited (DHI) and later divested by undergoing Initial Public Offer (IPO). The company was listed in Royal Security Exchange of Bhutan (RSEBL) on August 2, 2013. Subsequently, DPL became one of the DHI Controlled Company with 51% share owned by DHI and 49% owned by the public.

The company is located in Tshenkari, Nganglam under Pemagatshel Dzongkhag. The plant has an installed capacity of 350 kg/hour melting output which is equivalent to one hundred thousand bags in a day. It was mandated to meet the requirements of PP bags for DCCL. Currently, 72% of the production is sold to Dungsam Cement Corporation Limited (DCCL) and 28% to other domestic market and in the nearby states of India.

VISION

- To be supplier of choice providing complete packing solution to the cement and other industries.

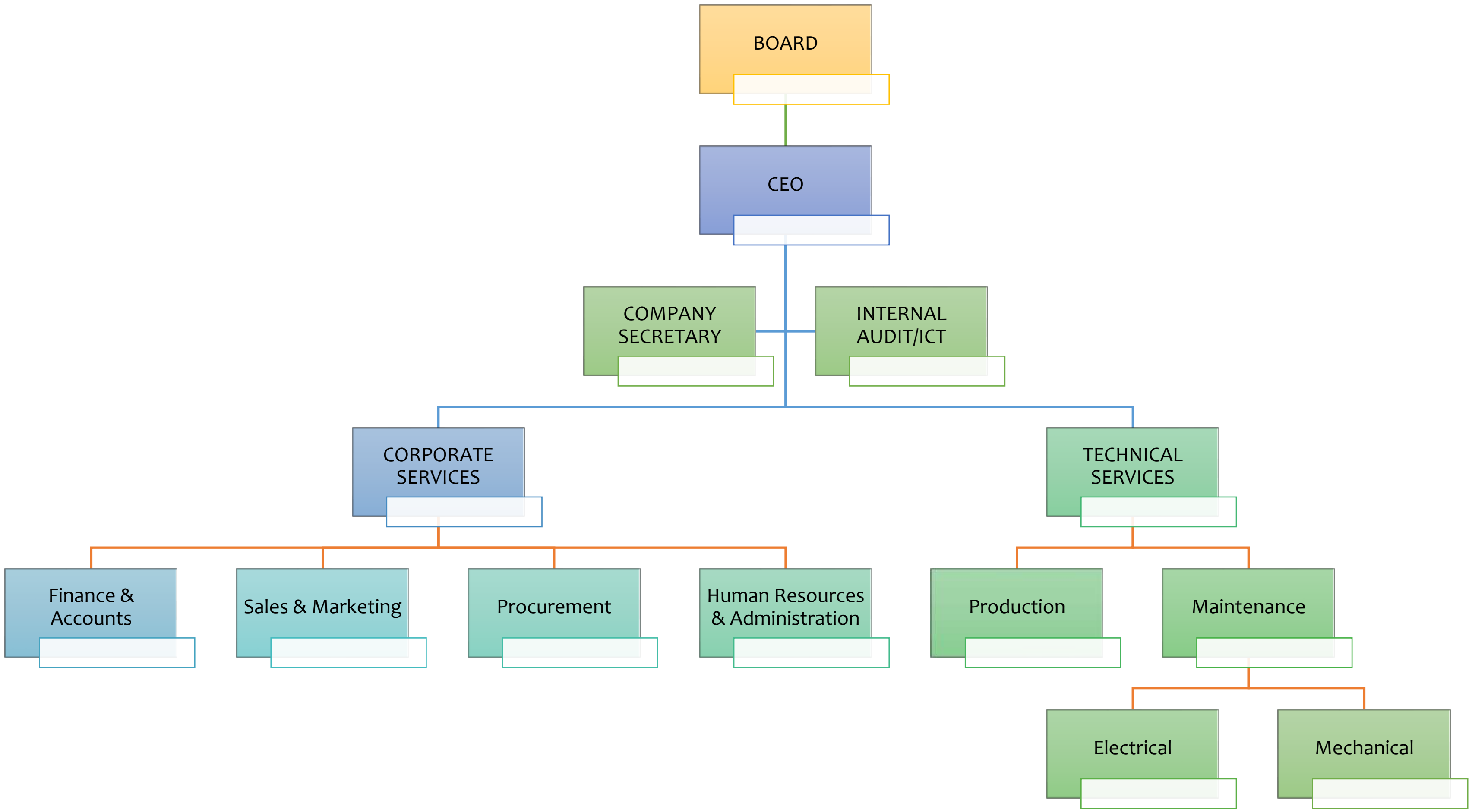
MISSION

- DPL manufactures good quality, economical and environment friendly polymer bags for packing of cement and other products catering to Bhutan

VALUES

- Professionalism, integrity, teamwork and customer care

ORGANIZATIONAL CHART



BOARD DIRECTORS

Mr. Yonten Namgyel- Chairman

Mr. Yonten Namgyel obtained his Bachelors of Commerce from Sherubtse College, Kanglung and Master in Commerce from University of Sydney Commerce, in Australia.

He served as Joint Director in Department of Revenue and Customs (2003-2009). Thereafter he served as Regional Director in Regional Revenue and Customs Office (2009-2013). Currently, he is serving as Director General in Department of Industries under the Ministry of Economic Affair.

Mr. Sherab Zangpo-Director

Mr. Sherab Zangpo obtained Bachelors of Arts (Geography Hons.) from Sherubtse, Kanglung and Post Graduate Certificate in Development Management from Royal Institute of Management (RIM) in Thimphu. He pursued his Masters in Human Resource Management from Monash University in Australia.

He served as Human Resources Officer (HRO) and later as Sr. HRO in Ministry of Home and Cultural Affairs (MoHCA) and Ministry of Labour and Human Resource (MoLHR) for over 12 years. Prior to his joining as Dungpa of Nganglam Dungkhag, he served as Sakten Dungpa under Trashigang Dzongkhag.

Mr. Thinlay Gyamtsho – Director

Mr. Thinlay Gyamtsho is the proprietor of T&K Construction Pvt Ltd. estabished in May 28, 1990. Currently, he is also serving as the President of Construction Association Of Bhutan (CAB) and the Board of Directors for IFAWPCA, Bhutan Insurance Ltd. and Construction Development Board of Bhutan. He is also the Chairman of Briguette Manufacturing Pvt Ltd.

Ms. Choni Ome- Director

Ms. Choni Ome is Senior Analyst at Druk Holding & Investments. She received her Master in Business Administration from ESSEC Business School, Paris, France, Bachelor of Arts in Economics and Pre-Medical Studies from Wellesley College, Wellesley, Massachusetts, United States of America. She served on NRDCL Board prior to becoming joining DPL Board as Nominee Board Director

Mr. Pema Wangchuk- Director

Mr. Pema Wangchuk obtained Bachelors in Commerce (Hons) from Sherubtse College, Kanglung and Masters in Business Administration from University of Thai Chamber of Commerce, Bangkok, Thailand. He is a very enthusiastic social worker, mentor and qualified trainer on business and entrepreneurship. He has about 15 years of working experience in corporations and NGOs and continues to remain engaged with activities of NGOs, colleges, institutes and corporations in various capacities.

Before joining CDCL he served as Special Executive in Entrepreneurship and Education at Loden Foundation, Thimphu. Currently, he is serving as Project Director of the most prestigious Gyalsung Project.

Mr. Sangye Dorji- Director

Mr. Sangye Dorji obtained Bachelors in Commerce (Hons) from Sherubtse, Kanglung and Masters in Business Administration from Asian Institute of Management (AIMS), Philippines.

(2004 onwards) he was serving in Bhutan National Bank Limited, Thimphu in various capacities and currently, he is serving as Branch Credit In-charge in Bhutan National Bank Limited, Thimphu.

Mr. Tshering Tenzin- CEO

Mr. Tshering Tenzin obtained Bachelors of Technology (B.Tech) in Electrical Engineering from REC Hamirpur, University of Himachal Pradesh and Master in Business Administration from Asian Institute of Management (AIM), Manila, Philippines.

During his tenure with Bhutan Power Corporation for 10 years, he took charge of Rural Electrification Projects, constructed with assistance from various multinational funding. Prior to joining the company, he served as General Manager for Corporate Planning and Business Development in CDCL. He also had held senior positions in DHI-INFRA which was later merged with CDCL. He has extensive experience in Project Management, Contract and Procurement.

MANAGEMENT TEAM

DIRECTORS' REPORT

DIRECTORS' REPORT FOR THE YEAR ENDING 31ST DECEMBER 2019

TO THE SHAREHOLDERS OF DUNGSAM POLYMER'S LIMITED

Dear Shareholders,

On behalf of the Board of Directors and the Management of Dungsam Polymers Limited, it is my privilege to present the Directors' Report for the year ending 31st December 2019. I am pleased to report that DPL has finally managed to come out of red bottom line for which I congratulate all the stakeholders for the tremendous achievement. The Board acknowledges the hard work and dedication put in by the employees throughout the year.

1. Operational Highlights

1.1. Production

In the year 2019, DPL produced 1,191.99 MT fabrics and 1085.02 MT bags (equivalent to 15.25 Million bags). While the company has much higher capacity, the production is restricted due to low market within the country. In fact, the company sold lesser number of bags than the previous year in the domestic market. About 75% of its production was sold to DCCL and the rest to PCAL, RSA Ltd, Chundu Enterprise and other small vendors and distributors across the country. Apart from the bags, DPL initiated to export fabric rolls across the border. Over 150 MT of fabrics were sold in the neighboring states of Assam in 2019.

Table 1: Production of PP bags

SN	Particular	2019	2018	Variance %
1	Production of PP bags- (Million)	15.25	17.28	-11.75%
2	Production of Fabric- (Metric tons)	1,191.99	1,257.99	-5.25 %

Table 2: Sales of PP bags

SN	Particular	2019	2018	Variance %
1	Sales of PP bags- (Million)	15.06	17.08	-11.83
2	Sales of Fabric- (Metric tons)	151.62	0.88	17,129.54

1.2. Marketing & Sales

While the plant has higher capacity to produce, the market is mainly dependent on domestic market particularly DCCL. The other domestic clients include PCAL, RSA Ltd, BMG Feed, Chhundu Enterprise, Darlha Flourmill and FCBL, etc. Nevertheless, DPL also caters to those informal vendors in the nearby states of Assam.

Further, the Management explored the means to increase sales apart from regular PP bags. The Management initiated to export PP fabrics to a firm in Guwahati. The firm owns a PP finishing unit in which PP fabrics are converted into finished goods such as PP bags.

1.3. Human Resource

The company has about 104 regular employees and more than 30 casual workers daily. The number of casual workers vary from day to day depending on their convenience. I am pleased to report that the company employees 100% Bhutanese. Regardless of the financial situation, DPL continues to enhance knowledge and skills by providing appropriate short-term trainings. In 2019, nine employees were sent for short-term training sat at Lohia Corp Ltd., Kanpur and 3 officials were sent to attend an international Plastics Exhibition in Mumbai.

2. Financial Highlights

2.1 Revenue

The company's primary source of revenue is from sale of PP bags to DCCL and to other domestic firms such as PCAL, RSA Limited, etc. For the year ended 2019, the revenue earned from the sale of PP bags has dropped as compared to the previous year mainly due to less demand from DCCL . However, the company managed to sell fabric rolls which has contributed an additional revenue amounting to Nu 12.77 million. The gross revenue earned in 2019 was Nu 177.62 million which is a **1.16%** decrease from the previous year.

2.2 Expenditure

The total expenditure incurred during the year was Nu 171.69million which is 4.77% less as compared to previous year. The company achieved substantial reduction in the expenses mainly due to reduction in the interest payments. Following the major financial restructuring carried out in 2018, the interest payable amount has reduced to a large extent. Unlike the previous year, the raw material price also remained steady. Besides, the company also continued to apply various cost cutting and austerity measures.

2.3 Profit /(Loss) Before Tax

The Profit Before Income Tax was Nu 5.95 Million as compared to a loss of Nu 0.59 Million (restated) in 2018. For the first time, the company managed to show positive figure after almost eight years of operation.

A summary of the Financial Performance for 2019 is provided below:

Particulars	2019	2018	Variance
Total Revenue	177.63	179.70	(1%)
Opex	157.12	160.58	(2%)
EBITDA	20.51	19.12	7%
Interest	8.91	14.27	(38%)
Depreciation & Amortization	5.65	5.44	4%
Profit Before Tax	5.94	(0.59)	1107%
Deferred Tax Expenses	-	0.30	-
Deferred Tax Income	2.24	-	
Profit After Tax	8.18	(0.89)	1019%

3. Audit Highlights

3.1 Statutory Audit

The Financial Statements of Dungsam Polymers Limited was audited by M/s. Nundi& Associates, Kolkata from 28th January till 10th February 2020. The company is pleased to report that there is no qualified opinion for the year 2019 which is of serious nature.

3.2 Royal Audit Authority

The Royal Audit Authority last audited in 2018 covering up to 2017.Against a total of 12 observations issued by RAA covering the years 2015, 2016 and 2017, 8 observations have been resolved and 4 are still pending. The next audit is scheduled in the following month.

3.3 Internal Audit

As per the statutory requirement, the Internal Audit was conducted from 23rd to 28th December 2019. The Internal Audit service was outsourced to Internal Audit & Risk Management Unit of DCCL. Except for few issues related to outstanding dues, there are no serious observations.

3.4 Corporate Social Responsibility

Since DPL is yet to embark on comfort zone, the company did not make any notable contribution towards CSR. However, a total contribution of Nu 156,083.33 was made during the year including a contribution made for Moenlam Chenmo and 112th National Day Celebration. Besides, small contributions were made in kind such as fabrics and rejected bags to schools and religious institutions while organizing various social activities.

3.5 Board Recommendations of Dividend

The Board will not be in a position to recommend the dividend for shareholders since the company does not have any reserves. Besides, its retained earnings in the balance sheet still remains negative.

4 Key Challenges

While the Company has managed to show breakeven for the first time in 2019, it is a huge challenge to keep the same trend. The only way out is to increase the market shares. The domestic market for PP woven market is already saturated. The export market is a huge challenge due to cutthroat price competition.

Much has been done with respect to system improvement and raw materials sourcing, the company still encounters challenges such as capacity underutilization, inadequate domestic market, inconsistent wageworkers, etc.

4.3 Capacity Underutilization

The company has the capacity to produce about one hundred bags per day at its full capacity. However, the capacity utilization in 2019 remained low at46%as compared to 52% in 2018.

4.4 Other Challenges

- **a)** The introduction of Tax reforms in India by instituting GST continues to adversely affect the sale of bags and fabrics across the border. Further, similar challenges with DCCL indirectly affects DPL's sales as all cement bags are supplied by DPL.
- **b)** Cutthroat competition in the export market is a huge challenge as domestic market is already saturated.
- **c)** Our primary buyer is DCCL and their demand for PP bags keeps changing from season to season. As a result DPL faces challenges to manage its manpower.

Way Forward

The Finishing Unit is semi-automatic and they are mostly handled by casual workers. The manual works include valve-making, marking, stitching, printing. When the demand is high the company encounters huge challenge when the casual workers are irregular in their attendance. Therefore, the company is planning to install Valve Bag Converting machine.

Further, the working environment particularly in the finishing unit is very challenging especially during peak summer. The company has earlier installed 30 numbers of wind-turbines and an addition 26 numbers is proposed in 2020.

The office is housed in the same factory shed and the sound level is beyond admissible limit. Therefore, the company is planning to construct a single story office outside the factory. This would not only improve working environment but also would attract good employees.

ACKNOWLEDGEMENTS

I, on behalf of the Board Directors of Dungsam Polymers Limitedwould like to extend my heartfelt gratitude and appreciation to Druk Holding & Investments, National Pension and Provident Fund, Royal Security Exchange of Bhutan Limited, Bank of Bhutan Limited, Ministry of Economic Affairs, Royal Monetary Authority, Ministry of Finance, Bhutan Power Corporation and other organizations in Bhutan; and to the suppliers, contractors, customers and public for rendering unwavering support to the company.

The Board also would like to place on record of appreciation to the Board of Directors for their contribution in bringing the company to a current state. The appreciation is also extended to the Management and all other employees for their tireless effort.

Tashi Delek!

For and on behalf of the Board

Mr. Yonten Namgyel

(CHAIRMAN)

CORPORATE GOVERNANCE REPORT

DPL aims to achieve high standards of Corporate Governance (CG) and ensures compliance with legislation, regulation and DHI CG Codes to ensure the sustainability of the business.

DP is also compliant with the provisions of the Companies Act of Bhutan 2016 and other statutory requirement of the Royal Government of Bhutan.

a) Board Directors

The Board Directors is entrusted with the ultimate responsibility for guiding the strategic direction and performance of DPL.

DPL has seven Board Directors including the Chief Executive Officer of the company. DPL has two Board Directors representing the private shareholder(s). All appointments were approved in the Annual General Meeting (AGM).

Sl. No	Name of the Directors	Category	Profile	Term of the Board Director	Directorship in other DHI Companies
1.	Mr. Yonten Namgyel	Non- Executive	DG, Department of Industry	First term	None
2.	Mr. Sherab Zangpo	Independent	Dungpa, Nganglam Dungkhag	First term	None
3	Mr. Thinlay Gyamtsho	Non-Executive	Proprietor –T&K Construction	First term	None
4.	Ms. Choni Ome	Non-Executive	Sr. Analyst, DHI	Second term	None
5.	Mr. Pema Wangchuk	Non-Executive	Project Director, Gyalsung Project	Second term	None
6.	Mr. SangyeDorji	Non-Executive	Credit In-Charge, BNBL	Second term	None
7.	Mr. Tshering Tenzin	Executive	CEO, DPL	First term	None

b) Board meetings

A total of six Board Meetings were held in 2019. The Board has fulfilled quorum as per the Companies Act 2016 in all the board meetings as mention below.

SN	Name of the Board Director	Board Meeting (BM)					
		39th BM (10.04.2019)	40th BM (09.05.2019)	41st BM (10.08.2019)	42nd BM (29.10.2019)	43rd BM (01.12.2019)	44th BM (27.12.2019)
1	Mr. Sonam Jigme	✓	Retired from the Board				
2	Mr. Karma Wangdi	✓	Retired from the Board				
3	Mr. Yonten Namgyel	New appointment	✓	✓	✓	✓	✓
4	Mr. Sherab Zangpo	New appointment	✓	✓	✗	✓	✓
5	Mr. Thinlay Gyamtsho	New appointment	✓	✓	✓	✓	✓
6	Mr. Pema Wangchuk	✓	✓	✓	✓	✓	✓
7	Ms. Choni Ome	✓	✓	✓	✓	✓	✓
8	Mr. Sangye Dorji	✓	✓	✓	✓	✓	✗
9	Mr. Tshering Tenzin	✓	✓	✓	✓	✓	✓

c) Board Committees

In compliance with the Companies Act of Bhutan 2016 and DHI CG Code, DPL has instituted the following Board Sub Committees:

- Board Audit Committee
- Board HRC Committee
- Board Tender Committee
- Board NGC Committee

However, DPL did not conduct Board HRC, Board Tender committee and Board NGC meetings in 2019, as the necessity was not felt.

1. Board Audit Committee Meetings

Sl. No	Board Audit Committee Member	Board Audit Committee Meetings(BACM)		
		20th BACM (09.04.2019)	21stBACM (25.07.2019)	22ndBACM (28.10.2019)
1	Mr. Choni - Chairman	✓	✓	✓
2	Mr. Pema Wangchuk	✓	✓	✓
3	Mr. Sangye Dorji	✓	✓	✓

d) Board Remuneration

Remuneration for the Non-Executive Directors is paid in the form of Board sitting fees and travel allowances during Board meetings and Board sub-committee meetings. The Executive Director (Chief Executive Officer) is paid salary and other benefits as per his contract agreement apart from the sitting fees. The details of the Board remuneration are given in the table below:

Particulars	Amount (Nu) 2019
Chief Executive Officer	
Salaries including LTC	1,144,658.40
Contribution to Provident Fund	86,868.00
Sitting fees	43,120.00
Travelling Expenses	187,980.00
Non-Executive Directors	
Board sitting fees	292,880.00
Board level sub-committee sitting fees	70,000.00

e) Annual General Meeting

The 9th Annual General Meeting was convened on 23rd March 2020 at DHI Board Room, Thimphu attended by Shareholders, Board Directors and key members of DHI. In the absence of the Board Chairman who was on COVID19 duty in Phuentsholing, Mr. Thinlay Gyamtsho was elected as the interim Chairman who preside the meeting. During the meeting, as submitted by DHI, Ms. Choni Ome was reappointed as the Nominee Director of DHI for the second term.

f) Board and CEO Evaluation

DHI has system of conducting online survey annually whereby feedback is collected from the Chairman and CEO on the performance of the Individual board directors. The key parameters covered include the Board Director's dedication, and preparedness for the meeting, professional and ethical attributes, team works and their contribution in the meeting.

The annual performance evaluation of the CEO of DHI Owned Companies is based on two parts:

i) A questionnaire-based leadership assessment which accounts for 20% weight of the overall evaluation and

ii) An annual Compact performance which accounts for 80% weight.

The leadership assessment which is administered online by DHI is undertaken by all the directors. The combined score is used to payout the CEO's performance linked incentives and also is considered during the renewal of contracts of CEO.

INDEPENDENT AUDITORS' REPORT

To
The Members
DUNGSAM POLYMERS LIMITED
NGANGLAM, BHUTAN

Report on the Audit of the Standalone Financial Statements

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2019, and of its financial performance and its cash flows for the year then ended in accordance with Bhutanese Accounting Standards/Bhutanese Financial Reporting Standards (BAS/BFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board of Accountant's (IESBA Code) together 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 basis for our opinion.

Key Audit Matters

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

We conclude that there are no Key Audit Matters to be reported.

NUNDI & ASSOCIATES
KOLKATA
Chartered Accountants

Emphasis of Matter

We draw attention to the Note No. 19 of the financial statement, which describe the TDS booking procedure adopted by the management.

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/BFRSs, 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.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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

Report on Other Legal and Regulatory Requirements

As required by Section 266 of the Companies Act of Bhutan, 2016 (Minimum Audit Examination and Reporting Requirements) issued by the Royal Audit Authority, we enclose in Exhibit I a statement on the matters specified therein to the extent applicable.

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

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

b) In our opinion and on the basis of our examination, proper books of accounts as required by law have been kept by the Company.

NUNDI & ASSOCIATES KOLKATA Chartered Accountants

NUNDI & ASSOCIATES
CHARTERED ACCOUNTANT

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c) The Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flow with by this report are in agreement with the books of account;

d) The company has complied with all other legal and regulatory requirements.

Date: 23rd March, 2020
Place: Nganglam, Pemagatshel

For Nundi and Associates
Chartered Accountants
Firm Registration No: 309090E

NUNDI & ASSOCIATES
KOLKATA
Chartered Accountants

CA B.N Pal (Partner)
Membership No: 065144

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Exhibit I

DUNGSAM POLYMERS LIMITED

MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENTS

FOR THE YEAR 2019

As required under the " General Terms of References for the Auditors and Minimum Audit Examination and Reporting Requirements", issued by the Royal Audit Authority (Section 255 of the Companies Act of Bhutan, 2016), and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we report that:

a) The Company is audited in adherence to the Corporate Governance Guidelines and Regulations as applicable to them.
b) The company is having a prudent and sound financial management practice in managing the affairs of the company.
c) The financial statements are prepared applying the Bhutanese Accounting Standards issued by the Accounting and Auditing Standards Board of Bhutan (AASBB).
d) Proper books of accounts have been maintained and financial statements are in agreement with the underlying accounting records.
e) Adequate records as specified under Section 228 of the Companies Act of Bhutan 2016 have been maintained. ***However, Director Register is not updated properly.***
f) As per the provision of section 164 and section 165 of the Companies Act of Bhutan 2016, a Code of Conduct for Companies should have policies on business ethics, auditing, risk management, good corporate governance ownership and the human resource management and corporate social responsibility and all companies shall also maintain Corporate Social Responsibility fund which shall be administered by the respective Company Board in line with the regulations issued by the Authority respectively.

   It has been observed that the Company neither have a policy on Corporate Social Responsibility nor maintains Corporate Social Responsibility fund which is a violation of section 164 and section 165 of Companies Act of Bhutan 2016.

   However in the year 2019, the company has made expenditure to the tune of Nu. 156,083.33 On account of Corporate Social Responsibility.
g) As no tax computation is presented before us we are unable to comment whether the amount of tax is computed correctly and reflected in the financial statements.

In the case of a manufacturing, mining or processing company:

1. The Company has maintained proper records showing full particulars including quantitative details ***except location of fixed assets in ERP System.*** As explained to us, all the fixed assets have been

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physically verified. Physical verification of fixed assets conducted by the Management did not reveal any material discrepancies. ***However it has been observed that there exist few differences in balance appearing in the books of account and physical balance.***

2. None of the fixed assets were revalued during the year.
3. Physical verification was conducted on 31st December 2019 in respect of finished goods, spares parts and raw materials
4. The procedures of physical verification of stock followed by the management are reasonable and adequate in relation to size of the company and nature of its business.
5. No material discrepancies were noticed on physical verification of stocks as compared to the book records. However, the company should take necessary action as per physical verification report.
6. The company has a reasonable system of recording receipts, issues and consumption of materials and stores and allocating materials consumed to the respective jobs, commensurate with its size and nature of its business.
7. Quantitative reconciliation is carried out at the end of accounting year in respect of all major items of inventories i.e. finished goods and raw materials.
8. The obsolete, damaged and slow moving inventories have been determined but the value of those items are not significant.
9. The obsolete and surplus inventories are disposed off and proceeds from such disposals are accounted for appropriately.
10. Approval of Board/appropriate authority is obtained for writing off amounts due to material loss/discrepancies in physical/book balances of inventories including finished goods, raw materials, stores and spares.
11. On the basis of our examination of stocks, it is observed that valuation of stock is fair and proper in accordance with the applicable Accounting Standards issued by the Accounting and Auditing Standard Board of Bhutan (AASBB). The basis of valuation of stocks is the same as in the preceding year. The Company values inventories at "Cost" only since the cost is lower than Net Realizable Value.
12. The rate of interest and the other terms and conditions of loans availed by the company secured or unsecured are prima facie not prejudicial to the interest of the company.
13. The Company has not granted any loans, secured or unsecured, to other companies, firms, or other parties and/or to the companies under the same management during the year under our review, except advances granted to suppliers of raw materials in the normal course of business and to the officers/employees of the Company.
14. Generally, officers/employees to whom loans/advances have been given by the company are repaying the principal amounts as stipulated. However there are certain cases where loan given to the employees by the company are not duly recovered within the end of the financial year. In our opinion and according to the information and explanations given to us, loans/advances granted to the officers/staff are generally in keeping with the provisions of the Company's service rules, no

NUNDI & ASSOCIATES KOLKATA Chartered Accountants

excessive/frequent advances are granted and also advances are not lent before recovering the earlier loan amount.

15. The company has established adequate 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 rule/regulations and system and procedures. However, the Inventory Management process requires further improvement and coverage of Internal audit to be extended to transaction level so as to cover Vouching of Expenses, Pay bills, Audit of Sales and Purchases, verification of input and output and compliance to statutory deduction.
16. The company has a reasonable system of authorization at proper levels, and an adequate system of internal control 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. During our examination, we noted that, the Company has generally a system of competitive biddings, commensurate with the size of the company and the 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. ***However DPL invites sealed bids from eligible bidders for supply of PP Granuels on 22nd March 2019, in this regard LOA has been given to M/s Fine Wood Product Pvt. Ltd (Kolkata, India) by DPL on 16th April 2019. Following discrepancies has been observed in this regard. Though the contract has been awarded to M/s Fine Wood Product Pvt. Ltd the contract has been entered by Everest Polyfillers Ltd. As per the Assertions made by the management the Supplier is the sister concern of Everest Polyfillers Ltd. To check the the authenticity of the assertion made by the management we have asked for the Financial statements of both the company for verifying the relationship between the two companies , but the same is not produced before us. Only one sheet of paper has been given in support of the assertion made by the management which carries no relevance.***
18.
    a) According to information and explanation given to us the no transactions for purchases and sales of goods and services made in pursuance of contracts or arrangement entered into with the director(s) or any other party/parties related to the director(s) or with company or firms in which the director(s) are directly or indirectly interested except DHI group companies. According to information and explanation given to us, the transaction of such goods and services entered into with DHI group companies at the prevailing market prices.

    b) Accordingly this clause is not applicable.

19. According to information and explanation given to us, the expenses charged to the company accounts represent legitimate business expenses and no personal expenses are charged to the company.

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20. No unserviceable or damaged stores, raw materials or finished goods are determined during the year as per the physical verification report. *Also as per physical verification report we have found that there is a huge difference between physical stock and book balance as per SAP.*
21. There is no reasonable system of ascertaining and identifying point of occurrence of breakage/damages of raw materials, packaging materials and finished products i.e. while in transit, during processing, during loading/unloading, in storage and during handling etc. so that the responsibility could be fixed and compensation sought from those responsible.
22. The company is maintaining reasonable record for production of finished goods, by products but adequate physical safeguard doesn't exist to prevent unauthorized or irregular movement of goods from the company. *Along with these physical balances of finished goods is not matching with the balance appearing in the SAP ERP System.*
23. The company is maintaining reasonable records for sales and disposal of realizable by products and scrap wherever applicable.
24. The company is regular in depositing rates and taxes, duties, royalties, provident funds, and other statutory dues with the appropriate authority. As no tax computation is presented before us so we are unable to comment whether the amount of tax is computed correctly as per the prevailing tax laws, rules and regulations of Bhutan.
25. No undisputed amounts payable in respect of rates, taxes, duties, royalties, provident funds and other statutory deductions were outstanding, as per the last day of the financial year concerned.
26. 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. Remove
28. There is a reasonable system of price fixation taking into account the cost of production and market conditions.
29. In our opinion and according to the information and explanations given to us, the Company has formulated a standard credit sales policy which has been implemented. There is no system of carrying out credit rating of customers.
30. The company does not have any commission agent except the one appointed during the year for retail sales at Factory gate. So this clause is not applicable for the year.
31. There is reasonable system for continuous follow-up with debtors and other parties for recovery of outstanding amounts.
32. The management of liquid resources particularly cash/ bank balances and short term deposits etc. are adequate and there is no such excessive amounts lying idle in non-interest bearing accounts and excess amounts are withdrawn from loan leading to avoidable interest burden on the company.
33. In our opinion and according to the information and explanations given to us, the activities carried out by the management are lawful and intra vires to the Articles of Incorporation of the Company.

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KOLKATA
Chartered Accountants

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34. During the year the company has not made any investment decisions and investment in new projects, accordingly, this clause is not applicable.
35. The Company has established a budgetary control system through the implementation of Fund Management (FM) Module in SAP.
36. The input-output relationship was established through standard costing system and the variance analysis carried out on periodic intervals and corrective actions are taken if warranted.
37. The remuneration paid to the Chief Executive Officer and sitting fees paid to Directors has been disclosed in the Accounts. According to information and explanation given to us, that payments like commission and other payments in cash or in kind to the Board of Directors including the Chief Executive Officer or any of their relatives (including spouse(s) and child/children) have not been made by the company directly or indirectly during the year.

38. On the basis of our examination of minutes of the meetings of the Board of Directors, made available to us, the directive of the Board appears to have been complied with respect to preparation of financial statement of the current year.
39. During the course of our audit, we have not come across any incident where the officials of the company have transmitted any price sensitive information which is not made publicly available, to their relatives/ friends/associates or close persons which would directly or indirectly benefit themselves.
40. In our opinion and according to the information and explanation given to us proper records are kept for inter unit transactions/services and arrangements for services made with other agencies engaged in similar activities.
41. In our opinion and according to the information and explanation given to us proper agreements are executed and the terms and conditions of leases are reasonable.

Computerized Accounting Environment

1. The Company is operating in SAP Environment. The internal control system needs little improvement especially in the area of Inventory Management.
2. As evident from information and explanations provided, there is adequate safeguard measures and back up facilities.
3. Post implementation of SAP, disaster recovery measures and back up facilities are available.
4. Operational controls are inadequate to ensure correctness and validity of input data and the corresponding output information in relation to Inventory. Measures are to be taken to improve operational controls in SAP.
5. According to information and explanation given to us, it seems that there are adequate preventive measures for unauthorized access over the computer installation and files.
6. During the year no such the data migration has taken place so this clause is not applicable.

NUNDI ASSOCIATES KOLKATA Chartered Accountants

NUNDI & ASSOCIATES
CHARTERED ACCOUNTANT

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Other requirements:

1. Going concern problems

The matter relating to the Going Concern Problem has been disclosed in Note 18 of the financial statement and report relating to Going Concern section of the Auditor's Report.

2. Ratio Analysis

Financial and Operational Ratio Analysis in respect of the company has been presented in Annexure A.

3. Compliance with the Companies Act of Bhutan 2016

The Company has complied with the requirements of the Companies Act of Bhutan, 2016. Our observations in detail have been furnished in "Checklist for Compliance to provision of Companies Act of Bhutan, 2016 "

4. Adherence to Laws, Rules and Regulations

The audit of the company is governed by the Companies Act of Bhutan, 2016 and the scope of audit is limited to examination and review of the Financial Statements as produced to us by the management.

In the course of the audit we have considered the compliance of provisions of the said Companies Act, its Articles of Incorporation and applicable Bhutanese Accounting Standards-2015 but we are unable to state that the company has been complying with other applicable laws (other than the Companies Act of Bhutan, 2016), rules and regulation, systems, procedures and practices.

Date: 23rd March, 2020

Place: Nganglam , Pemagatshel

For Nundi and Associates

Chartered Accountants

B.N Pal (Partner)

Membership No: 065144

NUNDI & ASSOCIATES
KOLKATA
Chartered Accountants

STATEMENT OF FINANCIAL POSITION as on 31st December 2019

Particulars	Schedule No	31/12/2019	31/12/2018
Particulars	**Schedule No**	**Amount (Nu.)**	**Amount (Nu.)**
ASSETS			
Non-Current assets			
Investment	1	56,073.48	-
Property, plant and equipment	2		
Tangible Assets		101,587,524.89	103,573,742.30
Intangible Assets		1,316,978.14	1,584,838.10
Total Non - Current Assets	**A**	**102,960,576.51**	**105,158,580.40**
Current assets			
Cash and cash equivalents	3	11,808,395.82	34,999,097.87
Trade and other receivables	4	29,167,293.41	22,160,000.58
Other current assets	5	6,231,338.68	10,668,940.07
Inventories	6	22,150,780.56	26,532,079.22
Total Current Assets	**B**	**69,357,808.47**	**94,360,117.74**
Total Assets (A+B)		**172,318,384.98**	**199,518,698.14**
EQUITY AND LIABILITIES			
Equity			
Share Capital	7	152,723,500.00	152,723,500.00
Securities Premium Account	8	26,348,001.00	26,348,001.00
Retained earnings	9	(125,377,808.88)	(131,030,020.31)
Total Equity	**C**	**53,693,692.12**	**48,041,480.69**
LIABILITIES			
Current liabilities			
Trade and other payables	10	10,919,858.40	18,117,093.19
Current borrowings	11	26,050,458.62	18,421,281.75
Other current liabilities	12	7,601,295.41	4,979,733.49
Provision	14	1,891,319.14	2,837,799.12
Total Current liabilities	**D**	**46,462,931.57**	**44,355,907.55**
Non Current liabilities			
Non Current borrowings	13	66,818,688.28	104,840,335.39
Retirement benefit obligations - Non Current	15	5,041,078.50	1,978,980.00
Deferred Tax liability - Non Current	16	301,994.51	301,994.51
Total Non Current liabilities	**E**	72,161,761.29	107,121,309.90
Total liabilities (D+E)		**118,624,692.86**	**151,477,217.45**
Total Liabilities and Equity (C+D+E)		**172,318,384.98**	**199,518,698.14**

Place: Nganglam
Date: 23.03.2020

(Tshering Tenzin)
Chief Executive Officer

(Yonten Namgyel)
Chairman

For Nundi & Associates
(Chartered Accountants)
Firm Registration No. 309090E

(B.N. Pal, Partner)
Membership No. 065144

NUNDI & ASSOCIATES KOLKATA Chartered Accountants

STATEMENT OF COMPREHENSIVE INCOME as on 31st December 2019

Particulars	Schedule No	31/12/2019 Amount (Nu.)	31/12/2018 Amount (Nu.)
Income			
Revenue from Manufacturing Sector	17	173,309,670.66	177,249,887.77
Other income	18	4,319,050.37	2,431,004.12
Finance Income	23	3,349.28	23,189.94
Total Revenue		**177,632,070.31**	**179,704,081.83**
Expenses			
Consumption of Raw Material, Consumables and Changes in Inventory of Finished Goods	19	114,182,676.67	120,904,816.35
Operation and Maintenance Expenses	20	2,061,743.48	2,644,147.93
Personnel cost	21	30,696,437.36	25,582,735.77
Other expenses	22	10,183,502.73	11,449,249.90
Depreciation and amortisation	2	5,653,049.06	5,442,712.04
Finance Cost	24	8,909,396.81	14,274,862.75
Total Expenditure		**171,686,806.11**	**180,298,524.74**
Profit (Loss) Before Income Tax		**5,945,264.20**	**(594,442.91)**
Income Tax Expenses (provision)			
Deferred Tax Expenses	25	-	301,994.51
Deferred Tax Income	26	2,248,973.23	-
Profit (loss) After Income Tax		**8,194,237.43**	**(896,437.42)**
Other Comprehensive (income)/Loss			
Actuarial(Gain)/Loss on post employment benefit obligations	C(11)	(2,542,026.00)	751,943.00
Net Other Comprehensive (Income)/Loss		**(2,542,026.00)**	**751,943.00**
Total Comprehensive Income/(Loss)		**5,652,211.43**	**(144,494.42)**
Basic and Diluted Earnings per Share	**C(19)**	**0.37**	**(0.01)**

Place: Nganglam
Date: 23.03.2020

For Nundi & Associates
(Chartered Accountants)
Firm Registration No. 309090E

(Tshering Tenzin)
Chief Executive Officer

(Yonten Namgyel)
Chairman

(B.N. Pal, Partner)
Membership No. 065144

NUNDI & ASSOCIATES KOLKATA Chartered Accountants

STATEMENT CASH FLOWS as on 31st December 2019

Particulars	31/12/2019 Amount (Nu.)	31/12/2018 Amount (Nu.)
A: CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit after Tax as per Profit and Loss Account	**5,652,211.43**	**(144,494.42)**
Adjusted for:		
less : Prior period		
Less: Finance Income	(3,349.28)	(431.89)
Less: Deferred tax Income		
Add: Depreciation	5,653,049.06	5,442,712.04
Add: Finance Cost	7,930,264.81	13,147,955.49
Add: profit on sale of Asset		
Add: Deferred tax expenses	-	301,994.51
Operating Profit before Working Capital Changes	**19,232,176.02**	**18,747,735.73**
Adjusted for:		
(Increase)/Decrease in Inventory	4,381,298.66	(6,569,781.21)
(Increase)/Decrease in Sundry Debtors	(7,007,292.83)	(7,788,643.33)
(Increase)/Decrease in Other Current Assets	4,437,601.39	(4,393,721.67)
Increase/(Decrease) in Current Liabilities	(7,197,234.79)	1,276,999.11
Increase/(Decrease) in Provision	(946,479.98)	560,046.63
Increase/(Decrease) in Retirement Benefit	3,062,098.50	(138,623.00)
Increase/(Decrease) in Other Current Liabilities	2,621,561.92	1,892,310.76
Increase/(Decrease) in Current Borrowings	7,629,176.87	(19,590,406.57)
Cash generated from Operations	**6,980,729.74**	**(34,751,819.28)**
Less; Tax Paid	-	-
Net Cash from Operating Activities (A)	**26,212,905.76**	**(16,004,083.55)**
B: CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets	(3,398,971.69)	(964,414.66)
Sale of Intangible Fixed Assests	-	-
Increased in LTD - Gratuity Fund - BDBL	(56,073.48)	52,292.31
Interest income on deposits against Gratuity Fund	3,349.28	431.89
Net Cash used in Investing Activities (B)	**(3,451,695.89)**	**(911,690.46)**
C: CASH FLOW FROM FINANCING ACTIVITIES:		
Decreased in Non-current Borrowings	(38,021,647.11)	(4,954,971.16)
New equity raised	-	70,000,576.00
Finance Cost	(7,930,264.81)	(13,147,955.49)
B: CASH FLOW FROM INVESTING ACTIVITIES:	**(45,951,911.92)**	**51,897,649.35**
Net Increase/ (Decrease) in Cash & Cash Equivalents (A+B+C)	(23,190,702.05)	34,981,875.34
Cash & Cash Equivalents at the beginning of the year	34,999,097.59	17,222.25
Cash & Cash equivalents as on 31.12.2019	**11,808,395.82**	**34,999,097.59**

This is the Statement of Financial Position referred to in our report of even date.

Notes:

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

Place: Nganglam
Date: 23.03.2020

(Tshering Tenzin)
Chief Executive Officer

(Yonten Namgyel)
Chairman

For Nundi & Associates
(Chartered Accountants)
Firm Registration No. 309090E

(B.N. Pal, Partner)
Membership No. 065144

NUNDI & ASSOCIATES ★ KOLKATA ★ Chartered Accountants

Statement of Changes in Equity For the year ended 31st December 2019

Attributable to the Owners of the Company

Amounts in Ngultrum (BTN)

Particulars	Attributable to owners of the parent						
	Ordinary Shares			Securities Premium	Retained earnings	Other Equity	Total
	No. of Shares (issued and fully paid up)	Par value	Total Value of Shares				
Balance as at 1 January 2019	15,272,350.00	10.00	152,723,500.00	26,348,001.00	(131,030,020.31)	-	48,041,480.69
Profit for the year	-	-		-	8,194,237.43		8,194,237.43
Other comprehensive income for the year	-	-		-	(2,542,026.00)		(2,542,026.00)
Balance as at 31st December 2019	15,272,350.00	10.00	152,723,500.00	26,348,001.00	(125,377,808.88)	-	53,693,692.12
Number of shares authorized for each class of shares:							
Authorized share capital	As at 31st December						
	2019		2018				
30,000,000 Equity Shares of Nu. 10 each	300,000,000.00		300,000,000.00				

Statement of Changes in Equity For the 31st December 2018

Particulars	Attributable to owners of the parent						
	Ordinary Shares			Securities Premium	Retained earnings	Other Equity	Total
	No. of Shares (issued and fully paid up)	Par value	Total Value of Shares				
Balance as at 31st December 2018 (As per last Audited)	15,272,350.00	10.00	152,723,500.00	26,348,001.00	(131,019,712.31)		48,051,788.69
Effect of Para 42 of BAS 8 (for restatement of previous year's figure)							
Expenses booked after the audit of 2018					(10,308.00)		(10,308.00)
Rectification made for the wrong entry for sale of asset					(10,308.00)		(10,308.00)
Balance as at 31st December 2018					(131,030,020.31)		(131,030,020.31)

Place: Nganglam
Date: 23.03.2020

(Tshering Tenzin)
Chief Executive Officer

(Yonten Namgyel)
Chairman

For Nundi & Associates
(Chartered Accountants)
Firm Registration No. 309090E

NUNDI & ASSOCIATES KOLKATA Chartered Accountants

(B.N. Pal, Partner)
Membership No. 065144

Schedules forming part of the Financial Position	(Figures in Ngultrum)		
Schedule 1 : Investment			
Particulars	**31st December 2019**	**31st December 2018**	**31st December 2017**
Long-Term Deposits - Gratuity Fund-BDBL	56,073.48	-	52,292.31
Total	**56,073.48**	-	**52,292.31**

Schedule 3 : Cash and Cash Equivalents	(Figures in Ngultrum)		
Particulars	**31st December 2019**	**31st December 2018**	**31st December 2017**
Cash in hand	21,475.03	200,368.67	156,513.02
Cash at Bank	11,786,920.79	34,798,729.20	-139,290.77
Total	**11,808,395.82**	**34,999,097.87**	**17,222.25**

Schedule 4: Trade and Other Receivables	(Figures in Ngultrum)		
Particulars	**31st December 2019**	**31st December 2018**	**31st December 2017**
Domestic Customers - Trade	24,528,934.39	19,897,131.32	10,218,578.46
Export Customers - Trade	3,395,331.28	207,096.90	266,913.50
Export Customers - Non Trade	418,759.55	-	-
Other Customers	420,888.18	379,359.89	(3.64)
Receivable - Others	3,380.01	1,276,412.47	3,485,868.93
Securities Deposits-Others(A)	400,000.00	400,000.00	400,000.00
Total	**29,167,293.41**	**22,160,000.58**	**14,371,357.25**

Schedule 5 : Other Current Assets	(Figures in Ngultrum)		
Particulars	**31st December 2019**	**31st December 2018**	**31st December 2017**
Advance - Suppliers	767,968.31	4,058,707.73	1,747,443.01
Public Work Advances – Employees	22,565.04	25,224.64	139,219.17
Advances to Employee - Salary	-	-	23,000.00
Advances to Employee -Tour	14,900.00	7,500.00	87,163.40
Pre-paid expenses	101,350.88	100,114.92	183,937.76
Pre-paid Tax Deducted at Source	2,967,808.10	6,370,196.78	3,993,392.06
Pre-paid GPA Insurance	107,773.12	107,196.00	101,063.00
Deferred Tax Asset	2,248,973.23		
Total	**6,231,338.68**	**10,668,940.07**	**6,275,218.40**

Schedule 6 : Inventories	(Figures in Ngultrum)		
Particulars	**31st December 2019**	**31st December 2018**	**31st December 2017**
RAW MATERIALS	12,015,611.95	6,487,920.55	6,557,483.75
CONSUMABLES	1,074,597.64	1,797,890.03	1,575,298.29
SEMI FINISHED PRODUCTS	4,608,644.59	12,197,145.93	6,798,590.96
Finished Products	838,618.76	2,823,119.63	1,636,834.24
ASSET MATERIALS	-	-	15,334.00
SPARE PARTS	3,613,307.62	3,226,003.08	3,378,756.77
Total	**22,150,780.56**	**26,532,079.22**	**19,962,298.01**

NUNDI & ASSOCIATES
KOLKATA
Chartered Accountants

SCHEDULE 2 : PROPERTY PLANT & EQUIPMENT (PPE)

Particulars	GROSS BLOCK (At Cost)			DEPRECIATION			NET BLOCK	
	As on 31/12/2018	Addition/ Adjustment	As on 31/12/2019	As on 31/12/2018	For the Period	As on 31/12/2019	Closing Balance as on 31/12/2019	Closing Balance as on 31/12/2018
Tangible Assets								
Civil Structure	74,315,920.20	122,290.10	74,438,210.30	16,248,966.81	2,593,139.42	18,842,106.23	55,596,104.07	58,066,953.39
SEMI-PERMANENT Structures	-	237,873.81	237,873.81	-	5,663.66	5,663.66	232,210.15	-
Temporary Structures	-	283,477.37	283,477.37	-	9,805.15	9,805.15	273,672.22	-
Fire Fighting & Safety Equipment	62,073.90	-	62,073.90	28,803.28	6,126.75	34,930.03	27,143.87	33,270.62
Furniture & Fixtures	557,190.00	84,550.00	641,740.00	423,295.92	52,828.23	476,124.15	165,615.85	133,894.08
Office Equipment	1,947,378.25	152,720.00	2,100,098.25	1,600,842.03	130,832.79	1,731,674.82	368,423.43	346,536.22
Vehicles	2,561,660.80	1,916,071.00	4,477,731.80	1,438,906.93	306,090.04	1,744,996.97	2,732,734.83	1,122,753.87
Tools & Plants	249,241.22	25,054.46	274,295.68	242,776.88	10,426.45	253,203.33	21,092.35	6,464.34
General Assets	101,260.00	126,100.00	227,360.00	75,535.86	30,342.14	105,878.00	121,482.00	25,724.14
Machinery	69,308,163.23	287,937.00	69,596,100.23	25,587,286.00	2,184,312.46	27,771,598.46	41,824,501.77	43,720,877.23
Low Value Assets	927,205.82	162,897.95	1,090,103.77	809,937.41	55,622.01	865,559.42	224,544.35	117,268.41
Total (A)	**150,030,093.42**	**3,398,971.69**	**153,429,065.11**	**46,456,351.12**	**5,385,189.10**	**51,841,540.22**	**101,587,524.89**	**103,573,742.30**
Intangible Assets								
Software	10,164,097.88	-	10,164,097.88	8,579,259.78	267,859.96	8,847,119.74	1,316,978.14	1,584,838.10
Total (B)	**10,164,097.88**	-	**10,164,097.88**	**8,579,259.78**	**267,859.96**	**8,847,119.74**	**1,316,978.14**	**1,584,838.10**
Total (A+B)	**160,194,191.30**	**3,398,971.69**	**163,593,162.99**	**55,035,610.90**	**5,653,049.06**	**60,688,659.96**	**102,904,503.03**	**105,158,580.40**

SCHEDULE 7 : SHARE CAPITAL	(Figures in Ngultrum)	
Authorized Capital		
Particulars	31st December '19	31st December '19
	2019	2018
30,000,000 shares @ Nu. 10	300,000,000.00	100,000,000.00
Total	**300,000,000.00**	**100,000,000.00**
Issued & Paid up Capital		
15,272,350 Equity Shares of Nu. 10 each fully paid up		
Particulars	31st December	31st December
	2019	2018
Equity Shares Held by DHI	77,889,010.00	77,889,010.00
Equity Shares Held by Others	74,834,490.00	74,834,490.00
Total	**152,723,500.00**	**152,723,500.00**

SCHEDULE 8 : SECURITIES PREMIUM ACCOUNT	(Figures in Ngultrum)	
Particulars	31st December	31st December
	2019	2018
Securities Premium Account	26,348,001.00	26,348,001.00
Total	**26,348,001.00**	**26,348,001.00**

SCHEDULE 9 : RETAINED EARNINGS	(Figures in Ngultrum)	
	2019	2018
Retained Earnings	(131,030,020.31)	(130,885,525.89)
Transferred from Income Statement	5,652,211.43	(144,494.42)
Previous year rectification for SAP amortization		
Total	**(125,377,808.88)**	**(131,030,020.31)**
		5,652,211.43

SCHEDULE 10 : TRADE AND OTHER PAYABLES	(Figures in Ngultrum)	
Particulars	31st December	31st December
	2019	2018
Sundry Creditors - Local	1,765,409.03	582,609.75
Inter Group vendors	1,321,497.35	1,671,401.21
Sundry Creditors - Foreign	7,615,117.69	15,851,832.23
Related party Vendors	217,834.33	11,250.00
Total	**10,919,858.40**	**18,117,093.19**

SCHEDULE 11 : CURRENT BORROWINGS	(Figures in Ngultrum)	
Particulars	31st December '19	31st December '19
	2019	2018
Loan - NPPF	4,650,458.62	5,021,281.75
Working Capital Loan - BOBL	13,400,000.00	13,400,000.00
Inter-group borrowing from DHI	8,000,000.00	-
Total	**26,050,458.62**	**18,421,281.75**

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SCHEDULE 12 : OTHER CURRENT LIABILITIES	(Figures in Ngultrum)	
Particulars	31st December 2019	31st December 2018
Advances from Customers	35.57	34.35
Provident Fund Payable	-	-
TDS Payable	9,556.49	58,182.24
Employee Vendors	373,295.97	399,673.52
Salary Payable to Employees	3,052,043.82	1,345,412.23
Loans-Employees	2,669.96	12,372.14
Contributory Provident Fund	938,827.74	-493.00
Group Insurance Scheme	23,300.00	-
Salary Saving Scheme	48,543.01	10,424.01
TDS - Salary	77,048.00	14,278.00
Health Contribution	13,649.00	12,779.00
Other Deductions	52,980.01	-55,314.99
Outstanding Liabilities - Employees	2,977,245.20	3,182,385.35
Employee Welfare Deductions	32,100.00	-
Retention Money Payable - Suppliers/Con	0.64	0.64
Interest Accrued on Intergroup borrowing	-	-
Total	**7,601,295.41**	**4,979,733.49**

SCHEDULE 13 : NON -CURRENT BORROWINGS	(Figures in Ngultrum)	
Particulars	31st December 2019	31st December 2018
Term Loan		
Loan from National Pension & Provident Fund		
(Secured against hypothecation of Building		
Infrastructure, Plant & Machineries etc.)	66,818,688.28	104,840,335.39
Total	**66,818,688.28**	**104,840,335.39**

SCHEDULE 14 : PROVISION -CURRENT	(Figures in Ngultrum)	
Particulars	31st December 2019	31st December 2018
Provision for Performance based Variable Pay	553,485.34	553,485.34
Provision for Leave Encashment	1,245,863.21	863,907.00
Provision for LTC	-	43,814.03
Provision for doubtful debts	-	1,284,622.16
Provision for others	91,970.59	91,970.59
Total	**1,891,319.14**	**2,837,799.12**

Schedule 15 : Retirement Benefit Obligations - Non - Current	(Figures in Ngultrum)	
Particulars	31st December 2019	31st December 2018
Provision for Gratuity - Noncurrent	4,467,577.00	1,978,980.00
Provision for Carriage Charge-Noncurrent	154,602.50	-

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Prov_Rep Allowance Non-current	229,087.00	-
Prov_Transfer Grant Non-Current	189,812.00	-
Total	**5,041,078.50**	**1,978,980.00**

Schedule 16 : Deferred Tax liabilities - Non -Current	**(Figures in Ngultrum)**	
Particulars	**31st December 2019**	**31st December 2018**
Deferred Tax Liability	301,994.51	301,994.51
Total	**301,994.51**	301,994.51

Schedules forming part of the Income Statement

Schedule 17 : Revenue from Manufacturing Sector	**(Figures in Ngultrum)**	
Particulars	**31st December 2019**	**31st December 2018**
Revenue from sale of Polymer Bags	160,585,847.18	177,093,084.77
Revenue from sale of Fabric	12,767,746.58	159,430.00
Discount Allowed	-36,923.10	-2,627.00
Commission	-7,000.00	-
Total	**173,309,670.66**	**177,249,887.77**

Schedule 18 : Other Income	**(Figures in Ngultrum)**	
Particulars	**31st December 2019**	**31st December 2018**
Rental Income	268,504.32	273,694.55
Liquidated Damages	6,697.73	70,743.50
Income From Sale Of Scraps	1,759,649.18	1,664,840.22
Discount Received	43,068.71	1,150.00
Other Miscellaneous Income	2,050,951.43	420,575.85
Gain due to Foreign Currency fluctuation	190,179.00	-
Total	**4,319,050.37**	**2,431,004.12**

Schedule 19 : Consumption of Raw Material and Changes in Inventory of Finished Goods	**(Figures in Ngultrum)**	
Particulars	**31st December 2019**	**31st December 2018**
Consumption		
Raw Materials	98,756,526.50	119,598,842.90
Semi Finished Products	218,487,399.45	272,504,118.46
Spare Parts	1,694,366.56	2,582,758.05
Consumables	4,292,430.54	5,563,732.84
Cost of Goods Manufacturing		
Semi Finished Goods	(224,476,288.15)	(263,929,684.58)
Finished Goods	(121,819,827.38)	(153,901,683.49)
Scraps	(1,871,058.49)	(1,719,936.92)
Cost of Goods Sold		

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Cost of good sold - Semi Finished Good	15,734,860.86	1,609,982.29
Cost of good sold - Finished Good	128,457,988.77	165,905,541.00
Price Difference - Material	-5,073,721.99	-27,308,854.20
Total	**114,182,676.67**	**120,904,816.35**

Schedule 20 : Operational & Maintenance Expenses	(Figures in Ngultrum)	
Particulars	**31st December 2019**	**31st December 2018**
R & M of Plant & Machineries - Material	288,184.38	789,480.23
R & M of Plant & Machineries -Services	55,180.00	77,918.00
R & M of Fire fighting-Services	9,000.00	38,914.97
R & M of Building & Civil Structure - Ma	31,369.25	50,088.19
R & M of Building & Civil Structure - Se	-	17,050.00
R & M of Office Equipment - Materials	9,153.94	8,883.40
R & M of Office Equipment - Services	4,400.00	-
R & M of Vehicle -Materials	591,673.67	564,297.16
R & M of Vehicles - Services	116,597.08	87,670.00
R & M of General Asset - Services	35,410.00	-
R & M of Environment & OHS Assets - Materials	36,540.00	530.00
Running and Maintenance of SAP - Service	884,235.16	1,009,315.98
Total	**2,061,743.48**	**2,644,147.93**

Schedule 21 : Personnel cost	(Figures in Ngultrum)	
	31st December 2019	**31st December 2018**
Payroll and related expenses		
Basic Pay	15,316,777.62	13,171,498.72
Allowances	1,693,486.12	1,290,994.64
Shift Allowance	696,981.00	704,260.00
Wages	4,486,816.92	6,005,777.37
Leave Travel Concession	1,344,643.61	93,631.24
Overtime Allowance	920,672.55	488,785.24
Uniforms & Leveries	418,900.00	374,200.00
GPA Insurance	112,977.88	107,601.00
Sport Activities	44,900.60	52,760.00
In House/In Country Training & Certific	61,071.00	-
Short Term Courses	360,414.00	158,555.00
Workshop & Seminars	24,196.00	73,832.00
Leave Encashment	1,296,323.00	598,522.92
Provident Fund-Matching Contribution	1,875,649.37	1,448,196.64
Gratuity	877,817.00	907,798.00
Rep Allowance	39,275.00	42,294.00
Transfer Grant	-	42,294.00
Carriage Charges	26,671.00	21,735.00
Special Incentive	1,098,864.69	
Total	**30,696,437.36**	**25,582,735.77**

Schedule 22 : Other Expenses	(Figures in Ngultrum)	
Particulars	31st December 2019	31st December 2018
Marketing And Sales Promotion Expenses	18,750.00	50,000.00
Board Meeting Expenses	402,965.00	162,792.00
Board Sitting fees	430,000.00	332,000.00
Board Training Expenses	427,347.40	-
Sub-Committee meeting expenses	8,646.00	18,048.00
Sub-Committee sitting fees	28,000.00	74,000.00
Fees And Subscription	467,348.86	434,625.00
Printing and Stationery	158,908.61	193,304.72
Postage & Courier Charges	10,166.00	7,733.00
Advertisement	55,880.00	170,760.25
Office Expenses	148,973.28	165,360.60
Lease Rent	722,328.59	835,074.95
Travelling Expenses - Local	846,204.68	729,702.00
Travelling Expenses - Foreign	268,654.00	143,794.00
Internet and telephone charges paid to	649,267.00	754,962.00
License and Registration	14,685.00	7,385.00
Fines & Penalty	706,290.95	282,161.38
General Insurance	449,899.04	452,370.92
Electricity Charges - paid to DHI Group	3,464,636.42	3,640,647.76
Hospitality And Entertainment Expenses	44,176.00	97,455.00
Corporate Social Responsibility (CSR) E	163,523.33	60,000.00
Donations	5,000.00	-
Miscellaneous Expenses	1,102.83	70,684.69
Loss/Retirement/Scraping of Inventories	136,895.99	256,247.52
Loss/Retirement/Scraping of Asset	-	2,867.50
Consulting Fees	48,000.00	18,000.00
Audit Fees	63,250.00	63,250.00
Audit Expenses	117,193.00	156,263.00
Hiring Expenses	3,000.00	-
Commission and brokerage expenses	-	366,900.00
Rates and Taxes	-	2,700.00
Loading & unloading charges	218,788.29	196,498.69
Loss due to Foreign Currency fluctuation	76,618.61	36,432.00
Bad debts	27,003.85	290,637.17
Provision for bad debts	-	1,376,592.75
Total	**10,183,502.73**	**11,449,249.90**

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Schedule 23 : Finance Income	(Figures in Ngultrum)	
Particulars	**31st December 2019**	**31st December 2018**
Interest income on deposits against Gratuity Fund	3,349.28	431.89
Interest Income	-	22,758.05
Total	**3,349.28**	**23,189.94**

Schedule 24 : Finance Cost	(Figures in Ngultrum)	
Particulars	**31st December 2019**	**31st December 2018**
Interest On Borrowings -NPPF	7,392,908.24	11,273,500.55
Bank Charges - others	27,391.00	4,403.06
Bank Charges & Other fees paid to BoBL	407,390.03	635,919.46
Interest On Overdraft Loan - BOBL	979,132.00	1,126,907.26
Interest on borrowings-Intragroup	102,575.54	1,234,132.42
Total	**8,909,396.81**	**14,274,862.75**

Schedule 25: Deferred Tax Expenses	(Figures in Ngultrum)	
Particulars	**31st December 2019**	**31st December 2018**
Deferred tax expenses	-	301,994.51

Schedule 26 : Deferred Tax Income	(Figures in Ngultrum)	
Particulars	**31st December 2019**	**31st December 2018**
Deferred Tax Income	2,248,973.23	-
Total	**2,248,973.23**	**-**

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Schedule 27: Significant Accounting Policies & Notes to Financial Statements December 2019

(In Ngultrum, except as otherwise noted)

A. Legal Status and Principal Activities

Dungsam Polymers Limited (DPL) is incorporated under the Companies Act of Kingdom of Bhutan, 2000 and has its principal administrative offices in Nganglam, Pemagatshel. The corporation is engaged in production of Polypropylene (PP) Bags and for bulk sale of the same to Dungsam Cement Corporation Limited (DCCL) for packing cement, and for export of surplus PP bags and fabric to the neighboring states of India. The plant commenced commercial production from 26^{th} March 2012 with installed capacity of 33.00 million PP bags.

Dungsam Polymers Limited (DPL) has also been listed with the Royal Security Exchange of Bhutan Limited (RSEBL) on 2^{nd} August 2013. The DPL is the first company divested by Druk Holding and Investments (DHI) since its formation in 2007 the authorized capital of the company is Nu 300 million.

B. Significant Accounting Policies

1. Basis of Presentation and Statement of Compliance

The 'Accounting and Auditing Standards Board of Bhutan' (AASBB), has decided to adopt BFRS in phases with minor changes. The Company in compliance with the Companies Act of Bhutan, 2016 has adopted all the applicable Standards. The financial statements have been prepared in accordance with all applicable BFRS and other applicable laws such as the Companies Act of Bhutan, 2016.

The financial statements present the Company's financial position as on 31^{st} December,2019 and 31^{st} December,2018, as well as its earnings (Profit), comprehensive income (Profit), Cash Flows and Changes in Equity for the year ended 31^{st} December,2019 and 31^{st} Decemeber,2018. The preparation of financial statements is in conformity with 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:

- Property, plant and equipment: critical judgments are expected for period of use, condition of the asset, technological advances, regulation, and residual values.
- Actuarial valuation of employee benefits: expected uptake of the gratuities and the discount rate used in the valuation.
- The functional currency of preparation is the Bhutanese Ngultrum.

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2. **Basis of Measurement:**

The financial statements have been prepared under the accrual, historical cost basis and going concern conventions except for the defined benefit liability (actuarial valuation of gratuity in the financial position for which the measurement basis is detailed in their respective accounting policies).

3. **Critical Accounting Judgments, Estimates and Assumptions**

The management made certain estimates and assumptions regarding the future estimates and judgments which are evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Although these estimates are based on management's best knowledge of current event and actions, actual results ultimately may differ from those estimates.

4. **Property, Plant and Equipment**

Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Financing costs relating to acquisition of fixed assets are also included to the extent they relate to the period till such assets are ready to be put to use. As per the provision of BAS 16, the management has chosen Cost Model as an accounting policy and applied the policy to entire class of property, plant and equipment.

5. **Impairment of Assets**

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

The exercise on all the fixed assets has been carried out in the Year 2019 as to determine whether assets are impaired as per BAS 36 - Impairment of Assets.

6. **Depreciation**

As of the reporting date, the depreciation on Property, Plant and Equipment (PPE) is provided on straight-line method based on the useful lives (taking Residual value to be Nil). The management has assessed the useful lives which represent the expected utility of the assets to the company based on the vendor's recommendation. Actual results, however, may vary due to technical or commercial obsolescence, particularly with respect to manufacturing equipment. However, the management will review the useful lives, depreciation methods and

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residual values of depreciable assets at each reporting date as required by BAS 16.

Asset Class	Useful Life (in Years)
Civil Structure	30
Semi-permanent Structure	7
Temporary Structure	3
Machinery, Fire Fighting & Safety Equipment	3-30
Furniture & Fixtures	3-7
Office Equipment, General Asset & Intangible Assets	5-11
Vehicles	10-15
Tools & Tackles	2
Low Value Asset	5

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within 'Other Income' or 'Other expenses' as the case may be, in the income statement.

7. Intangible Assets

Acquired SAP ERP software licenses are capitalized on the basis of the costs incurred to acquire and bring it to use the specific software. These costs are amortized over their estimated useful lives of 11 years.

Costs associated with maintaining computer software programs are recognized as an expense as incurred.

On transition to BFRS, the Company has elected to measure its intangible assets cost or amortized cost in accordance with BFRS as the deemed cost of the intangible assets.

8. Investment

a. The Current Investments are valued at lower of cost and fair market value.

b. The long term Investments in Government and/or other Securities including private placements are valued at cost as reduced by incentive or diminution in value of permanent nature.

c. Provision is made where there is permanent fall in valuation of Long Term Investments.

9. Financial Assets

9.1 Initial measurement

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

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9.2 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:

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

b. Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

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

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

b. 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

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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.

9.3 Trade and other receivables

Trade and other receivables are initially recognized at the fair value of the amounts to be received. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Receivables are reviewed regularly for impairment.

9.4 Impairment of financial assets

The Company assesses on a forward looking basis the expected credit losses associated with its assets carried at amortized cost and FVOCI debt instruments. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables only, As per Notification of MEA on BASE phase III, corporates are temporarily allowed to comply with "incurred loss model" instead of expected credit loss model. Accordingly, the allowance for doubtful debts was recognized.

9.5 De recognition 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 de recognized 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 de recognized.

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 de recognized if the entity has not retained control of the financial asset. When the entity

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retains control of the financial asset, the asset is continued to be recognized to the extent of continuing involvement in the asset.

10. Inventories and Parts and Supplies

Raw materials, work in process and finished goods are measured at the lower of cost or net realizable value. Cost is calculated on Weighted Average Method Basis and comprises expenditure incurred in the normal course of business in bringing such inventories to their present location and condition. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase. The cost of work in process and finished goods includes the cost of raw materials, direct labor and a systematic allocation of fixed and variable production overhead incurred in converting materials into finished goods. The allocation of fixed production overheads to the cost of conversion is based on the normal capacity of the manufacturing facilities.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated selling expenses. Parts and supplies are valued at the lower of cost or net realizable value, the latter being determined based on replacement cost. Obsolete, slow moving and defective items of inventories, parts and supplies are identified at the time of physical verification and where necessary, adjustment is made for the same.

11. Cash and Cash Equivalents

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

12. Financial liability

12.1 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.

12.2 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.

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

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in BFRS 9 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk is recognized in OCI. These gains/ 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.

12.3 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..

12.4 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.

12.5 De recognition

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

13. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

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 economics benefits is possible.

15. 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.

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16. Revenue recognition

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

Bilateral contracts between two entities in the same line of business for non-monetary exchange of goods and services to facilitate sales to its customers or potential customers are not accounted for as sales (revenue) as per IFRS 15. Any balance against such exchange contracts not settled during the same financial year are accounted for as payable/receivable and included under other current assets/liabilities in statement of financial position.

Revenue from Operations: Revenue generated from the Sale of PP Bags, Fabric Roll & Scrap Materials within and outside Bhutan is recognized when the entity has transferred to the buyers the significant risks and rewards of ownership of the goods; the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold: the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Company and the cost incurred or to be incurred in respect of the transactions can be measured reliably.

Interest Income: Interest income from Fixed Deposit is recognized 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.

17. Land Lease

Management considers its lease of land to be operating lease. The payments made under operating lease are recognized in the income statement on a straight-line basis over the term of the lease.

18. Retirement benefits

BAS 19 Employee Benefits and BAS 26 Accounting and Reporting by Retirement Benefit Plans are applicable for Financial Statements covering periods beginning on or after 1st January 2016. However, the early application was permitted by the standard.

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Under Defined Contribution Scheme

i. Eligible employees receive the benefits from the provident fund, which is defined benefit plan. Both the employee and corporation make monthly contribution to National Pension and Provident Fund (NPPF) which is equal to a specified percentage of the covered employees' salary. The Provident Fund administered by NPPF, and such contributions are charged to Income Statement when paid to the NPPF.

Under Defined Benefit Scheme

i. The Company operates a gratuity scheme for employees, whereby employees receive one month's final salary for each year of completed service. The employee must complete five (5) years of service before the gratuity is payable and the limitation of the scheme has been removed from October 2019. The cost of defined benefit scheme and the present value of the related obligations are determined using actuarial valuations. The determination of benefits expense and related obligations requires assumptions such as the expected return on assets available to fund future obligations, the discount rate to measure obligations, expected mortality, the salary escalation rate and the expected experience of employee turnover. Actual results will differ from results which are estimated based on assumptions. All assets held to provide for the future liability are in the form of bank deposits, as required by the Income Tax Act. The assets are therefore subject to the financial risks associated with such deposits. Refer to Note 11 for more information regarding the assumptions and disclosures related to the defined benefit cost for the year ending 31st December 2019.

ii. Employee benefits are also including Leave encashment, transfer grant, repatriation allowance and carriage charges which is actuarially determined and disclosed in Note 11.

19. Foreign Currency Transactions.

Transactions denominated in foreign currencies are translated into the functional currency of that entity using the exchange rates prevailing at the date of each transaction as per BAS - 21. Foreign exchange gains or losses arising on the settlement of monetary items or on the translation of monetary items at rates different from those at which they were translated on initial recognition during the period are recognized as gain/loss on Foreign Exchange in the period in which they arise.

20. Earnings per Share

As per BAS 33 Earnings per Share, Basic earnings per share are calculated by dividing the earnings by the weighted average number of common shares outstanding during the period. Diluted Earnings per Share is same as Earnings per Share for the Co. since there is no dilutive effect of Outstanding Stock Options.

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21. Events after Balance Date

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

22. Comparative information

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

C. Notes to Accounts

1. Prior Period Adjustments and change in accounting estimates

During the Financial Year 2018-19, the Company has restated its financial statement for the FY 2017-18 for prior period year retrospectively in Compliance to BAS 8 - Accounting Policies, Changes in Accounting Estimates & Errors. The prior period errors relates to wrong reckoning of Leave encashment, sundry creditors and sundry debtors.

Impacts of the rectification are as follows for the financial year 2018:

- Loss before tax for the year 2018 is increased by Nu 0.59 million

2. Provision for impairment Loss on trade receivables

As per IFRS 9, the Company is required to apply expected credit loss model for recognizing the allowance for doubtful debts. As per Notification of MEA on BASE phase III, corporates are temporarily allowed to comply with "incurred loss model" instead of expected credit loss model. Accordingly, the allowance for doubtful debts was recognized.

3. Inter-corporate loan recognized at fair value

Under the previous GAAP, loans are recorded at their transaction value. Under IFRS, all financial liabilities are required to be recognized at fair value. Accordingly, the Company has fair valued the loan under IFRS at the date of initial recognition. Difference between the fair value and transaction value of the financial liability was adjusted with shareholders' equity.

4. There is no contingent liability outstanding against the company as at 31st December 2019.

5. The authorized share capital of the company is Nu. 300,000,000 (30,000,000 Equity Shares @ Nu. 10 each). The capital structure is summarized as below;

Reconciliation of the number of shares outstanding:

Particulars	As At 31st December 2019		As At 31st December 2018	
	No. of shares	Amount (Nu)	No. of shares	Amount (Nu)
Ordinary Share of Rs.10 each				
At beginning of the year	15,272,350.00	152,723,500.00	8,272,350	82,723,500.00
Shares allotted during the Year	-	-	7,000,000	70,000,000.00
At closing of the year	15,272,350.00	152,723,500.00	15,272,350.00	152,723,500.00

6. Approximately 46.20% of installed plant capacity has been utilized in the financial year 2019.

7. All statutory record and books of account are maintained at its registered office at Nganglam, Pemagatshel, Bhutan.

8. National Pension & Provident Fund (hereafter called as NPPF) has given a loan to the corporation. The NPPF loan has been rescheduled and the amount of the said term loan shall be Nu. 125.89 million from the date of re-schedulement i.e. 4th May, 2015 with the same terms and conditions as before secured against hypothecation of Building, Infrastructure & Fixed Assets and Plant & Machineries of the Company. . The borrowing is for the period of 15 years 9 months (63 Equated Quarterly Installments) effective from 1st July, 2015, bearing interest at an annual fixed rate of 10%. The company had made repayment of Nu. 35.00 Million against the term loan and the loan was restructured on 5th January 2019. The corporation has collateralized borrowing having net book value of Nu 71.46 million is classified into current and non-current liabilities amounting to Nu. 4.60 million and Nu. 66.81 million respectively.

9. The company has an outstanding Working capital loan secured hypothecation of Stock and Book Debts of the Company amounting to Nu. 13.40 million from Bank of Bhutan Limited.

10. **Defined Contribution Plan**

The admissibility of pension benefits to an employee shall be governed by the pension rules and regulations of the NPPF. On separation from his service, an employee shall be entitled to receive the full accumulation, including interest accrued, of provident fund which is created through a monthly deduction from his/her salary and an equal contribution (11% of the basic pay) by the employer. Since the PF is managed by the NPPF, payment shall be governed by the rules and regulations of the NPPF.

The amount expensed with respect to the provident fund matching contributions for the years ended December 31st 2019 and 2018 were Nu. 1.87 million and 1.45 Million respectively.

11. **Defined Benefit Plan**

Valuation in respect of **Gratuity** as per BAS 19 Employee Benefits for accounting and disclosure of employee benefits has been carried out by independent actuary, Druk Inifinity Consulting, Thimphu, Bhutan.

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A summary of the key results for the year ended 31 December 2019 are presented below:

2. Executive summary

The key valuation results as at 31 December 2019 are summarized in the following tables.

Statement of financial position

Parameter	31-Dec-2019	31-Dec-2018
Present value of defined benefit obligation	4,520,301	1,978,980
Fair value of plan assets	52,724	52,292
Net defined benefit asset/(liability)	(4,467,577)	(1,926,688)

Expenses recognized in:

Parameter	31-Dec-2019	31-Dec-2018
(a) Statement of profit or loss	930,109	561,028
(b) Other comprehensive income	1,913,485	(751,943)

3. Basis of valuation

3.1 Key features of the plan

Type of plan	Defined benefit
Employee's contribution	Nil
Employer's contribution	100%
Reference salary	Last basic pay
Normal retirement age	58 and 60 years*
Benefit payable on	Retirement/resignation/death while in service
Form of benefit	Lump sum
Vesting period	5 years for resignation and none for rest
Service definition	Total service rounded to nearest integer
Benefit ceiling (Nu.)	None
Benefit floor	None
Benefit formula	Reference salary x service years

Note:

* retirement age for contract employees depends on their contract term

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3.2 Membership data

Summary statistics of membership data

Parameter		% change	31-Dec-2019	31-Dec-2018
Members considered for valuation		0%	103	103
Average age (years)		2%	32.71	32.10
Monthly salary (Nu.)	Average	44%	15,608	10,823
	Total	44%	1,607,586	1,114,754
Past service (years)	Average	15%	5.19	4.50
	Total	15%	535	464

3.3 Actuarial assumptions

Financial assumptions

Parameter	31-Dec-19	31-Dec-18
Discount rate	7.50%	7.50%
Salary growth rate	5.00%	5.00%

Demographic assumptions

Parameter	31-Dec-19	31-Dec-18
Mortality rate	100% of IALM (2006-2008)	
Employee turnover rate	3.00%	3.00%

4. Financial exhibits

4.1 Detailed financial exhibits

A. **Liability recognised in the statement of financial position**

Parameter	31-Dec-19	31-Dec-18
Present value of define benefit obligation	4,520,301	1,978,980
Fair value of plan assets	52,724	52,292
Funded status - surplus/(deficit)	(4,467,577)	(1,926,688)
Effect of asset ceiling	-	-
Net defined benefit asset/(liability)	**(4,467,577)**	**(1,926,688)**

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B. Composition of defined benefit cost

Parameter	31-Dec-19	31-Dec-18
Expense recognized in profit or loss	930,109	561,028
Expense recognized in other comprehensive income	1,913,485	(751,943)
Defined benefit cost	**2,843,594**	**(190,915)**

C. Expense recognized in statement of profit or loss

Parameter	31-Dec-19	31-Dec-18
Current service cost	796,959	402,208
Past service cost	-	-
Loss/(Gain) on settlement	-	-
Interest on DBO	137,072	192,238
Interest on plan asset	(3,922)	(33,418)
Expenses recognised in profit or loss	**930,109**	**561,028**

* The expense recognized in P&L for gratuity for 2019 is Nu 877,817.00 instead of Nu 930,109.00 (as per above calculation). The difference is due to plan asset of Nu 52,292.00.

D. Amount recognised as other comprehensive income

Parameter	31-Dec-19	31-Dec-18
Actuarial (gain) or loss due to experience adjustments	1,909,995	(1,157,261)
Actuarial (gain) or loss due to changes in financial Assumptions	-	216,768
Actuarial (gain) or loss due to changes in demographic Assumptions	-	-
Return on plan assets (greater) or less than discount rate	3,490	188,550
Expense recognised as other comprehensive income	**1,913,485**	**(751,943)**

E. Reconciliation of changes in present value of defined benefit obligation

Parameter	31-Dec-19	31-Dec-18
DBO at the beginning of period	1,978,980	2,563,171
Add: Current service cost	796,959	402,208
Add: Past service cost	-	-
Add: Interest cost	137,072	192,238

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Less: Benefits paid by the plan	-	(238,144)
Less: Benefits paid by the employer	(302,705)	-
Actuarial (gain) or losses due to experience adjustment	1,909,995	(1,157,261)
Actuarial (gain) or losses due to change in financial Assumptions	-	216,768
Actuarial (gain) or losses due to change in demographic Assumptions	-	-
DBO at the end of period	**4,520,301**	**1,978,980**

F. Composition of plan asset

Parameter	31-Dec-19	31-Dec-18
Bonds (Government/corporate)	-	-
Fixed deposit	52,724	52,292
Equities	-	-
Total	**52,724**	**52,292**

G. Reconciliation of changes in fair value of plan assets

Parameter	31-Dec-19	31-Dec-18
Fair value at the beginning of period	52,292	445,568
Contribution paid into the plan	-	-
Return on plan assets	3,922	33,418
Benefits paid from the plan	-	(238,144)
Return on plan assets greater or (less) than discount rate	(3,490)	(188,550)
Fair value at the end of period	**52,724**	**52,292**

H. Bifurcation between current & non-current liability

Parameter	31-Dec-19
Current liability	-
Non-current liability	4,467,577
Net Liability	**4,467,577**

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I. Expected benefit payments in future years

Parameter	*Nu.*
December 31, 2020	299,338
December 31, 2021	367,503
December 31, 2022	449,747
December 31, 2023	528,176
December 31, 2024	600,890
December 2025 to December 2029	5,847,647
December 2030 to December 2039	20,233,998

J. Estimated term of liability (in years)

Estimated term of liability (in years)	18.84

4.2: *Sensitivity analyses*

The following table summarises the results of sensitivity tests performed on the present value of the defined benefit obligation by varying the assumption parameters as listed. The same model and valuation methodology as described in 3.4 was employed for this exercise of stress testing.

Parameter	Change	Defined benefit obligation	Net effect on DBO	Percent change
	- 0.5%	4,872,494	352,193	7.8%
Discount rate	Base rate	4,520,301	-	0.0%
	+ 0.5%	4,201,169	(319,132)	-7.1%
	- 0.5%	4,182,284	(338,017)	-7.5%
Salary growth rate	Base rate	4,520,301	-	0.0%
	+ 0.5%	4,891,302	371,001	8.2%
	x 90%	4,526,004	5,703	0.1%
Mortality rate	Base rate	4,520,301	-	0.0%
	x 110%	4,514,644	(5,657)	-0.1%
	- 1%	4,710,750	190,449	4.2%
Employer turnover rate	Base rate	4,520,301	-	0.0%
	+ 1%	4,354,862	(165, 439)	-3.7%

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Valuation in respect of **Leave Encashment, Transfer Grant, Carriage Charges and Repatriation allowance** as per BAS 19 Employee Benefits for accounting and disclosure of employee benefits has been carried out by independent actuary, Druk Infinity Consulting, Thimphu, Bhutan.

A summary of the key results for the year ended 31 December 2019 are presented below:

2. Executive summary

The key valuation results as at 31 December 2019 are summarized in the following tables.

Statement of financial position

Parameter	31-Dec-2019	31-Dec-2018
Present value of defined benefit obligation	1,283,050	863,907
Fair value of plan assets	-	-
Net defined benefit asset/(liability)	(1,283,050)	(863,907)

Expenses recognized in:

Parameter	31-Dec-2019	31-Dec-2018
(a) Statement of profit or loss	478,881	324,778
(b) Other comprehensive income	7,664	528,490

3. Basis of valuation

3.1 Key features of the plan

Type of plan	Defined benefit
Employee's contribution	Nil
Employer's contribution	100%
Reference salary	Last basic pay
Normal retirement age	58 and 60 years*
Benefit payable on	Retirement/resignation/death while in service
Form of benefit	Lump sum
Vesting period	None
Service definition	Total service rounded to nearest integer
Benefit ceiling	60 days
Benefit floor	0
Benefit formula	Reference salary x (accrued leave / 30)

Note:

* retirement age for contract employees depends on their contract term

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3.2 Membership data

Summary statistics of membership data

Parameter		% change	31-Dec-2019	31-Dec-2018
Members considered for valuation		0%	103	103
Average age (years)		2%	32.71	32.10
Monthly salary (Nu.)	Average	44%	15,608	10,823
	Total	44%	1,607,586	1,114,754
Leave accrued	Average	6%	32.69	30.89
	Total	6%	3,367	3,182

3.3 Actuarial assumptions

Financial assumptions

Parameter	31-Dec-19	31-Dec-18
Discount rate	7.50%	7.50%
Salary growth rate	5.00%	5.00%

Demographic assumptions

Parameter	31-Dec-19	31-Dec-18
Mortality rate	100% of IALM (2006-2008)	
Employee turnover rate	3.00%	3.00%

4. Financial exhibits

4.1 Detailed financial exhibits

A. Liability recognised in the statement of financial position

Parameter	31-Dec-19	31-Dec-18
Present value of define benefit obligation	1,283,050	863,907
Fair value of plan assets	-	-
Funded status - surplus/(deficit)	(1,283,050)	(863,907)
Effect of asset ceiling	-	-
Net defined benefit asset/(liability)	**(1,283,050)**	**(863,907)**

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B. Composition of defined benefit cost

Parameter	31-Dec-19	31-Dec-18
Expense recognised in profit or loss	478,881	324,778
Expense recognised in other comprehensive income	7,664	528,490
Defined benefit cost	**486,545**	**853,268**

C. Expense recognised in statement of profit or loss

Parameter	31-Dec-19	31-Dec-18
Current service cost	419,143	283,264
Past service cost	-	-
Loss/(Gain) on settlement	-	-
Interest on DBO	59,738	41,514
Interest on plan asset	-	-
Expenses recognised in profit or loss	**478,881**	**324,778**

D. Amount recognised as other comprehensive income

Parameter	31-Dec-19	31-Dec-18
Actuarial (gain) or loss due to experience adjustments	7,664	528,490
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	-	-
Expense recognised as other comprehensive income	**7,664**	**528,490**

E. Reconciliation of changes in present value of defined benefit obligation

Parameter	31-Dec-19	31-Dec-18
DBO at the beginning of period	863,907	553,524
Add: Current service cost	419,143	283,264
Add: Past service cost	-	-
Add: Interest cost	59,738	41,514
Less: Benefits paid by the plan	-	-
Less: Benefits paid by the employer	(67,402)	(542,885)

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Actuarial (gain) or losses due to experience adjustment	7,664	528,490
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	**1,283,050**	**863,907**

F. Composition of plan asset

Parameter	31-Dec-19	31-Dec-18
Government bonds	-	-
Fixed deposit	-	-
Equities	-	-
Total	**-**	**-**

G. Reconciliation of changes in fair value of plan assets

Parameter	31-Dec-19	31-Dec-18
Fair value at the beginning of period	-	-
Contribution paid into the plan	-	-
Return on plan assets	-	-
Benefits paid from the plan	-	-
Return on plan assets greater or (less) than discount rate	-	-
Fair value at the end of period	**-**	**-**

H. Bifurcation between current & non-current liability

Parameter	31-Dec-19
Current liability	-
Non-current liability	1,283,050
Net Liability	**1,283,050**

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I. Expected benefit payments in future years

Period	Nu.
December 31, 2020	59,586
December 31, 2021	60,827
December 31, 2022	62,115
December 31, 2023	63,451
December 31, 2024	64,837
December 2025 to December 2029	515,696
December 2030 to December 2039	1,067,410

J. Estimated term of liability (in years)

Estimated term of liability (in years)	14.50

4.2 Sensitivity analyses

The following table summarises the results of sensitivity tests performed on the present value of the defined benefit obligation by varying the assumption parameters as listed. The same model and valuation methodology as described in 3.4 was employed for this exercise of stress testing.

Parameter	Change	Defined benefit obligation	Net effect on DBO	Percent change
	- 0.5%	1,367,026	83,976	6.5%
Discount rate	Base rate	1,283,050	-	0.0%
	+ 0.5%	1,206,671	(76,379)	-6.0%
	- 0.5%	1,201,569	(81,481)	-6.4%
Salary growth rate	Base rate	1,283,050	-	0.0%
	+ 0.5%	1,372,094	89,044	6.9%
	x 90%	1,282,273	(777)	-0.1%
Mortality rate	Base rate	1,283,050	-	0.0%
	x 110%	1,283,050	0	0.0%
	- 1%	1,230,300	(52,750)	-4.1%
Employer turnover rate	Base rate	1,283,050	-	0.0%
	+ 1%	1,329,908	46,858	3.7%

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Transfer Grant Valuation;

A summary of the key results for the year ended 31 December 2019 are presented below:

2. Basis of valuation

3. Executive summary

The key valuation results as at 31 December 2019 are summarized in the following tables.

Statement of financial position

Parameter	31-Dec-2019
Present value of defined benefit obligation	229,087
Fair value of plan assets	-
Net defined benefit asset/(liability)	(229,087)

Expenses recognized in:

Parameter	31-Dec-2019
(a) Statement of profit or loss	39,275
(b) Other comprehensive income	236,068

3.1 Key features of the plan

Type of plan	Defined benefit
Employee's contribution	Nil
Employer's contribution	100%
Reference salary	Last basic pay
Normal retirement age	58 and 60 years*
Benefit payable on	Retirement/resignation/death while in service
Form of benefit	Lump sum
Vesting period	5 years for resignation and none for rest
Service definition	Total service rounded to nearest integer
Benefit formula	One month's basic pay

Note:

* retirement age for contract employees depends on their contract term

3.2 Membership data

Summary statistics of membership data

Parameter		31-Dec-2019
Members considered for valuation		103
Average age (years)		32.71
Monthly salary (Nu.)	Average	15,608
	Total	1,607,586
Past service (years)	Average	5.19
	Total	535

3.3 Actuarial assumptions

Financial assumptions

Parameter	31-Dec-19
Discount rate	7.50%
Salary growth rate	5.00%

Demographic assumptions

Parameter	31-Dec-19	
Mortality rate	100% of IALM (2006-2008)	
Employee turnover rate	3.00%	3.00%

4. Financial exhibits

4.1 Detailed financial exhibits

A. Liability recognised in the statement of financial position

Parameter	31-Dec-19
Present value of define benefit obligation	229,087
Fair value of plan assets	-
Funded status - surplus/(deficit)	(229,087)
Effect of asset ceiling	-
Net defined benefit asset/(liability)	**(229,087)**

B. Composition of defined benefit cost

Parameter	31-Dec-19
Expense recognised in profit or loss	39,275
Expense recognised in other comprehensive income	236,068
Defined benefit cost	**275,343**

C. Expense recognised in statement of profit or loss

Parameter	31-Dec-19
Current service cost	41,010
Past service cost	-
Loss/(Gain) on settlement	-
Interest on DBO	(1,735)
Interest on plan asset	-
Expenses recognised in profit or loss	**39,275**

D. Amount recognised as other comprehensive income

Parameter	31-Dec-19
Actuarial (gain) or loss due to experience adjustments	236,068
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	-
Expense recognised as other comprehensive income	**236,068**

E. Reconciliation of changes in present value of defined benefit obligation

Parameter	31-Dec-19
DBO at the beginning of period	-
Add: Current service cost	41,010
Add: Past service cost	-
Add: Interest cost	(1,735)
Less: Benefits paid by the plan	-
Less: Benefits paid by the employer	(46,256)
Actuarial (gain) or losses due to experience adjustment	236,068

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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	**229,087**

F. Composition of plan asset

Parameter	31-Dec-19
Bonds (Government/corporate)	-
Fixed deposit	-
Equities	-
Total	**-**

G. Reconciliation of changes in fair value of plan assets

Parameter	31-Dec-19
Fair value at the beginning of period	-
Contribution paid into the plan	-
Return on plan assets	-
Benefits paid from the plan	-
Return on plan assets greater or (less) than discount rate	-
Fair value at the end of period	**-**

H. Bifurcation between current & non-current liability

Parameter	31-Dec-19
Current liability	-
Non-current liability	229,087
Net Liability	**229,087**

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I. Expected benefit payments in future years

Period	Nu.
December 31, 2020	39,112
December 31, 2021	44,564
December 31, 2022	51,448
December 31, 2023	55,864
December 31, 2024	57,898
December 2025 to December 2029	415,041
December 2030 to December 2039	959,247

J. Estimated term of liability (in years)

Estimated term of liability (in years)	14.99

4.2 Sensitivity analyses

The following table summarises the results of sensitivity tests performed on the present value of the defined benefit obligation by varying the assumption parameters as listed. The same model and valuation methodology as described in 3.4 was employed for this exercise of stress testing.

Parameter	Change	Defined benefit obligation	Net effect on DBO	Percent change
	- 0.5%	243,128	14,041	6.1%
Discount rate	Base rate	229,087	-	0.0%
	+ 0.5%	216,232	(12,855)	-5.6%
	- 0.5%	215,343	(13,744)	-6.0%
Salary growth rate	Base rate	229,087	-	0.0%
	+ 0.5%	244,008	14,921	6.5%
	x 90%	228,967	(120)	-0.1%
Mortality rate	Base rate	229,087	-	0.0%
	x 110%	229,208	121	0.1%
	- 1%	221,699	(7,388)	-3.2%
Employer turnover rate	Base rate	229,087	-	0.0%
	+ 1%	235,694	6,607	2.9%

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Carriage Charge Valuation;

A summary of the key results for the year ended 31 December 2019 are presented below:

2. Executive summary

The key valuation results as at 31 December 2019 are summarized in the following tables.

Statement of financial position

Parameter	31-Dec-2019
Present value of defined benefit obligation	154,602
Fair value of plan assets	-
Net defined benefit asset/(liability)	(154,602)

Expenses recognized in:

Parameter	31-Dec-2019
(a) Statement of profit or loss	26,671
(b) Other comprehensive income	148,741

3. Basis of valuation

3.1 Key features of the plan

Type of plan	Defined benefit
Employee's contribution	Nil
Employer's contribution	100%
Reference salary	Last basic pay
Normal retirement age	58 and 60 years*
Benefit payable on	Retirement/resignation/death while in service
Form of benefit	Lump sum
Vesting period	5 years for resignation and none for rest
Service definition	Total service rounded to nearest integer
Benefit formula	Distance * Rate per km as per RSTA

Note:

* retirement age for contract employees depends on their contract term

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3.2 Membership data

Summary statistics of membership data

Parameter		31-Dec-2019
Members considered for valuation		103
Average age (years)		32.71
Monthly salary (Nu.)	Average	15,608
	Total	1,607,586
Past service (years)	Average	5.19
	Total	535

3.3 Actuarial assumptions

Financial assumptions

Parameter	31-Dec-19
Discount rate	7.50%
Increase in carriage charges	5.00%

Demographic assumptions

Parameter	31-Dec-19
Mortality rate	100% of IALM (2006-2008)
Employee turnover rate	3.00%

4. Financial exhibits

4.1 Detailed financial exhibits

A. Liability recognised in the statement of financial position

Parameter	31-Dec-19
Present value of define benefit obligation	154,602
Fair value of plan assets	-
Funded status - surplus/(deficit)	(154,602)
Effect of asset ceiling	-
Net defined benefit asset/(liability)	**(154,602)**

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B. Composition of defined benefit cost

Parameter	31-Dec-19
Expense recognised in profit or loss	26,671
Expense recognised in other comprehensive income	148,741
Defined benefit cost	**175,412**

C. Expense recognised in statement of profit or loss

Parameter	31-Dec-19
Current service cost	28,232
Past service cost	-
Loss/(Gain) on settlement	-
Interest on DBO	(1,561)
Interest on plan asset	-
Expenses recognised in profit or loss	**26,671**

D. Amount recognised as other comprehensive income

Parameter	31-Dec-19
Actuarial (gain) or loss due to experience adjustments	148,741
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	(1,561)
Expense recognised as other comprehensive income	**148,741**

E. Reconciliation of changes in present value of defined benefit obligation

Parameter	31-Dec-19
DBO at the beginning of period	-
Add: Current service cost	28,232
Add: Past service cost	-
Add: Interest cost	(1,561)
Less: Benefits paid by the plan	-
Less: Benefits paid by the employer	(20,810)
Actuarial (gain) or losses due to experience adjustment	148,741

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Parameter	31-Dec-19
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	**154,602**

F. Composition of plan asset

Parameter	31-Dec-19
Bonds (Government/corporate)	-
Fixed deposit	-
Equities	-
Total	**-**

G. Reconciliation of changes in fair value of plan assets

Parameter	31-Dec-19
Fair value at the beginning of period	-
Contribution paid into the plan	-
Return on plan assets	-
Benefits paid from the plan	-
Return on plan assets greater or (less) than discount rate	-
Fair value at the end of period	**-**

H. Bifurcation between current & non-current liability

Parameter	31-Dec-19
Current liability	-
Non-current liability	154,602
Net Liability	**154,602**

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I. Expected benefit payments in future years

Period	Nu.
December 31, 2020	25,869
December 31, 2021	29,880
December 31, 2022	36,017
December 31, 2023	40,660
December 31, 2024	41,823
December 2024 to December 2028	287,353
December 2029 to December 2038	683,135

J. Estimated term of liability (in years)

Estimated term of liability (in years)	15.14

4.2 Sensitivity analyses

The following table summarises the results of sensitivity tests performed on the present value of the defined benefit obligation by varying the assumption parameters as listed. The same model and valuation methodology as described in 3.4 was employed for this exercise of stress testing.

Parameter	Change	Defined benefit obligation	Net effect on DBO	Percent change
	- 0.5%	164,396	9,794	6.3%
Discount rate	Base rate	154,602	-	0.0%
	+ 0.5%	145,658	(8,944)	-5.8%
	- 0.5%	145,051	(9,551)	-6.2%
Increase in transportation cost	Base rate	154,602	-	0.0%
	+ 0.5%	164,997	10,395	6.7%
	x 90%	154,515	(87)	-0.1%
Mortality rate	Base rate	154,602	-	0.0%
	x 110%	154,690	88	0.1%
	- 1%	149,293	(5,309)	-3.4%
Employer turnover rate	Base rate	154,602	-	0.0%
	+ 1%	159,322	4,720	3.1%

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Repatriation Allowance Valuation;

A summary of the key results for the year ended 31 December 2019 are presented below:

2. Executive summary

The key valuation results as at 31 December 2019 are summarized in the following tables.

Statement of financial position

Parameter	31-Dec-2019	31-Dec-2018
Present value of defined benefit obligation	229,087	185,048
Fair value of plan assets	-	-
Net defined benefit asset/(liability)	(229,087)	(185,048)

Expenses recognized in:

Parameter	31-Dec-2019	31-Dec-2018
(a) Statement of profit or loss	39,275	-
(b) Other comprehensive income	236,068	-

3. Basis of valuation

3.1 Key features of the plan

Type of plan	Defined benefit
Employee's contribution	Nil
Employer's contribution	100%
Reference salary	Last basic pay
Normal retirement age	58 and 60 years*
Benefit payable on	Retirement/resignation/death while in service
Form of benefit	Lump sum
Vesting period	5 years for resignation and none for rest
Service definition	Total service rounded to nearest integer
Benefit formula	One month's basic pay

Note:

* retirement age for contract employees depends on their contract term

3.2 Membership data

Summary statistics of membership data

Parameter		31-Dec-2019
Members considered for valuation		103
Average age (years)		32.71
Monthly salary (Nu.)	Average	15,608
	Total	1,607,586
Past service (years)	Average	5.19
	Total	535

3.3 Actuarial assumptions

Financial assumptions

Parameter	31-Dec-19
Discount rate	7.50%
Salary growth rate	5.00%

Demographic assumptions

Parameter	31-Dec-19	
Mortality rate	100% of IALM (2006-2008)	
Employee turnover rate	3.00%	3.00%

4. Financial exhibits

4.1 Detailed financial exhibits

A. Liability recognised in the statement of financial position

Parameter	31-Dec-19
Present value of define benefit obligation	229,087
Fair value of plan assets	-
Funded status - surplus/(deficit)	(229,087)
Effect of asset ceiling	-
Net defined benefit asset/(liability)	**(229,087)**

B. Composition of defined benefit cost

Parameter	31-Dec-19
Expense recognised in profit or loss	39,275
Expense recognised in other comprehensive income	236,068
Defined benefit cost	**275,343**

C. Expense recognised in statement of profit or loss

Parameter	31-Dec-19
Current service cost	41,010
Past service cost	-
Loss/(Gain) on settlement	-
Interest on DBO	(1,735)
Interest on plan asset	-
Expenses recognised in profit or loss	**39,275**

D. Amount recognised as other comprehensive income

Parameter	31-Dec-19
Actuarial (gain) or loss due to experience adjustments	236,068
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	-
Expense recognised as other comprehensive income	**236,068**

E. Reconciliation of changes in present value of defined benefit obligation

Parameter	31-Dec-19
DBO at the beginning of period	-
Add: Current service cost	41,010
Add: Past service cost	-
Add: Interest cost	(1,735)
Less: Benefits paid by the plan	-
Less: Benefits paid by the employer	(46,256)
Actuarial (gain) or losses due to experience adjustment	236,068

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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	**229,087**

F. Composition of plan asset

Parameter	31-Dec-19
Bonds (Government/corporate)	-
Fixed deposit	-
Equities	-
Total	**-**

G. Reconciliation of changes in fair value of plan assets

Parameter	31-Dec-19
Fair value at the beginning of period	-
Contribution paid into the plan	-
Return on plan assets	-
Benefits paid from the plan	-
Return on plan assets greater or (less) than discount rate	-
Fair value at the end of period	**-**

H. Bifurcation between current & non-current liability

Parameter	31-Dec-19
Current liability	-
Non-current liability	229,087
Net Liability	**229,087**

I. Expected benefit payments in future years

Period	Nu.
December 31, 2020	39,112
December 31, 2021	44,564
December 31, 2022	51,448
December 31, 2023	55,864
December 31, 2024	57,898
December 2025 to December 2029	415,041
December 2030 to December 2039	959,247

J. Estimated term of liability (in years)

Estimated term of liability (in years)	14.99

4.2 Sensitivity analyses

The following table summarizes the results of sensitivity tests performed on the present value of the defined benefit obligation by varying the assumption parameters as listed. The same model and valuation methodology as described in 3.4 was employed for this exercise of stress testing.

Parameter	Change	Defined benefit obligation	Net effect on DBO	Percent change
	- 0.5%	243,128	14,041	6.1%
Discount rate	Base rate	229,087	-	0.0%
	+ 0.5%	216,232	(12,855)	-5.6%
	- 0.5%	215,343	(13,744)	-6.0%
Salary growth rate	Base rate	229,087	-	0.0%
	+ 0.5%	244,008	14,921	6.5%
	x 90%	228,967	(120)	-0.1%
Mortality rate	Base rate	229,087	-	0.0%
	x 110%	229,208	121	0.1%
	- 1%	221,699	(7,388)	-3.2%
Employer turnover rate	Base rate	229,087	-	0.0%
	+ 1%	235,694	6,607	2.9%

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12. The physical verification of fixed assets of the company was carried out comprehensively by the verification team for the financial year ended 31st December 2019.

13. 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.

14. The land occupied by the company was leased from DCCL. The agreement has been modified now covering 8.29 acres with an agreement to pay Nu. 2.00 per square feet per annum amounting to Nu. 722.328.58 (8.29 acres is 361,164.29 square feet).

15. The following liability are no longer required, therefore Nu. 1.64 Million payable to Ms. WIPRO was written back and its treated as other miscellaneous income.

16. The Company is mainly engaged in a single business segment of producing PP Bags and related products, accordingly there is no separate reportable segment as per Bhutanese Financial Reporting Standard 8 "Operating Segments".

17. **Sales Tax on Polypropylene Bags and Fabric Roll.**

    The management has pursued the sales tax clarification on Polypropylene bag and fabrics vide Letter No. DPL/Govt-1.4/2072/854 dated 15th November 2012. In subsequent to this, the management received Letter No. RRCO/SI/BST (Exemption)/2012/922 dated 19th November 2012 from Regional Revenue & Custom Office (RRCO), Samdrup Jongkhar clarifying that till date there is no levy of sales tax on Polypropylene bag and fabrics.

18. **Going Concern Problems**

    It was pointed out in previous audit report that the company was unable to bear the impact of finance Costs and was thus making losses. In order to address this problem during 2018, the company raised capital Nu 70 million from right issue of Equity shares, out of which Nu 20 million has been used to pay off DHI's Inter Corporate Loan and Nu 35 million has been used for partial settlement of term loan and balance has been used to replenish working capital which would be used for purchase of raw materials. The trend shows that the company might make profits operationally in future based on the enhanced capacity utilization of its plant. At present there is no going concern problem in foreseeable future and under the present circumstances use of going concern basis of accounting is appropriate

19. As per the TDS guidelines issued by the Department of Revenue and customs, all government and semi - government agencies, NGO, Companies and Business must deduct TDS at the time of bill payment/disbursement or credit in the books of accounts; whichever is earlier. However, the company have the practice of booking the TDS at the time of payment like any other DHI companies.

20. During the year, Company has availed inter corporate loan from DHI of Nu. 8 Million at the interest rate of 6.6% which is lower than the market prevailing rate.

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21. Related Party Disclosures

Related parties and transactions with them as identified by the Management are given below;

a. Key management personnel who have authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the company;

   i. Mr. Sonam Jigme, CEO, DCCL- Chairman (Resigned)
   ii. Mr. Yonten Namgyel, Director General, MoEA - Chairman
   iii. Mr. Karma Wangdi, Dungpa, Nganglam – Independent Director (Resigned)
   iv. Mr. Sherab Zangpo, Dungpa, Nganglam - Director
   v. Mr. Tshering Tenzin, CEO, DPL - Director
   vi. Mr. Pema Wangchuk, Director, Department of Corporate Service, CDCL– Director
   vii. Mr. Sangye Dorji, Credit In-charge, BNBL – Independent Director
   viii. Ms. Ome, Senior analyst, DHI – Nominee Director
   ix. Mr. Thinlay Gyamtsho, Proprietor, T&K Construction - Director

b. No transactions were done with relatives of Key Managerial Personnel during the year.

c. Intercompany transactions: Fellow subsidiaries with whom transactions have been made during the year:

   a. Bank of Bhutan Limited
   b. Dungsam Cement Corporation Limited
   c. Bhutan Telecom Limited
   d. State Trading Corporation of Bhutan Limited
   e. Druk Holding & Investments
   f. Penden Cement Authority Limited
   g. Bhutan Power Corporation Limited
   h. Thimphu TechPark Ltd.

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Particulars	2019	2018
Bank of Bhutan		
Balances with BoBL	11,777,950.79	34,737,035.00
Borrowings from BOB-Current	(13,400,000.00)	(13,400,000.00)
Interest on loans from BoBL	979,132.00	1,126,907.26
Bank Charges and fees for other financial services paid to BoBL	434,781.03	635,919.46
Bhutan Power Corporation Limited		
Inter Company Trade payable	(488,987.37)	(276,940.46)
Electricity Charges – Intercompanies	3,464,636.42	3,640,647.76
Running & Maintenance Of Others-Intergroup	212,046.91	138,470.46
Bhutan Telecom Limited		
Inter Company Trade payable	(42,029.00)	(115,713.00)
Communication, internet and telephone charges paid to BTL	649,267.00	754,962.00
Dungsam Cement Corporation Limited		
Inter-company trade receivable	18,946,016.04	15,624,337.13
Intergroup Non Trade Payables	(468,993.00)	(1,052,731.35)
Sale of packing material to DHI Group companies	(119,617,314.60)	(140,937,362.00)
Inter Group Lease Rent	722,328.59	835,074.95
Druk Holding and Investment		
Equity Shares held by DHI	(77,889,010.00)	(77,889,010.00)
Intergroup Non Trade Payables	(155,460.74)	-
Intergroup Accrued expenses	(102,575.54)	-
Interest on borrowings-Intergroup	102,575.54	1,234,132.42
Inter-company borrowings	(8,000,000.00)	-
Inter group Brand management Fees	187,388.46	-
Penden Cement Authority Limited		
Inter-company trade receivable	1,007,884.46	1,294,072.84
Inter-company deposits	400,000.00	-
Sale of packing material to DHI Group companies	(15,264,958.00)	(20,334,715.00)
State Trading Corporation Limited		
Running & Maintenance Of Vehicle-Intergroup	185,003.30	112,131.75
Inter Company Trade payable	(63,451.70)	

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Thimphu TechPark Ltd.

Inter Group Miscellanous Expenses	36,000.00	52,500.00
Running & Maintenance Of Others-Intergroup	139,428.33	-
Inter Company Trade payable	(175,428.33)	-

20. Managerial Remuneration

Particulars	Amount in Ngultrun (NU.)	
	2019	2018
Chief Executive Officer*		
Salaries including LTC	1,303,158.30	1,144,658.40
Contribution to Provident Fund	102,555.00	86,868.00
Sitting Fees	60,000.00	43,120.00
Travelling Expenses	181,000.00	187,980.00
Non- Executives Directors		
Board Sitting Fees	370,000.00	292,880.00
Board Level sub-Committee Sitting Fees	28,000.00	70,000.00
Board Training Expenses	427,347.40	-
Travelling expenses	185,757.00	61,250.00

* Provision for contribution to gratuity fund which was made based on actuarial valuation on an overall Company basis was not included above.

21. Auditors Remuneration:

Particulars	Amount (Nu.)	
	2019	2018
Audit Fees	63,250.00	63,250.00
Audit Expenses	117,193.00	156,263.00

*The audit expenses are taken on actual of the previous year's whereas the fees represent the current year's provision.

Place: Nganglam
Date: 23.03.2020

For Nundi & Associates
(Chartered Accountants)
Firm Registration No. 309090E

(B.N. Pal, Partner)
Membership No. 065144

NUNDI & ASSOCIATES KOLKATA Chartered Accountants