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General Information

Dungsam Polymers Limited

Nganglam, Bhutan

Mobile # : +975 77107060

: +975 77108890

Auditors:

P.C. Maskara & Co.

Chartered Accountants

423/1 Burdwan Road,

Siliguri – 734005

Phone: 0353-250 3796 / 3800 / 4444

Fax: 0353 - 2504445

E-mail: efiling@gmail.com

Bankers:

Bank of Bhutan Limited

Nganglam Branch

Nganglam, Bhutan

Phone : +975 07 481218

Fax : +975 07 481219



CORPORATE GOVERNANCE

Board of Directors



Mr. Dorji Norbu (Chairman) is the Chief Executive Officer of Dungsam Cement Corporation Limited. He served the Royal Bhutan Government for over 27 years in Department of Industries & Mines, Quarries, Projects and Cement Factory and presented papers in International and National Forums. He has also served as Explosive Consultant to Bureau of Law & Order, MoHCA (Honorary). He has Bachelor's of Technology in Mining Engineering from India School of Mines, Dhandad and MMEA (I) (Life) from Member of Mining Engineers' Association of India. He has undergone specialized courses in Mining, Geological and Metallurgical form Member of Mining, Geological and Metallurgical Institute of India, Training in Cement Production from F.L.Smith & Company, Denmark, Advanced Course in Controlled Blasting in University of Washington, College of Engineering, Seattle. He serves as a Director on the Board of the Dungsam Cement Corporation Limited and as a General Secretary, BIFA, Nganglam.



Dasho Nima Gyeltshen is the Dungpa of Nganglam Dungkhag under Pemagatshel Dzongkhag. He received his Bachelor of Education from Samtse College of Education and Master Degree in Education from University of New England, Armidale, Australia. Prior to taking up his present position, he served as the Teacher, Principal, Education Monitoring Officer, District Education Officer under Ministry of Education and Dzongrab in Trongsa Dzongkhag under Ministry of Home and Cultural Affairs.





Mr. Jigme Tashi Tsering is currently working as a Senior Analyst at Druk Holding and Investments (DHI). He pursued his Bachelor of Technology (B. Tech) in Civil Engineering from the Indian Institute of Technology (IIT), Delhi and Master in Environmental Engineering from the University of Melbourne. He has served the Royal Government for over 10 years, having working in the Ministry of Education, Royal Audit Authority and the National Environment Commission. Prior to his present appointment, he served as Deputy Chief Environment Officer with the National Environment Commission.



Mr. Tshering Tenzin is the General Manager, Finance & Administration Division of Dungsam Cement Corporation Limited. He received a Bachelor of Commerce (Hons) from Sherubtse College, and Bachelor of Business Degree from University of South Australia. He has also received Certified Practicing Accountant (CPA) from CPA Australia. Prior to taking up his present position, he served with the Department of Aid and Debt Management, Ministry of Finance.



Mr. Sonam Wangchuk is the General Manager (Project) of Dungsam Cement Corporation Limited. He received his Bachelor of Engineering (B. Ed) in Mechanical Engineering from Regional Engineering College, Durgapur, India and his Post-Graduate Diploma in Cement Technology from National Council for Cement and Building Materials (NCCBM), Ballabgarh, Haryana, India. Before his current appointment, he was the Senior Mechanical Engineer (Project) of Penden Cement Authority Limited.



REPORT FROM THE BOARD OF DIRECTORS



Dorji Norbu, Chairman

To,
The Shareholder,
Dungsam Polymers Limited

Sir,

On behalf of the Board of Directors, I have the great pleasure to submit the Annual Report together with the Auditor's Report and Audited Financial Statements of the company for the year ended 31st December 2012 to Druk Holding and Investments (DHI), the Shareholder of Dungsam Polymers Limited on the performance of company for the period 26th March to 31st December 2012.

The Project based at Chengkari, Nanglam under Pemagatshel Dzongkhag with the installed Plant capacity of 350 kg/hr melting output, which can deliver one hundred thousand woven fabric bags in a day was completed on 25th March 2012. The plant commenced its commercial production on 26th March 2012 and is inaugurated by His Excellency Lyonpo Zangley Dukpa, Minister of Health and His Excellency Lyonpo Om Pradhan, Chairman, DHI.

Operational & Business Performance

Dungsam Polymers Limited has commenced its production from 26th March 2012 and the first batch of 31,500 PP bags and 15,500 bags was sold to Penden Cement Authority Limited (PCAL) and Lhaki Cement respectively in the month of April 2012. The company has produced 301.716 MT of Fabric out of which 2.60 million PP bags were produced.



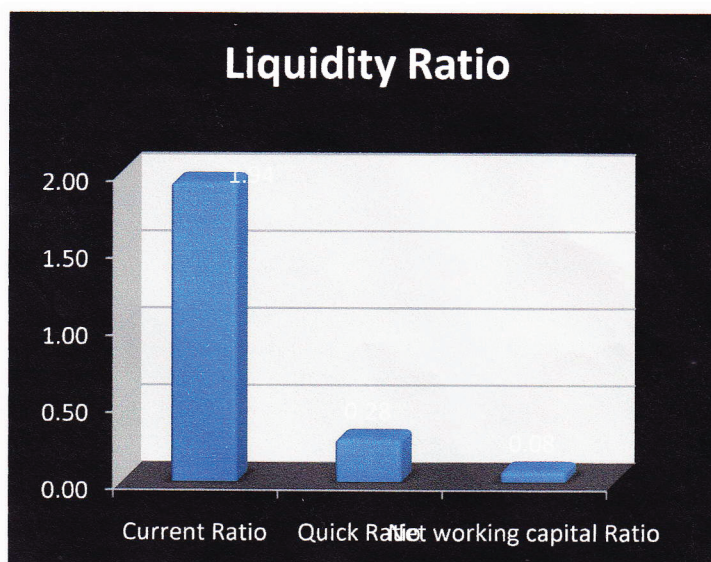
The sales figures for the year 2012 was 2.13 million PP Bags and 81.20 MT of Fabric sold in local market and neighboring states of Assam and West Bengal. The closing floor stock for the year was 58.41 MT with the wastage generation of 13 MT.

Financial Highlights

During the financial year 2012, Dungsam Polymers earned revenue of Nu. 25.114 million from sale of PP bags and Fabric. The Profit after Tax (PAT) in the financial year 2012 is -19.241 million. On account of net loss in the financial year 2012, the company is focusing on cost savings by minimizing wastages and improving the efficiency in all section of the plant. The company is not able to generate enough revenue, and the shortfall will be made through working capital loan to meet the cash position of the company.

The financial position of the Company constitute with the Shareholder's funds of Nu. 42.189 million and secured loan of Nu. 126.57 million; with debt representing 75% of equity.

The fund applications consist of Nu. 135.609 million in fixed assets (net block) and Nu. 1.210 million in capital works in progress, and the balance in the form of net current assets. The summary of liquidity position of the company is highlighted in the Chart..



Enterprise Resource Planning (ERP - SAP)

The ERP-SAP implementation in DCCL, DPL and DHI Infra is being carried out under Project iDragon with a vision "To adopt world class technology and best business practice on SAP platform." The contract for the actual implementation was awarded on 30th April, 2012 to WIPRO (India) as the Implementation Partner (IP). The team of 6 employees from DPL is exclusively engaged with the experts from WIPRO in the implementation of ERP-SAP. As of 31st December 2012, approximately 70% of project implementation was completed.

Statutory Auditors



M/s P.C. Maskara & Co., Chartered Accountants from Siliguri was appointed by Royal Audit Authority (RAA) to conduct the audit of Dungsam Polymers Limited for the financial year 2012.

Human Resources Development

DPL believes that human capital is a critical component of company's assets and therefore it is important to attract, retain and reward the employees appropriately. In doing so, DPL intends to introduce Performance Management System (PMS) in 2013 as part of good corporate governance practice and institutionalize the incentivizing and rewarding the high performers.

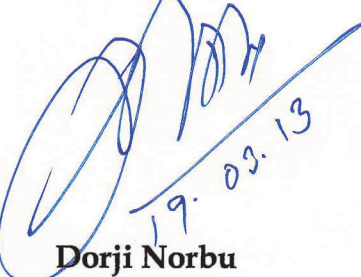
The company has 94 dedicated and motivated employees with diverse skills and professional backgrounds. The selection of company's Chief Executive Officer (CEO) has been completed through Druk Holding & Investments (DHI), who shall join the company by first month of 2013.

Acknowledgements

The Board would like to put on record its sincerest gratitude and appreciation to the Royal Government of Bhutan, Druk Holding & Investments, National Pension and Provident Fund, Dungsam Cement Corporation Limited, Regional Revenue & Custom Office, Ministry of Economic Affairs, Royal Monetary Authority, Ministry of Finance and other organizations in Bhutan; and to the suppliers, contractors and public for the continuous support rendered to the company.

The Board would also like to place on record our appreciation for the Management team, and all the employees of Dungsam Polymers for their dedicated work and contributions to the performance of the Company. The Board shall continue to support the Company in moving forward and urge the management to continue to improve the performance of the Company.

Tashi Delek



19.03.13

Dorji Norbu
(Chairman)

Dungsam Polymers Ltd.
Nganglam : Bhutan



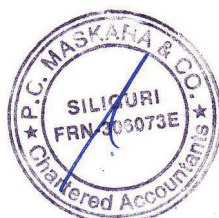


AUDITORS' REPORT


**TO THE SHAREHOLDERS
DUNGSAM POLYMERS LIMITED
NGANGLAM, BHUTAN**

1. We have audited the attached Balance Sheet of Dungsam Polymers Limited, Nganglam, Bhutan as at 31st December 2012 and also the Profit and Loss Account and the Cash Flow Statement for twelve months period ended on that date both annexed thereto. The financial statements are the responsibility of the management of the Company. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with generally accepted auditing standards. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit includes determining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Minimum Audit Examination and Reporting Requirements under Schedule XIV of Section 75 of the Companies Act of the Kingdom of Bhutan, 2000 we enclose a statement on the matters specified therein to the extent applicable as an Annexure to our report.
4. Further to our comments in Annexure referred to in paragraph 3 above:
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b) In our opinion proper books of account as required by law have been kept by the company so far as appears from our examination of those books.
 - c) The Balance Sheet, the Profit & Loss Account dealt with by this report are in agreement with the books of account.
 - d) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read in conjunction with the Significant Accounting Policies and Notes on Accounts at Schedule 20, give the information required by the Companies Act of the Kingdom of Bhutan, 2000 in the manner so required and the said accounts give a true and fair view:
 - i. in case of the Balance Sheet, of the state of affairs of the Company as at 31st December 2012 ;
 - ii. in case of the Profit and Loss Account, of the loss for the year ended on that date; and
 - iii. in so far as it relates the Cash Flow Statement, of the movement of cash flows of the Company for the period ended on that date.

Place: Siliguri, West Bengal
Date: 04/03/2013



For P.C. MASKARA & CO.
Chartered Accountants
(Firm Regn.No.306073E)


(C.A. Partosh Sarkar)
Partner (Mem.No.066539)



DUNGSAM POLYMERS LIMITED
A Royal Government of Bhutan Undertaking
(Incorporated under Companies Act of Bhutan 2000)
Nganglam, Bhutan

MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENTS FOR
THE YEAR 2012

1. The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. Physical verification of fixed assets was conducted by the management during the year. No material discrepancies were noticed on such verification.
2. None of the fixed assets were revalued during the year.
3. The stock of finished goods, raw materials, store and spare parts has been physically verified by the management at the year end.
4. The procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
5. According to the information and explanation given to us no material discrepancies were noticed on physical verification of stocks as compared to the book records.
6. On the basis of our examination of stock records, we are of the opinion that the valuation of stock is fair and proper and in accordance with the normally accepted accounting principles. The basis of valuation is same as in the previous year.
7. The company has not availed any secured or unsecured loans from companies, firms or other parties and/or from the companies under the same management. The company has availed secured loan of Nu.2,72,20,000/-during the year from National Pension & Provident Fund.
8. The company has not granted any secured or unsecured loans to companies, firms or other parties and/or to companies under the same management.
9. The loans/advances granted to officers/staffs are generally in keeping with the provisions of service rules and no excessive/frequent advances are granted and accumulation of large advances against particular individual is avoided.



10. 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 rules/regulations and system and procedures. However, the internal control system needs to be further strengthened in the area of management of stores.
11. Sales and purchases of goods are based on competitive bidding.
12. As explained to us the company has not entered into purchase and service transaction with the directors or other parties related to the directors or with companies or firms in which the directors are interested.
13. As explained to us there is some unserviceable or damaged stores, raw materials or finished goods.
14. The company is maintaining reasonable system of ascertaining and identifying point of occurrence of breakage/ damages of its goods while in transit, during loading / unloading, in storage and during handing. Responsibility for such loss could be fixed and compensation can be sought from the person responsible wherever possible.
15. The company is maintaining reasonable records for production of finished goods, and adequate physical safeguards exist to prevent unauthorized or irregular movement of goods from the company. The company has no by products.
16. The company is generally regular in depositing rates and taxes, duties, royalties, provident funds, and other statutory dues with the appropriate authority. Outstanding statutory dues as on 31.12.2012 were Nu.1,69,423.54 (P.Y. Nu. 3,552.82).
17. As per information and explanation given to us there is no undisputed amount 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.
18. According to the information and explanations given to us, no personal expenses have been charged to the company's accounts.
19. The company has reasonable system of recording receipts, issue and consumption of raw material and stores commensurate with its size and nature of its business. As the operation of the company is continuous one there is no scope allocating materials to any job.



20. Quantitative reconciliation is carried out at the end of accounting year in respect inventories.
21. The approval of the appropriate authority was obtained for writing off amounts due to material loss / discrepancies in physical/ book balances of inventories including finished goods, raw materials, stores and spares.
22. The company does not have any system of allocating man-hours utilized to the respective jobs.
23. There is reasonable system of authorization at proper levels. The internal control is commensurate with the size and nature of business of the company. There is system of authorization for issuing of material but allocation of material to job is not possible as the company is not operating on batch production.
24. There is a reasonable system of price fixation taking into account market conditions instead of determining the cost of goods produced.
25. The credit sales policy is in our opinion reasonable. However, the company does not have formalized procedures for credit rating of its customers.
26. The company has not appointed any commission agent for selling its products during the period under audit.
27. In our opinion, the system for follow-up with debtors and other parties for recovery of outstanding amounts needs improvement. However, the system of obtaining year-end balance confirmation from Sundry Debtors require improvement.
28. 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.
29. According to the information and explanations given to us, and on the basis of examination of books and records on test check basis, the activities carried out by the company are in our opinion lawful. We have not come across any cases where the company has acted ultra vires the Articles of Incorporation of the company.
30. In our opinion and according to the information and explanations given to us, the company has a system of approval of the Board of all capital investment decision.



31. The company has established a budgetary control system.
32. The input-output relationship can be established but standard costing system has not been introduced in the company.
33. The remuneration paid to the Directors have been disclosed in the Accounts. We have been informed that no such payment was made to any relative of any director of the company during the year.
34. According to the information and explanations given to us, the directives of the boards have been complied with.
35. According to the information or explanation given to us we are of the opinion that the officials of the company have not transmitted any price sensitive information which are made publicly available, unauthorized to their relatives/friends/associates or close persons which would directly or indirectly benefit themselves.

Computerized Accounting Environment

1. The company has a Computerized accounting system and the internal control system seems to be adequate taking into account the size and nature of its computer installations.
2. According to the information and explanation given to us adequate safeguard measures and back up facilities exist there.
3. There is proper back up facilities; however no disaster recovery measures like keeping files in different and remote locations are practiced.
4. Operational controls are adequate to ensure correctness and validity of input data and output information.
5. There are adequate preventive measures for unauthorized access over the computer installation and files.

General

1. Going Concern

Based on the Company's financial statements for the year ended 1st December, 2012 audited by us, though the Company has suffered loss we have no reason to believe that the Company is not a going concern since the Company has commenced commercial operation in the year 2012 only.



2. **Ratio Analysis (Please refer Annexure-'A')**

3. **Compliance with the Companies Act of the Kingdom of Bhutan**

The Company has complied with the requirements of the Companies Act of the Kingdom of Bhutan, 2000. Our observations in detail have been furnished in Annexure-'B' & 'C'.

4. **Adherence to Laws, Rules and Regulations**


The audit of the Company is governed by the Companies Act of the Kingdom of Bhutan, 2000 and the scope of audit is limited to examination and review of the financial statement 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 and its Article of Incorporation and we are unable to state that the company has been complying with other applicable laws (other than the Companies Act of the Kingdom of Bhutan, 2000) rules and regulation, systems, procedures and practices.

Place: Siliguri, West Bengal

Date: 04/03/2013

For P.C. Maskara & Co.
Chartered Accountants
(Firm Regn.No. 306073E)


(CA. Paritosh Sarkar)
Partner (Mem.No.066539)





DUNGSAM POLYMERS LIMITED
A Royal Government of Bhutan Undertaking
(Incorporated under Companies Act of Bhutan 2000)
Nganglam, Bhutan
ANNEXURE-'A'
Ratio Analysis

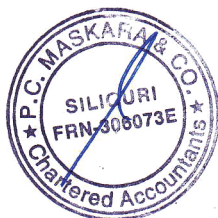
Sl. No.	Name of the Ratio	Basis	2012	2011
I	LIQUIDITY RATIOS			
1	Current Ratio	Current Assets/ Current Liabilities	1.94	2.13
2	Quick Ratio	(Current Assets - Inventory)/ Current Liabilities	0.28	1.29
3	Net Working Capital	Net Working Capital / Total Assets	0.08	0.16
II	PROFITABILITY RATIOS			
4	Net Profit Ratio	Net Profit / Sales	-0.77	-
5	Return on Assets	Net Profit / Average Total Assets	-0.13	-
6	Return on Equity	PAT / Equity Share Capital	-0.46	-
7	Return on Capital Employed	PBIT / Capital Employed	-0.09	-
III	TURNOVER RATIOS			
8	Asset turnover Ratio	Sales / Average Total Assets	0.16	-
9	Stock Turnover Ratio	Cost of Goods Sold / Average Inventory	1.40	-
IV	COVERAGE RATIOS			
10	Interest Coverage Ratio	Interest / (PAT +Interest)	-0.39	-
V	CAPITAL STRUCTURE RATIOS			
11	Debt Equity Ratio	Long Term Debt / Net Worth	5.52	2.48



DUNGSAM POLYMERS LIMITED
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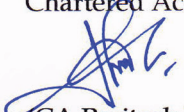

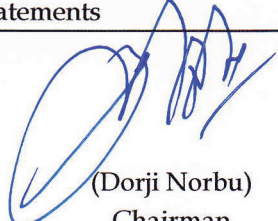

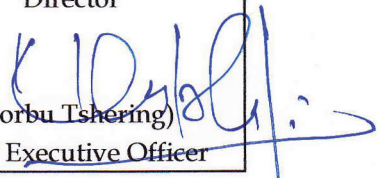
BALANCE SHEET AS AT 31ST DECEMBER 2012

Sl. No.	Particulars	Schedule No.	YEAR 2012	YEAR 2011
			Amount (Nu.)	Amount (Nu.)
I	SOURCES OF FUNDS			
A	Shareholder's fund			
	Share Capital	1	42,189,000.00	40,000,000.00
	Reserve & Surplus	14	(19,240,751.84)	-
B	Loan Funds			
	Secured Loans	2	126,570,000.00	99,350,000.00
	TOTAL		149,518,248.16	139,350,000.00
II	APPLICATION OF FUNDS			
C	Fixed Assets	3		
	Gross Block		145,639,881.66	1,933,278.00
	Less: Depreciation		10,030,408.00	290,701.00
			135,609,473.66	1,642,577.00
	Capital Work-in-Progress	4	1,210,340.23	101,147,516.31
D	Long Term Deposits	5	36,714.42	-
E	Current Assets, Loans & Advances			
	Inventories	6	22,270,318.87	18,024,459.62
	Sundry Debtors	7	2,976,218.88	-
	Cash & Bank Balances	8	282,194.13	22,334,389.92
	Loans & Advances	9	535,114.01	5,420,428.29
	Sub-Total		26,063,845.89	45,779,277.83
F	Current Liabilities & Provisions			
	Sundry Creditors	10	4,826,405.17	17,350,528.03
	Other Liabilities	11	8,575,720.87	4,111,059.57
	Sub-Total		13,402,126.04	21,461,587.60
	Net Current Assets (E-F)		12,661,719.85	24,317,690.23
G	Miscellaneous Expenditure (To the extent not written off or adjusted)			
	Pre-Incorporation Expenses	12	-	36,396.00
	Pre-Operative Expenses	13	-	12,205,820.46
	TOTAL		149,518,248.16	139,350,000.00
Significant Accounting Policies 20				
The accompanying notes are an integral part of the Financial Statements				
<p>In terms of our Report of even date</p> <p>For P.C.Maskara & Co. Chartered Accountants</p> <p>(CA. Paritosh Sarkar)066539 Partner</p> <p>Place: Siliguri, West Bengal Date: 04/03/2013</p> <p>(Dorji Norbu) Chairman</p> <p>(Tshering Tenzin) Director</p> <p>(Norbu Tshering) Chief Executive Officer</p>				



DUNGSAM POLYMERS LIMITED
A Royal Government of Bhutan Undertaking
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Nganglam, Bhutan

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 2012

SI No	Particulars	Schedule No.	YEAR 2012
			Amount (Nu.)
I	INCOME		
	Sales	15	25,114,580.38
	Other Income	16	2,295,357.67
	TOTAL		27,409,938.05
II	EXPENDITURE		
	Cost of Goods Sold	17	28,151,652.33
	Other Expenses	18	3,484,568.52
	Finance Cost	19	5,389,626.04
	Depreciation	3	9,624,843.00
	TOTAL		46,650,689.89
III	Profit /(Loss) before Tax		(19,240,751.84)
	Less: Provision for Taxation		-
	Net Profit/(Loss) for the year		(19,240,751.84)
	Balance forward from previous year		-
	Balance Transferred to Balance Sheet		(19,240,751.84)
	Significant Accounting Policies	20	
	The accompanying notes are an integral part of the Financial Statements		
	<p>In terms of our Report of even date</p> <div style="display: flex; justify-content: space-between; align-items: flex-start;"> <div style="width: 45%;"> <p>For P.C.Maskara & Co. Chartered Accountants</p> <p> (CA.Paritosh Sarkar) 066539 Partner</p> <p>Place: Siliguri, West Bengal Date: 04/03/2013</p> </div> <div style="width: 10%; text-align: center;">  </div> <div style="width: 45%;"> <p> (Dorji Norbu) Chairman</p> <p> (Tshering Tenzin) Director</p> <p> (Norbu Tshering) Chief Executive Officer</p> </div> </div>		

DUNGSAM POLYMERS LIMITED
A Royal Government of Bhutan Undertaking
(Incorporated under Companies Act of Bhutan 2000)
Nganglam, Bhutan

CASH FLOW STATEMENT FOR THE YEAR ENDED 31-12-2012

Particulars	Amount (Nu.)	Amount (Nu.)
A: CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit before Tax as per Profit and Loss Account		(19,240,751.84)
Adjusted for:		
Depreciation	9,624,843.00	
Interest	5,385,929.04	
Pre - Operative Expenses charged to P/L	1,706,953.00	
Loss/Retirement/ Scraping of Assets	6,193.06	
Loss/Retirement/ Scraping of Inventories	6,813.88	
Interest on Long Term Deposits	(1,134.42)	
		16,729,597.56
Operating Profit before Working Capital Changes		(2,511,154.28)
Adjusted for:		
Inventory	(4,245,859.25)	
Sundry Debtors	(2,976,218.88)	
Loans & Advances	4,885,314.28	
Current Liabilities	(12,524,122.86)	
Other Liabilities	4,464,661.30	
		(10,396,225.41)
Net Cash from Operating Activities		(12,907,379.69)
B: CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets		(33,132,307.06)
Long Term Deposits		(35,580.00)
Net Cash used in Investing Activities		(33,167,887.06)
C: CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from Issue of Shares		2,189,000.00
Proceeds from Long Term Borrowings		27,220,000.00
Interest Paid		(5,385,929.04)
Net Cash from Financing Activities		24,023,070.96
Net Decrease in Cash & Bank Balance		(22,052,195.79)
Opening Cash & Bank Balance		22,334,389.92
Closing Cash & Bank Balance		282,194.13

This is the Cash Flow Statement referred to in our report of even date

For P.C.Maskara & Co.
Chartered Accountants

(CA.Paritosh Sarkar)066539
Partner

Place: Siliguri, West Bengal
Date: 04/03/2013



(Dorji Norbu)
Chairman

(Tshering Tenzin)
Director

(Norbu Tshering)
Chief Executive Officer

DUNGSAM POLYMERS LIMITED
A Royal Government of Bhutan Undertaking
(Incorporated under Companies Act of Bhutan 2000)
Nganglam, Bhutan

(Schedules forming part of the Balance Sheet as at 31st December 2012)

A) Shareholder's Fund

SCHEDULE : 1 : Share Capital

Particulars	YEAR 2012		YEAR 2011	
	No of Shares	Amount (Nu.)	No of Shares	Amount (Nu.)
Authorised Capital				
1,000,000 Shares of Nu. 100 each	1,000,000.00	100,000,000.00	1,000,000.00	100,000,000.00
Total	1,000,000.00	100,000,000.00	1,000,000.00	100,000,000.00

Issued & Paid up Capital

421,890 Shares of Nu. 100 each fully paid up

Particulars	No of Shares	Amount (Nu.)	No of Shares	Amount (Nu.)
Druk Holding & Investment	421,890.00	42,189,000.00	400,000.00	40,000,000.00
(Previous year 400,000 Shares of Nu.100 each)				
Total	421,890.00	42,189,000.00	400,000.00	40,000,000.00

B) Loan Funds

SCHEDULE : 2 : Secured Loan

Particulars	YEAR 2012		YEAR 2011	
	Amount (Nu.)	Amount (Nu.)	Amount (Nu.)	Amount (Nu.)
<u>Term Loan</u>				
Loan from National Pension & Provident Fund (Secured against hypothecation of Building Infrastructure, Plant & Machineries etc.)		126,570,000.00		99,350,000.00
Total		126,570,000.00		99,350,000.00

C) SCHEDULE : 4: Capital Work-in-Progress

Particulars	YEAR 2012		YEAR 2011	
	Amount (Nu.)	Amount (Nu.)	Amount (Nu.)	Amount (Nu.)
Plant & Machinery	-		56,509,248.40	
Factory & Admin Buildings	-		27,828,783.00	
Staff Quarters	-		12,220,009.31	
Land & Site Development	-		2,315,974.30	
Electricals Equipments	-		2,186,682.00	
Water Supply-Factory & Colony	-		50,897.20	
Misc. Equipments	-		35,922.10	
SAP (System Application & Products)	1,210,340.23	1,210,340.23	-	101,147,516.31
Total		1,210,340.23		101,147,516.31

D) SCHEDULE : 5: Long Term Deposits

Particulars	YEAR 2012		YEAR 2011	
	Amount (Nu.)	Amount (Nu.)	Amount (Nu.)	Amount (Nu.)
Long Term Deposits				
Long-Term Deposits - Gratuity Fund-BDBL		36,714.42		-
Total		36,714.42		-



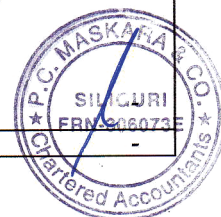
E) CURRENT ASSETS, LOANS & ADVANCES

SCHEDULE : 6 : Inventories

Particulars	YEAR 2012		YEAR 2011	
	Amount (Nu.)	Amount (Nu.)	Amount (Nu.)	Amount (Nu.)
Raw Materials				
Calcium Carbonate - Filler	201,799.95		-	
Colour Master Batch - Blue	37,724.67		-	
Colour Master Batch-Chromo Orange	28,295.95		-	
Colour Master Batch -Green	33,278.57		-	
Colour Master Batch-Leaf Green	13,306.27		-	
Colour Master Batch-Parrot Green	68,968.67		-	
Colour Master Batch - Peach	24,570.30		-	
Colour Master Batch - Pink	40,343.85		-	
Colour Master Batch - RED	29,841.00		-	
Colour Master Batch (Voilet)	59,275.01		-	
Colour Master Batch - Yellow	72,022.51		-	
PP Granules	8,598,368.02	9,207,794.77	15,720,096.00	15,720,096.00
Work-in-progress		7,767,272.24		-
Finished Goods		3,672,565.70		-
Scrap Materials		91,088.51		-
Stores				
Auto Cutting(Consumables)	425,259.96		-	
Bearing	20,064.00		-	
Belt	1,050.00		-	
Circlip	1,140.00		-	
Electrical Items	123,408.06		834,757.50	
Hardware Items	338,258.20		507,567.15	
HNB	5,607.82		-	
Loom (Consumables)	13,143.00		-	
Lubricants/HSD	205,370.31		-	
Misc. Items	75,915.00		43.65	
Plumbing Items	161,540.06		852,169.74	
Printing Machine (Consumables)	58,533.64		-	
Tape Plant (Consumables)	57,927.00		-	
Tools & Plants	44,380.60	1,531,597.65	109,825.58	2,304,363.62
Total		22,270,318.87		18,024,459.62

SCHEDULE : 7 : Sundry Debtors

Particulars	YEAR 2012		YEAR 2011	
	Amount (Nu.)	Amount (Nu.)	Amount (Nu.)	Amount (Nu.)
M/s Sunshine Overseas Pvt. Limited	928,705.97		-	
M/s Umadutt Industries Ltd.	916,844.06		-	
M/s Sitha Ram Enterprise	564,659.70		-	
M/s Karma Feeds	273,875.70		-	
M/s Druk Cement Co. Pvt. Ltd	221,000.00		-	
M/s Shanti Plastic & Chenmical Industries	36,338.55		-	
M/s Jigme Industries Pvt. Limited	8,523.60		-	
M/s Jigme Polytex Pvt. Ltd.	7,733.85		-	
M/s Dralha Flour Mill	6,967.76		-	
M/s Vinayala Industry	5,768.48		-	
MoLHR	5,560.00		-	
M/s D.N Construction	241.21	2,976,218.88	-	
Total		2,976,218.88		



SCHEDULE : 8 : Cash & Bank Balances

Particulars	YEAR 2012		YEAR 2011	
	Amount (Nu.)	Amount (Nu.)	Amount (Nu.)	Amount (Nu.)
Cash in hand		86,420.42		17,405.06
Bank Accounts				
BDBL, Gratuity Operation A/c No.002427120007	8,970.00		-	
BoBL, Nganglam, A/c No. CD20702985000430016	(303,127.15)		22,316,984.86	
BOBL, Nganglam- INR AC No. 20702985016730012	489,930.86	195,773.71	-	22,316,984.86
Total		282,194.13		22,334,389.92

SCHEDULE : 9 : Loan & Advances

Particulars	YEAR 2012		YEAR 2011	
	Amount (Nu.)	Amount (Nu.)	Amount (Nu.)	Amount (Nu.)
Advances to Contractors				
M/s Drupwang Construction	227,201.08		-	
M/s Lohia Starlinger Limited	47,000.00		-	
M/s.Dungsam Engineering	-		138,505.45	
M/s.KSD Construction	-		235,218.00	
M/s.KSD Construction	-		500,000.00	
M/s.Kurtoe Construction	-	274,201.08	81,854.02	955,577.47
Advances to Suppliers				
M/s. Jamphel Clearing & Logistics			1,000,000.00	
M/s. Bhutan Hardware Agency			1,000.00	
M/s. Rig Chog Enterprise			49,613.47	
M/s. Premium Granules Private Limited			316,500.00	
M/s. Prestar Infrastructure Project Ltd			41,000.00	1,408,113.47
Employee Advance - Salary		77,633.77		34,000.00
Advance to BOD - POL		10,005.10		-
STCBL - Adhoc Advance		2,283.00		-
Margin Money (RRCO)		-		2,867,000.00
House Rent - Receivables		13,980.54		-
BST Receivable		-		155,737.35
TDS - Prepaid Expenses		157,010.52		-
Total		535,114.01		5,420,428.29



F) CURRENT LIABILITIES & PROVISIONS

SCHEDULE : 10 : Sundry Creditors

Particulars	YEAR 2012		YEAR 2011	
	Amount (Nu.)	Amount (Nu.)	Amount (Nu.)	Amount (Nu.)
Sundry Creditors - Contractors				
M/s Drupwang Construction		28,774.76		-
Sundry Creditors - Services				
M/s Dawa Tshering -Hiring Vehicle	17,556.00		-	
M/s Impelco Electronic Company	6,030.00		-	
M/s Jamphel Clearing & Logistic	13,320.00		-	
M/s Jigme Tshongkhang	140.00		-	
M/s Lakhmee Enterprises	13,416.00		-	
M/s Lisha Enterprises	3,000.00		-	
M/s Nangsel Air Ticketing Services	41,417.00		-	
M/s Srijan Impressions	6,330.00		-	
M/s Tashi InfoComm Ltd.	4,290.82		-	
M/s Tower Waston India Pvt. Ltd.	15,000.00			
Kuensel Corporation Ltd	-		29,400.00	
Yangkhor Enterprises	11,960.00	132,459.82	-	29,400.00
Sundry Creditors - Suppliers				
M/s Bhutan Polymers Limited	39,900.00			
M/s Everest Polyfillers Pvt. Limited	81,176.33			
M/s Gantipati Sterieos	6,324.00			
M/s Himalaya Traders	13,465.00		- 724.25	
M/s Kamala Enterprise	3,750.00			
M/s Lohia Starlingar Ltd	-		22,616.00	
Diten Dorji Shop	-		- 60.00	
M/s. Mariana Enterprises	-		24,420.00	
M/s Metro Computers	15,020.00		20,615.40	
M/s Saudi Basic Industries Corporation			15,720,096.00	
M/s Prestar Infracstructure Project Limited	3,621,805.01			
M/s S.N. Trading	649,062.50		1,534,164.88	
M/s Unique Trade Agency	127,400.00			
M/s Yukta Tele System	107,267.75	4,665,170.59		17,321,128.03
Total		4,826,405.17		17,350,528.03

SCHEDULE : 11 : Other Liabilities

Particulars	YEAR 2012		YEAR 2011	
	Amount (Nu.)	Amount (Nu.)	Amount (Nu.)	Amount (Nu.)
Provisions				
Provision for BST	-		155,737.35	
Provision for Audit Expenses	60,000.00		16,000.00	
Provision for Audit Fees	50,000.00	110,000.00	50,000.00	221,737.35
Accounts Payable				
DHI - Accounts Payable	100,000.00		-	
Dungsam Cement Corporation Limited	830,511.34		13,524.21	
M/s Bhutan Telecom Limited	2,202.70		-	
M/s Bhutan Hardware Agency	-		171,137.00	
M/s Harayana Traders	-		11,909.00	
Related Party Vendors	9,649.00	942,363.04	-	196,570.21



Outstanding Liabilities to Employees				
O/s Liability for Encashment	4,329.20		-	
O/s Liability for LTC	209,965.00		-	
Liability for Expenses	-		27,260.14	
Unpaid Salary of Staff	7,298.00	221,592.20	7,298.00	34,558.14
Performance Security Withheld				
Performance Security - KSD Construction	20,000.00		-	
Performance Security- M/s Gaki Pelbar	4,465.66		4,465.66	
Performance Security-Prestar	50,600.00	75,065.66	100,000.00	104,465.66
Retirement Benefit Obligations				
Provision for Gratuity		401,550.00		-
Security Deposits				
Retention Money - M/s Dungsam Engineering	665,210.56		-	
Retention Money - M/s Gaki Pelbar Construction	4,465.66		-	
Retention Money - M/s Jigyel Construction -	36,368.55		-	
10% Retention Money	-		772,788.85	
Retention Money - M/s Kurtoe Construction	579,018.51	1,285,063.28	-	772,788.85
Tax Deducted at Source				
TDS - Contractors/Suppliers	7,543.54		3,552.82	
TDS-Others	3,090.00	10,633.54	-	3,552.82
Interest Accrued But Not Due		5,370,663.15		-
IDC Payable		-		2,777,386.54
Provident Fund - Payable		158,790.00		-
Total		8,575,720.87		4,111,059.57

G) SCHEDULE : 12 : Pre-Incorporation Expenses

Particulars	YEAR 2012		YEAR 2011	
	Amount (Nu.)	Amount (Nu.)	Amount (Nu.)	Amount (Nu.)
License and Registration Fees	-		12,100.00	
Travelling Expenses	-		16,702.00	
Office Entertainment	-		7,594.00	36,396.00
Total		-		36,396.00

SCHEDULE : 13 : Pre-Operative Expenses

Particulars	YEAR 2012		YEAR 2011	
	Amount (Nu.)	Amount (Nu.)	Amount (Nu.)	Amount (Nu.)
Pre-Operative Expenses		-		12,205,820.46
Total		-		12,205,820.46

H) SCHEDULE : 14 : Reserve & Surplus

Particulars	YEAR 2012		YEAR 2011	
	Amount (Nu.)	Amount (Nu.)	Amount (Nu.)	Amount (Nu.)
Transferred from Profit & Loss Account		(19,240,751.84)		-
Total		(19,240,751.84)		-



DUNGSAM POLYMERS LIMITED
A Royal Government of Bhutan Undertaking
(Incorporated under Companies Act of Bhutan 2000)
Nganglam, Bhutan

C) SCHEDULE : 3 : FIXED ASSETS SCHEDULE

Sl. No.	Particulars	Dep. Rate (%)	GROSS BLOCK			DEPRECIATION			NET BLOCK		
			As on 26/03/2012	Addition/Adjustment during the year	Disposal	As on 31/12/2012	Up to 26/03/2012	For the Year	Deduction	As on 31/12/2012	As on 31/12/2011
I	Civil Structure	3	-	73,926,067.94	-	73,926,067.94	-	1,375,410.00	-	1,375,410.00	72,550,657.94
II	Furniture & Fixture	15	177,389.00	42,081.30	-	219,470.30	4,526.00	21,277.00	-	25,803.00	193,667.30
III	Office Equipment	15	402,781.00	295,625.00	-	698,406.00	50,789.00	61,950.00	-	112,739.00	585,667.00
IV	Vehicles	15	1,513,807.00	-	-	1,513,807.00	293,804.00	174,813.00	-	468,617.00	1,045,190.00
V	Tools & Plants (Nu.500-Nu.5,000)	100	56,818.00	3,961.00	-	60,779.00	56,790.00	3,958.00	-	60,748.00	31.00
VI	General Assets	15	5,750.00	-	-	5,750.00	464.00	664.00	-	1,128.00	4,622.00
VII	Machinery	15	-	68,519,442.48	-	68,519,442.48	-	7,912,586.00	-	7,912,586.00	60,606,856.48
VIII	Misc. Equipments	15	-	703,160.00	7,001.06	696,158.94	-	74,185.00	808.00	73,377.00	622,781.94
	TOTAL		2,156,545.00	143,490,337.72	7,001.06	145,639,881.66	406,373.00	9,624,843.00	808.00	10,030,408.00	135,609,473.66
	Previous Year		-	1,933,278.00	-	1,933,278.00	-	290,701.00	-	290,701.00	1,642,577.00
			-	-	-	-	-	-	-	-	-



DUNGSAM POLYMERS LIMITED
A Royal Government of Bhutan Undertaking
(Incorporated under Companies Act of Bhutan 2000)
Nganglam, Bhutan

(Schedules forming part of the Profit & Loss A/c for the period ending 31st December 2012)

INCOME

SCHEDULE : 15 : Sales

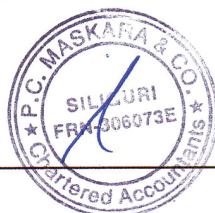
Particulars	YEAR 2012	
	Amount (Nu.)	Amount (Nu.)
PP Bags	16,593,497.05	
Fabric Roll	7,670,282.88	
Fabric Cut Piece	850,800.45	25,114,580.38
Total		25,114,580.38

SCHEDULE : 16: Other Income

Particulars	YEAR 2012	
	Amount (Nu.)	Amount (Nu.)
Liquidity Damage	1,793,200.00	
Sale of Scrap Materials	373,087.55	
House Rent - Employees	83,615.03	
Miscellaneous Income	24,420.82	
Recoveries From Staff (Electricity Charges)	19,899.85	
Interest Income on LTD-Gratuity Fund	1,134.42	2,295,357.67
Total		2,295,357.67

SCHEDULE : 17 : Cost of Goods sold

Particulars	YEAR 2012	
	Amount (Nu.)	Amount (Nu.)
Consumption of Raw Materials		
PP Granules - PP500P	24,451,618.40	
Calcium Carbonate -Filler	1,865,645.05	
Colour Master Batch-Yellow	63,524.97	
Colour Master Batch-Green	52,934.13	
Colour Master Batch-Lemon Yellow	42,108.14	
Colour Master Batch - Parrot Green	29,325.16	
Colour Master Batch-Blue	22,634.82	
Colour Master- Batch Leaf Green	22,177.10	
Colour Master Batch - RED	19,950.00	
Colour Master Batch - Violet	13,172.22	26,583,089.99
Add: Direct Expenses		
Power & Fuel		
Power & Fuel	1,224,106.13	
Demand Charges-Power	386,761.34	1,610,867.47
Employee Remuneration & Benefits		
Basic Salary	5,160,586.06	
Allowances	1,785,164.52	
Wages (Including Finishing Unit Payment)	1,430,334.45	
Employer's Contribution to Provident Fund	567,517.68	
Gratuity Expenses	357,000.00	
Leave Travel Concession	355,652.00	
Arrear Pay	249,867.00	
Liveries	91,090.00	
GPA- Insurance	47,300.00	
HRD Expenses	26,710.00	
Defined Benefit Plan Expenses	15,000.00	
Sports Activities	11,800.00	
Leave Encashment	4,329.20	10,102,350.91



Operation & Maintenance Expenses		
Running & Maintenance of Plant	1,379,216.91	
Running & Maintenance of Equipments	7,053.50	1,386,270.41
		39,682,578.78
Add: Opening Stock -WIP		-
		39,682,578.78
Less: Closing Stock -WIP		7,767,272.24
Cost of Production		31,915,306.54
Add: Opening Stock -Finished Goods		-
		31,915,306.54
Less: Closing Stock -Finished Goods		3,763,654.21
Total		28,151,652.33

SCHEDULE : 18 : Other Expenses

Particulars	YEAR 2012	
	Amount (Nu.)	Amount (Nu.)
Administrative & Other Expenses		
Consultancy Charges	515,000.00	
Inuguration Expenses	455,929.00	
Land Lease	379,277.00	
Director's Sitting Fees	212,000.00	
Rates & Taxes	208,132.64	
Travelling Expenses	150,408.00	
Director's Training Expenses	133,638.50	
Board Meeting Expenses	105,118.00	
Fees & Subscription	100,000.00	
Entertainment Expenses	96,940.00	
Printing & Stationeries	95,082.00	
Audit Expenses	59,208.00	
Telephone, Fax & Internet Charges	55,312.27	
Carriage Inward	53,153.00	
Audit Fees	50,000.00	
Other Office Expenses	38,486.16	
Sub Committee Sitting Fees	36,000.00	
Fines & Penalties	33,049.40	
Books & Periodicals	31,400.00	
Rent	22,704.00	
Loss/Retirement/Scraping of Inventories	6,813.88	
Loss/Retirement/Scraping of Assets	6,193.06	
Sub Committee Meeting Expenses	5,472.00	
Donation & Gifts	4,783.50	
License/ Registration Fees	4,000.00	
Postage & Courier	3,295.00	
Loading Charges	2,470.00	
Fuel for Vechile	1,000.00	
Miscellaneous Expenses	2.00	2,864,867.41
Repairs & Maintenance		
Running & Maintenance of Vehicles	210,064.98	
Running & Maintenance of Colony	55,956.63	
Running & Maintenance of Furniture & Fixture	2,970.50	268,992.11
Selling & Distribution Expenses		
Carriage Outward	220,250.00	
Marketing Expenses	99,859.00	
Advertisement & Publicity	30,600.00	350,709.00
Total		3,484,568.52

SCHEDULE : 19 : Finance Cost

Particulars	YEAR 2012	
	Amount (Nu.)	Amount (Nu.)
Interest on NPPF Loan	5,385,929.04	
Bank Charges	3,697.00	5,389,626.04
Total		5,389,626.04



Dungsam Polymers Limited

Schedule 20: Significant Accounting Policies

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 26th March 2012.

B. Significant Accounting Policies

1. Basis of Preparation

The financial statements have been prepared to comply in all material respects with the Generally Accepted Accounting Principles (GAAP) and the relevant provisions of the Companies Act of the Kingdom of Bhutan, 2000, and on going concern basis. The financial statements have been prepared under the historical cost convention on an accrual basis except as stated otherwise. The accounting policies have been consistently applied by the Corporation.

The preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP) requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current event and actions, actual results ultimately may differ from those estimates.

2. Changes in Accounting Policy

In the current year, gratuity is accrued based on actuarial valuations carried out by an independent actuary, under the defined benefit scheme. The earlier basis of valuation was on number of years of service rendered by employee multiplied by the basic salary of the employee as at the reporting date.

With effect from 10th July 2012, the employees of the Company are entitled for 30 days earned leave instead of 20 days for every year of their service with the Company. Further, the leave balance can be accumulated up to 60 days instead of 30 days and earned leave beyond 60 days would lapse automatically.



3. Fixed Assets

Fixed Assets are stated at cost of acquisition, including any costs attributable for bringing the assets to their working condition for their intended use less accumulated depreciation and impairment losses. The date of capitalization is the actual date when the particular asset has been put to use. Capital work in progress is stated at amount expended up to the date of the Balance Sheet.

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.

4. Depreciation

Depreciation on fixed assets is provided on straight-line method at the rates provided by the Rules of the Income Tax Act of the Kingdom of Bhutan, 2001.

The depreciation for the asset purchased / constructed during the year is pro-rated on the basis of actual number of calendar days from the date asset has been put to use.

Assets with value of Nu. 500 and below: The assets costing Nu. 500 and below would be considered as consumables and charged as expenses when put to use.

Tools and Plants: Tools and plants above Nu. 5,000 would be capitalized and depreciated in line with the provision of Income Tax of Kingdom of Bhutan 2001. For tools and plants costing more than Nu.500 and equal to Nu. 5,000, the entire cost would be treated as depreciation expenses when put to use by keeping Nu. 1 as book value. As for tools and plants costing Nu. 500 and below would be considered as consumables and charged as expenses when put to use.

5. Inventory

- i. Inventories are valued at lower of cost or net realizable value.
- ii. Cost is calculated on Weighted Average Method basis and comprises expenditure incurred in the normal course of business in bringing such inventories to its present location.
- iii. Obsolete, slow moving and defective items of inventory are identified at the time of physical verification of inventories and where necessary, adjustment is made for the same.

6. Revenue Recognition

- i. Revenue from the Sale of PP Bags, Fabric Roll & Scrap Materials within and outside Bhutan is recognized on accrual basis.



- ii. Rates for sale of the same are as determined by the appropriate authority based on the market condition.
- iii. Other revenues are recognized and accounted for on accrual basis, except where stated otherwise.
- iv. Interest revenue is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

7. Retirement benefits

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 NPPF which is equal to a specified percentage of the covered employees' salary. The Provident Fund administered by National Pension and Provident Fund, and such contributions are charged to Income Statement when paid to the NPPF.

Under Defined Benefit Scheme

- i. Gratuity is provided on the basis of actuarial valuation. 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 pension obligations, the discount rate to measure obligations, expected mortality, the expected future compensation and the expected healthcare cost trend. Actual results will differ from results which are estimated based on assumptions.
- ii. Leave encashment is provided for in the financial statements on accrual basis without doing actuarial valuation.

8. Pre-incorporation, Pre-operative Expenses & Interest during construction (IDC)

The Pre-Incorporation, Pre-Operative Expenses and IDC (Interest During Construction) Accrued during the Construction of Project till 25th March 2012 is proportionately allocated to Factory Shed & Administration Block and Plant & Machineries and capitalized on approval from the Board in 8th Board Meeting. The reason behind the allocation is mainly as these two components of project cost have direct impact on the production of PP Bags as compared to other expenditure incurred. Moreover the cost incurred on these two components is more as compared to other components of Project Cost.

9. Expenditure on new projects and substantial expansion

Expenditure on materials purchased/issued in executing the project and installation of machines were capitalized. The employee costs incurred during the project phase are



capitalized. The expenditure incurred on land and site developments for construction of factory and colony during construction period are also capitalized.

10. Land Lease

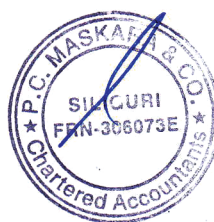
Management considers its lease of land to be operating lease. The payments made under operating lease are recognized in the income statement on a straight-line basis over the term of the lease.

11. Impairment of Assets

An asset is said to be impaired when the carrying amount of the asset exceeds its recoverable amount. Impairment loss should be calculated when any one of the following indications exist:

- i. A significant fall in the market value of an asset;
- ii. An adverse effect on an enterprise due to significant changes in technology, economic or legal environment, plan to discontinue or restructure the operation to which an asset belongs;
- iii. Fall in market capitalization below the carrying amount of the net asset of the Corporation;
- iv. Evidence of obsolescence or physical damage to the asset;
- v. The internal reporting of the Corporation shows that the economic performance of an asset will be less than expected.

Since there is no such indication management has decided not to assess the impairment of assets as the major asset of the corporation has been only 9 months on putting it to the use.



C. Notes to Accounts

1. Dungsam Polymers Limited (DPL) was incorporated under the Companies Act of the Kingdom of Bhutan, 2000 on 12th August 2010. The Project based at Chengkari, Nanglam under Pemagatshel Dzongkhag is set up for manufacturing and marketing of Polypropylene related products. DPL is wholly owned subsidiary of Druk Holding and Investment Limited (DHI).
2. The authorised share capital of the Company is Nu. 100,000,000 (Nu.1,000,000 Equity Shares @ Nu. 100 each) and as of the report date, the total subscribed and paid up capital is Nu. 42,189,000 (Nu. 421,890 Equity Shares @ Nu. 100 each).
3. The major project has been completed on 25th March 2012 and the plant is inaugurated by His Excellency Lyonpo Zangley Dukpa, Minister of Health and His Excellency Lyonpo Om Pradhan, Chairman, DHI on 26th March 2012.
4. Consequent to the above event, the profit or loss account and cash flow statement for the year 2012 includes only 9 months and 6 days (26th March 2012 to 31st December 2012). Hence the previous year's figures were not applicable in the Profit & Loss Account.
5. Approximately 21% of installed plant capacity has been utilized in the financial year 2012.
6. All statutory record and books of account are maintained at its registered office at Nganglam, Pemagatshel, Bhutan.
7. Previous year's figures have been rearranged and regrouped wherever necessary (in Schedule forming part of financial Statements).
8. Expenses from the Date of Incorporation to Commercial Date of Operation are disclosed as Pre-incorporation Expenses and Pre-operative Expenses. The Pre-incorporation Expenses and Pre-operative Expenses as on 25th March 2012 are Nu. 36,396 and Nu. 10,607,725.58 respectively.
9. National Pension & Provident Fund (hereafter called as NPPF) is the sole lender of loan to the corporation. The corporation has Nu. 126.57 million Collateralized borrowings having net book value of Nu. 126.57 million as at December 31, 2012. The borrowing is for a period of 10 years (40 installments), bearing interest at an annual fixed rate of 10%.
10. Interest on loan amounting to Nu. 5,370,663.15 for the year ended 31st December 2012 has been defaulted because of delay in Dungsam Cement Corporation Limited (DCCL)



commissioning and Impact of recession both in domestic and export market in north east estate of India.

11. The Physical Asset Verification Team of the Company carried out comprehensive verification of the assets and inventories of the Company for the financial year ended 31st December 2012. The following findings and proposals were submitted to the Management on 18th January 2013.

- I. The total assets costing Nu. 7,001.06 with book value of Nu. 6,193.06 were found unserviceable and had been written-off from the books during the year 2012.
- II. Obsolete inventory costing Nu. 3,637.50 had been written-off during the year 2012.
- III. The total inventories costing Nu. 3,176.38 was found missing and has been written-off from the books during the year 2012.
- IV. During the course of physical verification, the team has considered the concepts to define and consider the critical, regular and obsolete inventory. The summary of critical, regular and obsolete inventory is as below:

Sl.No.	Nature of Inventory	Value (Nu.)
1	Critical Inventory	10,145,077.76
2	Regular Inventory	597,491.04
3	Obsolete Inventory	3,637.50
	Grand Total (Nu.)	10,746,206.30

12. Depreciation on fixed asset is provided on straight line method at the rates which are in conformity with the requirement of the Rules to the Income Tax Act of Kingdom of Bhutan 2001.

13. No segregation, classifying inventories under fast moving, slow moving and non-moving has been made as the policy for such segregation has not been introduced. Since this policy requires historical information on inventory movement for last three years and the corporation has gone only 9 months in production, it will be achieved upon implementation of SAP Enterprise Resource Planning System during next year.

14. Dungsam Cement Corporation Limited (DCCL) invited request for Proposal (RFP) for SAP Enterprise Resource Planning (ERP) implementation in DCCL through DHI to WIPRO, India and the final proposal was submitted on 29th March 2012. The Head - ICT, DHI proposed the advantage of doing SAP Implementation for DPL with DCCL due to both being manufacturing company and following similar processes, and advantage of proximity



in location to do the implementation together. Doing DPL later stage will lead to incurring almost same cost of DCCL as the entire resources need to be mobilized again.

Today, the Company is in the process of implementation of SAP Enterprise Resource Planning System which would integrate all the standalone systems like Finance, Fund Management, Human Resource Management, Material Management, Production Planning, Plant Maintenance, Project System, etc. This would enable proper check and balance as the system operates based on role authorisation matrix which would enable DPL to avoid assignment of the conflicting roles. All the business process has been documented and wherever possible process improvement has been made and with centralised control, the standard policy and procedures would uniformly implemented. The project kicked-off with effect from 15th July 2012 and is expected to go live by 1st February 2013.

15. 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-14/2012/854 dated 15th November 2012. In subsequent to this, the management received Letter No. RRCO/SJ/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.

16. Managerial Remuneration:

Sl. No.	Particulars	2012	2011
		Nu.	Nu.
1	Directors Sitting Fees	256,000.00	160,000.00
2	Board Level Committee Sitting Fees	36,000.00	16,000.00

The above remuneration is based on actual payment.

17. Auditors remuneration: Audit fees provided in the accounts Nu. 50,000.

