



# ANNUAL REPORT 2022



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**DUNGSAM POLYMERS LIMITED**

## THE YEAR IN REVIEW

The year 2022 was not an exceptional year to be remembered all over the world. In Nganglam, starting from 30<sup>th</sup> Jan 2022 – 1<sup>st</sup> February 2022 blackout days was observed due to outbreak of Covid-19 pandemic. As corona virus continued to spread across Nganglam Region, the complete lockdown was called for 42 days beginning 2<sup>nd</sup> February 2022 to 15<sup>th</sup> March 2022. Nevertheless, DPL has kept the Plant operational at 27% capacity under self-containment mode to cater seamless supply of cement bags to DCCL and other domestic and export clients.

Due to the above obvious reasons, the overall performance of the company has not been achieved as anticipated. Nevertheless, the total revenue generated was Nu 190.92 million which is 6.92% increase from the previous year 2021. However, the company managed to retain positive PAT of Nu 3.98 million despite of severe challenges and hurdles encountered.

During the lockdown and when the factory was shut down due to shortages of raw materials, the employees were engaged in carrying out repair and maintenance works of Plant and machineries. We have also actively engaged our employees for construction of Septic Tank and drainage at colony. These activities have reduced the R&M cost of civil works which otherwise would have been tendered out.

On 18<sup>th</sup> October 2022, the retrofiting of MELT PUMP and replacement of Feeder Sleeve was carried out in the extrusion machine. By doing this overall quality of film has been improved and output enhanced. Additionally, it has reduced denier variations of polymer film which ultimately improved the quality of fabrics and bags.

On behalf of the Management of DPL, I would like to express our sincere gratitude to the Board and DHI for their unconditional support and care during the pandemic. 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, DPL Management would like to assure our valued shareholders that we would do every possible means to keep the bottom-line positive despite of lack of demand & sales of our products.

Tashi Delek!



Tshering Tenzin

**Chief Executive Officer**



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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, 76.3% of the production is sold to Dungsam Cement Corporation Limited (DCCL) and 22.8% 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

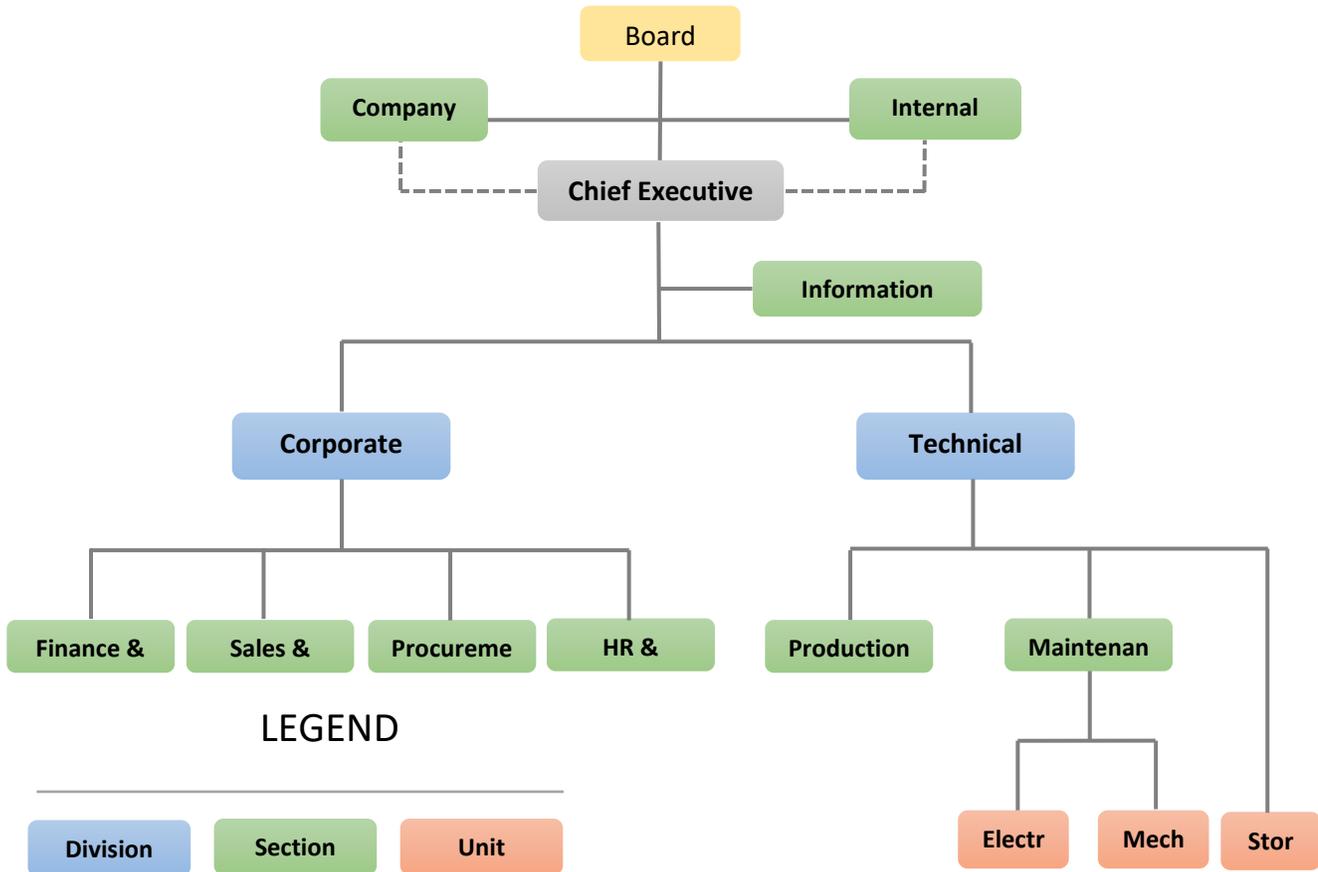
- DPL manufacture good quality, economical and environment friendly polymer bags for packing of cement and other products catering to Bhutan.

### VALUES

- Professionalism, integrity, teamwork and customer care



## ORGANIZATIONAL CHART



# **Directors Portfolio**

(DPL Board of Directors)



## BOARD DIRECTORS

### Dasho Karma Galay – Chairman



Dasho Karma Galay has Bachelor's Degree from Sherubtse and a Master's Degree from Stanford University. He started his career as Planning Officer at the erstwhile Planning Commission in 1995. He also worked as Chief Research Officer in CBS, Chief Programme Office in DLG, Director of DoR, MoWHS and Dzongda of Sarpang Dzongkhag. “

“He is soft-spoken and speaks in a friendly casual manner even to his foes. Coming from a farming background, he has a high passion for agriculture and helped them through various means like the Foothill Festival which gave the farmers to showcase and sell their products. He has researched Time Use and Happiness and Environmental Impacts. He has also co-edited various important works on GNH. “

“He is social and always encouraged community vitality. He organized numerous sporting and social activities that brought communities together. Sporting events like marathons and cycling events allowed for showing talent and improving bonding. He used to participate himself to boost morale. He is compassionate and down-to-earth. He is religious and has initiated numerous religious programs. He has unique qualities that are based on the participatory approach and understanding of the people. And from where did all this uniqueness come from? It all started from being a compassionate Wadipa. “

### Dasho Sherab Zangpo-Director



Dasho 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. established 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 Brigette Manufacturing Pvt Ltd.



### **Mr. Harilal Bhattarai-Directors**

Mr. Harilal Bhattarai obtained his Bachelor in Computer Science (Hons.) from St. Joseph's College, North Point Darjeeling, and MBA from Anna University, Chennai. He is currently working as Sr. Analyst in DHI. Prior to DPL Board, he was serving on the Board of Director of State Trading Corporation of Bhutan Limited (STCBL)



### **Mr. Sonam Darjay -Director**

Mr. Sonam Darjay obtained a Master of Business Administration, University of Canberra, Australia, Advanced Diploma of Applied Environmental Management, Northern Sydney Institute, Australia, and Bachelor of Engineering (Electrical), College of Science and Technology, Bhutan.

Since, 2010 he has undertaken numerous professional activities from the licensing of hydropower and alternate renewable energy projects, and developing regulations related to electricity generation, transmission, distribution and sales in Bhutan. Besides his professional capacity, he is passionate about studying the performance of the companies listed in the stock market. Also, transformational leadership, employee motivation, environmental management, and the application of disruptive technologies are his other area of interest.

He is currently working as Acting Chief, Licensing and Technical Division in Bhutan Electricity Authority.



### **Mr. Tshering Tenzin- CEO**

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

He served in Bhutan Power Corporation for 10 years; during his entire tenure 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. Currently, he is serving as Chief Executive Officer of Dungsam Polymers Limited.

# **DIRECTORS REPOERT**



## DIRECTORS' REPORT

### Dear Shareholders,

On behalf of the Board of Directors and the Management of Dungsam Polymers Limited (DPL), it is my privilege to present the Directors' Report for the year ending 31<sup>st</sup> December 2022.

Actually, DPL has expected much hope to get better performance in 2022, the COVID-19 pandemic continued to pull its performance down till Boarder gate opened on 23<sup>rd</sup> September 2022.

Despite of drastic increased in raw materials price due to Ukraine Russia war which impacted to increase Global Petroleum price by double fold still the company has made it to change its bottom line into Green from red.

### 1. Financial Highlights

Particulars	2022	2021	Variance
Total Revenue	190.92	178.6	6.92%
Opex	167.41	174.3	-3.94%
EBITDA	23.51	4.29	448.02%
Interest	4.79	4.39	9.11%
Depreciation & Amortization	6.11	5.95	2.69%
Profit Before Tax	12.61	-6.05	-308.43%
Income Tax Expense (Provision)	5.05	0	
Deferred Tax Expenses	3.59	0.53	577.36%
Profit After Tax	3.98	-6.58	-160.49%

In the financial year 2022 the total revenue has increased by 6.92% as compared to previous year, the operational expenses have increased by 2.32%. Despite of substantial increased in the raw material price, the company stands to make a Net Profit of Nu 3.98 million in 2022.

### 2. Customer Perspective

Despite of several lockdowns, movement restrictions and stringent covid-19 protocol we have managed to produced 12.22 million bags slightly higher than 2021. The production of bags has been increased by 0.58% as compared to previous year 2021, while the production of fabrics has

gone down by 11.80%. Similarly, the sales of bags have been increased by 2.46% as compared to previous year 2021, however the sale of fabrics have been decreased by 24.55% as compared to 2021. There were not many differences in terms of the bags production and bags sales quantities despite of covid-19 pandemic lockdowns and movement restrictions, DPL has made it fairly better performance as compared to previous year. The export business also dwindled owing to stringent COVID19 protocols and restrictions.

**Table 1: Production of PP bags**

SN	Particular	2022	2021	Variance %
1	Production of PP bags- (million)	12.22	12.15	0.58%
2	Production of Fabric- (Metric tons)	1037.97	1176.81	-11.80%

**Table 2: Sales of PP bags**

SN	Particular	2022	2021	Variance %
1	Sales of PP bags- (Million)	12.51	12.21	2.46%
2	Sales of Fabric- (Metric tons)	176.18	233.51	-24.55%

DPL sold about 83.29% of bags to DCCL and the rest to PCAL, RSA Ltd., Chundu Enterprise, Nortak Enterprise and some other small vendors and distributors across the country. Also, we have sold around 0.91 million bags to export markets mostly in Assam. Unlike the past, there was not much sale of bags to PCAL as they went through multiple shutdowns. Apart from the bags, the company exported over 176.18 MT of fabrics to customers in India.

### 3. Marketing & Sales

Dungsam Polymers limited has a capacity to produce 100,000 bags per day, the market is mainly dependent on domestic customers particularly DCCL. The other domestic clients include PCAL, RSA Pvt, Chhundu Enterprise, BMG feeds, BCD, NOTAK Enterprise, Darlha Floor mill, etc. Nevertheless, DPL also caters those informal vendors in the nearby states of Assam mainly to increase sales volume. Not much could be done to increase the market share due to travel restrictions and COVID19 protocols. The team continued to explore for more domestic customers, however, the business volume was not very significant.

### 4. Human Resource

Since the plant capacity utilization is hovering below 50%, the size of the employees is kept consciously low. Whenever there is sudden increase in the demand & supply, the employees are engaged in overtime duties, so that the overhead cost is minimized. The company has about 100 employees under its payroll.

### 5. Audit Highlights

#### 5.1 Statutory Audit

The Financial Statement of Dungsam Polymers Limited was audited by M/s. B.K Sharma & Associates, Kolkata from 27<sup>th</sup> January to 8<sup>th</sup> February 2023 at the DPL office. I am pleased to report that there is no major issue depicted in the statutory audit report for the year 2022.

#### 5.2 Royal Audit Authority

The Royal Audit Authority last audit was conducted in June 2022 for the calendar year 2018 - 2021. Among the 10 findings and observations in the compliance audit report except few observations are pending, but there are no issues of serious matter.



### **5.3 Internal Audit**

As per the statutory requirement, the internal audit was conducted from 23<sup>rd</sup> to 30<sup>th</sup> December 2022. The Internal Audit Service was outsourced from DCCL. No serious observations and the two observations pertaining to outstanding dues.

### **6. Corporate Social Responsibility**

The company did not make any notable contribution towards CSR due to financial constraints.

### **7. Board Recommendations of Dividend**

The Board is not in a position to recommend the dividends to the shareholders although profit.

### **8. Key Challenges**

First quarter 2022, was so much challenging for DPL to manage operation of Plant due to outbreak of covid-19 followed by multiple lockdowns in Nganglam. There were hardly any sales during that period of time as DCCL had to undergo shutdown time and again.

Exploring the market beyond the border is equally challenging and risky as their business is informal in nature and they deal with cash payment. The raw material price increased like never before and in the first quarter 2022. Despite huge rise in the raw material price, the company could not get proportionate increase in the selling price of cement bags.

### **9. Way Forward**

The volume of ordinary PP woven bags business in domestic market is almost saturated and doing business with Indian counterpart is so challenging and competitive.

The product diversification is the only key way forward we can foresee to make this company successful in future. There are 16 numbers of Ferro Silicon Plants are coming up in Bhutan excluding 8 numbers of Plants which are already in operation. Introducing manufacturing of Jumbo bags for packing Ferro silicon is one option to increase market share of our products. Leno bag is another product to be added in our product range for packing vegetable products. There is demand in Bhutan and also in North East Assam and in West Bengal.

Finishing Unit mechanization is another way to improve quality of products, once the quality is improved then the demand will automatically pickup.

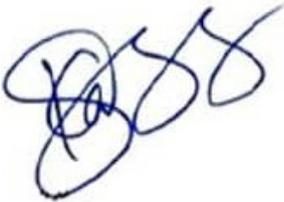
## **ACKNOWLEDGEMENTS**

I, on behalf of the Board Directors of Dungsam Polymers Limited would like to extend my heartfelt gratitude and appreciation to Druk Holding & Investments Limited, National Pension and Provident Fund, Royal Security Exchange of Bhutan Limited, Bank of Bhutan Limited, Ministry of Economic Affairs, Royal Monetary Authority, 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 active contribution. The appreciation is also extended to the Management and all other employees of DPL for their tireless and continued effort.

Tashi Delek!

For and on behalf of the Board

A handwritten signature in blue ink, appearing to be 'Karma Galey', written in a cursive style.

(Karma Galey)  
**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.

DPL 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).

SN	Name of the Directors	Category	Profile	Term of the Board Director	Directorship in other DHI Companies
1.	Mr. Karma Galay	Independent	DG, Department of Industry	First term	None
2.	Mr. Sherab Zangpo	Independent	Dungpa, Nganglam Dungkhag	Second term	None
3	Mr. Thinlay Gyamtsho	Non-Executive	Proprietor –T&K Construction	Second term	None
4.	Mr. Harilal Bhattarai	Non-Executive	Sr. Analyst, DHI	Second term	None
5.	Mr. Pema Wangchuk	Non-Executive	Dy. Project Manager of Gyalsung Project	Second term	None
6.	Mr. Sonam Darjay	Non-Executive	Chief Licensing & Technical Division, Bhutan Electricity Authority	First term	None
7.	Mr. Tshering Tenzin	Executive	CEO, DPL	Second term	None

### b) Board meetings

A total of four Board Meetings were held in 2021. 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)				
		54 <sup>th</sup> BM (19.03.2021)	55 <sup>th</sup> BM (14.05.2021)	56 <sup>th</sup> BM (14.08.2021)	57 <sup>th</sup> BM (05.11.2021)	58 <sup>th</sup> BM (15.12.2021)
1.	Dasho Karma Galay		✓	✓	✓	✓
2.	Mr. Sherab Zangpo	✓	✓	✓	✓	✓
3.	Mr. Thinlay Gyamtsho	✓	✓	✓	✓	✓
4.	Mr. Pema Wangchuk	✓	✓	X	X	✓
5.	Mr. Sonam Darjay		✓	✓	✓	✓
6.	Mr. Harilal Bhattarai	✓	✓	✓	✓	✓
7.	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 and Board NGC meetings in 2021 as the necessity was not felt.

#### 1. Board Audit Committee Meetings

S N	Board Audit Committee Member	Board Audit Committee Meetings (BACM)				
		30 <sup>th</sup> BACM (18.03.2021)	31 <sup>st</sup> BACM (13.08.2021)	32 <sup>nd</sup> BACM (28.11.2021)	33 <sup>rd</sup> BACM (14.12.2021)	34 <sup>th</sup> BACM
1	Mr. Pema Wangchuk – Chairman	✓	✓	✓	✓	✓
2	Mr. Harilal Bhattarai	✓	✓	✓	✓	✓
3	Mr. Sonam Darjay	✓	✓	✓	✓	✓

### d) Board Remuneration

Remuneration for the Non-Executive Directors is paid in the form of Board Sitting fees and travel allowance during the board meeting and Board sub-committee meetings. The Executive Directors (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:

### e) Annual General Meeting



The 12<sup>th</sup> Annual General Meeting was convened on 27<sup>th</sup> March 2023 at DHI Board Room, Thimphu attended by shareholders, Board Directors and key members of DHI. During the meeting the board chairman preside the meeting.

# **Independent Auditors Report**



**B.K. Sharma & Associates**  
Chartered Accountants

10, Clive Row, 1<sup>st</sup> Floor  
Kolkata – 700 001  
(Ph.) +91 33 46010890, +91 9831161660  
& +91 33 40443484  
E-mail: ca.bksassociates@gmail.com

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## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF DUNGSAM POLYMERS LIMITED NGANGLAM, BHUTAN

#### Opinion

We have audited the financial statements of **DUNGSAM POLYMERS LIMITED** (the Company), which comprise the statement of financial position as at December 31, 2022, 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, 2022 and of its financial performance and its cash flows for the year then ended in accordance with Bhutanese Accounting Standards (BAS).

#### Basis for Opinion

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

#### Other Information

The other information comprises the information included in the Director's Report (but does not include the financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this audit report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Director's report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.



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

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

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit 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 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 have exercised professional judgment and maintained professional skepticism throughout the audit. Our responsibilities are to:

- i. 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 basis for our opinion. The risk of not detecting material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions misrepresentations, or override of internal control;
- ii. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for purpose of expressing an opinion on the effectiveness of the Company's internal control;
- iii. Evaluate the appropriateness of accounting policies used and the reasonableness of Accounting estimates and related disclosures made by management;
- iv. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as going concern. If we conclude that material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Company to cease to continue as a Going concern; and



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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

We describe these matters in our audit report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

#### **Report on Other Legal and Regulatory Requirements**

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

Further, as required under Section 265 of the Companies Act of Bhutan 2016, we report that:

- a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- b) In our opinion, proper books of account as required by law have been kept by the Company insofar as it appears from our examination of those books;
- c) The Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows dealt with by this report have been prepared in accordance with BAS; and

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

**For B.K.SHARMA & ASSOCIATES**

Chartered Accountants

Firm Regn. No. 323388E

*B.K. Sharma*

**(CA B.K.SHARMA)**

Proprietor

Membership. No. 055602

UDIN: 23055602BGYMDB6027

Place : Nganglam, Bhutan

Dated: The 8<sup>th</sup> day of February, 2023





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## **REPORT ON MINIMUM AUDIT EXAMINATION REQUIREMENTS**

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## APPENDIX- I

### **DUNGSAM POLYMERS LIMITED NGANGLAM, BHUTAN REPORT ON MINIMUM AUDIT EXAMINATION REQUIREMENT, 2022**

#### **General:**

- i. The Company audited adhere to the Corporate Governance Guidelines and Regulations as applicable to them.
- ii. The Governing Board pursue a prudent and sound financial management practice in managing the affairs of the company.
- iii. The financial statements are prepared applying the Bhutanese Accounting Standards issued by the Accounting and Auditing Standards Board of Bhutan (AASBB).
- iv. Proper books of accounts have been maintained and financial statements are in agreement with the underlying accounting records.
- v. The adequate records as specified under Section 228 of the Companies Act of Bhutan 2016 have been maintained.
- vi. 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 resources 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 regulation issued by the Authority respectively.  
*It has been observed that the Company neither have a policy on Corporate Social Responsibility nor it maintains Corporate Social Responsibility fund which is a deviation to section 164 and section 165 of Companies Act of Bhutan 2016.*  
In the year 2022, the company has incurred payment of Nu.550.00 only on account of Corporate Social Responsibility.
- vii. The amount of tax is computed correctly and reflected in the financial statements.

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

1. As informed to us, the company is maintaining proper records of Fixed Assets showing full particulars including quantitative details and situation of fixed assets. According to the information and explanation given to us, all fixed assets have been physically verified by the Management which did not reveal any material discrepancies on physical verification.
2. It was informed that none of the fixed assets have been revalued during the year.
3. As informed by the management, physical verification was not be done by External Agency. As such the Company has formed a committee for the said purpose. The said physical verification was conducted on 31<sup>st</sup> December, 2022 and completed on the same day in respect of finished goods, spare parts, raw materials and fixed assets by the Company's officials.
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. Some discrepancies were noticed on physical verification of stock as compared to records. Hence the company should take necessary action to resolve this irregularity. *Further in*



*order to improve the inventory control, it is suggested to increase the frequency of Stock Verification as may be convenient to the Management and appropriate steps should be taken to eliminate the variance between Stock Records & Physical Balances.*

6. As informed by the Management, 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 between books record and physical verification is carried out at the end accounting year in respect of all major items of inventories i.e. Raw Materials, Semi Finished Goods, Finished Goods, Spare Parts & Consumables, etc.
8. It was informed by the Management that some of the items were found obsolete, damaged, and missing in course of physical verification of Stock & Fixed Assets. The necessary adjustments in the books will be done after getting approval from authorities.
9. It was informed by the Management that no obsolete and surplus inventories are disposed off during the year.
10. As no stock has been written off during the year, the approval of Board was not necessary.
11. On the basis of 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 Board of Bhutan (AASBB). The basis of valuation of stocks is the same as in preceding year. The Company values inventories at lower of Cost or 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 review, except advances granted to suppliers of raw materials in normal course of business and to the officers/ employees of the company.
14. Generally, officers/ employees to whom loans/ advances have been given by Company are repaying the principal amounts as stipulated. In our opinion and according to the information and explanation given to us, loans/ advances granted to the officers/ staff are generally in keeping with the provision of the Company's services rules.
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 should widen the areas of coverage by Internal Audit.*
16. As informed by the Management, the Company has 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. As informed by the Management, 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, equipments and other assets.

18. (a) According to information and explanation given to us there was 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 director(s) are directly or indirectly interested except DHI group companies. According to the information and explanation given to us, the transactions 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 the 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.
20. As informed by the Management, no unserviceable or damaged stores, raw materials or finished goods are being determined during the year expect as mentioned in Sl.No.8 herein above.
21. It has been informed that there is no reasonable system of ascertaining and identifying point of occurrences of breakage/ damages of raw materials, packing materials and finished products i.e. while in transit, during processing, during loading/ unloading, in storage and during handling etc, so that responsibility could be fixed and compensation sought from those responsibility.
22. The Company is maintaining reasonable records for Production of finished goods and by-products.
23. The Company is maintaining reasonable records for sales and disposal of realizable by products and scraps wherever applicable.
24. The Company is regular in depositing rates and taxes, duties, royalties, provident funds, and others statutory dues with the appropriate authority. The provision for corporate tax has been made as per the prevailing tax laws, rules and regulations of Bhutan.
25. As per the records made available to us, there are no undisputed amounts in respect of rates, taxes, provident funds and other statutory dues, which are outstanding as on the last day of the financial year. The details are as follows.

Sl. No.	Nature of Expense	Amount
a.	Health Contribution Payable	20,740.00
b.	Salary Tax Payable	33,386.00
c.	TDS Payable	32,903.55

26. As informed by the Management, the Company has a reasonable system of allocating man-hour utilized to the respective jobs, commensurate with the size and nature of business.
27. As informed by the Management there is a reasonable system of price fixation taking into account the cost of production and market conditions.
28. In our opinion and accordance 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, since the company's major customer is Dungsam Cement Corporation Limited.*
29. As informed by the Management, the Company does not have any commission agent during the year. So this clause is not applicable for the year.





30. It was informed that there is reasonable system for continuous follow-up with debtors and other parties for recovery of outstanding amounts.
31. The management of liquid resources particularly cash/ bank and short term deposits etc. are adequate and we observe that, there is no such excessive amount lying idle in non-interest bearing accounts and withdrawals of loan amounts are made after assessing the requirements of funds from time to time and no excess amounts are withdrawn leading to avoidable interest burden on the company.
32. In our opinion and according to the information and explanation given to us, the activities carried out by the management are lawful and intra vires to the Article of Incorporation of the Company.
33. During the year the company has not made any investment decision and investment in new projects, accordingly, this clause is not applicable.
34. As informed by the Management, the Company has established a budgetary control system through the implementation of Fund Management (FM) Module in SAP.
35. As informed by the Management, the input-output relationship was established through standard costing system and the variances analysis carried out on periodic intervals and corrective actions are taken if warranted. *However it is required to do such activities more often rather than only on an annual basis.*
36. The remuneration paid to the chief Executive Officers and sitting fees paid to Directors has been disclosed in Accounts. According to the 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 Officers or any of their relatives (including spouse(s) and child/ children) have not been made by the company directly or indirectly during the year.
37. According to the information and explanations given to us, the directives of the Board have been complied with.
38. According to the information and explanations given to us, the officials of the Company have not transmitted any price sensitive information, which are not made publicly available, to their relatives/ friends/ associates or close persons.
39. In our opinion and according to the information and explanation given to us proper records are kept for inter unit transactions/ services and arrangement for services made with other agencies engaged in similar activity.
40. In our opinion and according to the information and explanation given to us, proper agreements are executed and the term 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 control in SAP for Inventory Management.



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 data migration has taken place so this clause is not applicable.

**Other requirements:**

**General:**

**1. Going concern problems**

The matter relating to the Going Concern has been disclosed in Note No.C(15) of Notes to financial statements.

**2. Ratio Analysis**

Ratio Analysis determining the financial health and profitability of the enterprise being mentioned herein below (Page No.56-59)

**3. Compliance with the Companies Act of Bhutan, 2016**

The Companies Act of Bhutan, 2016, governs audit of the Company and the scope of audit is limited to examination and reviews of the financial statements as produced to us by the management. In the course of audit, we have considered the compliance of provision of the said Companies Act and its Article of Incorporation and observed that the Company has complied with all the provisions of the Companies Act of Bhutan, 2016 *except the followings:*

- i) *Non - Maintenance of Corporate Social Responsibility Fund u/s 165*

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

The Companies Act of Bhutan, 2016, governs audit of the Company and the scope of audit is limited to examination and reviews of the financial statements as produced to us by the management. In the course of audit, we have considered the compliance of provision of the said Companies Act and its Article of Incorporation and observed that the Company has complied with most of the provisions of the Companies Act of Bhutan, 2016. On the basis of our test check during the audit, we have to state that the Company has generally complied with the provisions of the Income Tax Act of the Kingdom of Bhutan 2001 *except for deduction of TDS being deducted on payment.* Any non-compliance or departure from accepted practice and approved system/ procedures having effect on financial statements that come to our notice during the course of our audit have been indicated by way of notes on accounts and appropriately dealt with in our reports.

In respect of other Laws, Rules & Regulations, in the absence of any comprehensive compliance report, we are unable to comment on compliance of the same.

**For B.K.SHARMA & ASSOCIATES**

Chartered Accountants

Firm Regn. No. 323388E

*B.K.Sharma*

**(CA B.K.SHARMA)**

Proprietor

Membership. No. 055602

UDIN: 23055602BGYMDB6027

Place : Nganglam, Bhutan

Dated: The 8<sup>th</sup> day of February, 2023





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## **FINANCIAL STATEMENTS**

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**DUNGSAM POLYMERS LIMITED**

**STATEMENT OF FINANCIAL POSITION AS ON 31ST DECEMBER 2022**

Particulars	Schedule	31/12/2022	31/12/2021
		Amount (Nu.)	Amount (Nu.)
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Investment	1	69,110.58	64,764.88
Property, Plant and Equipment	2	90,474,347.89	92,248,828.41
Intangible Assets	3	957,280.75	781,258.22
Capital Work-In-Progress	4	109,600.00	1,897,516.86
Right of Use - Lease	5	221,297.75	0.00
Other Non-Current Assets	6	400,000.00	0.00
<b>Total Non-Current Assets</b>	<b>A</b>	<b>92,231,636.97</b>	<b>94,992,368.37</b>
<b>Current Assets</b>			
Cash and Cash Equivalents	7	6,309,945.96	1,303,470.10
Trade and Other Receivables	8	30,050,735.03	28,056,453.10
Inventories	9	19,982,718.61	23,948,786.57
Current Tax Assets	10	3,300,925.66	0.00
Other Current Assets	11	1,435,544.58	8,593,991.01
<b>Total Current Assets</b>	<b>B</b>	<b>61,079,869.84</b>	<b>61,902,700.78</b>
<b>Total Assets (A+B)</b>		<b>153,311,506.81</b>	<b>156,895,069.15</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share Capital	12	152,723,500.00	152,723,500.00
Securities Premium Account	13	26,348,001.00	26,348,001.00
Retained Earnings	14	(135,363,840.35)	(135,142,566.93)
<b>Total Equity</b>	<b>C</b>	<b>43,707,660.65</b>	<b>43,928,934.07</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and Other Payables	15	11,856,104.06	8,603,349.17
Current Borrowings	16	18,482,057.19	25,973,757.82
Other Current Liabilities	17	6,609,643.52	4,611,937.30
Provisions	18	7,677,624.77	3,096,058.26
<b>Total Current Liabilities</b>	<b>D</b>	<b>44,625,429.54</b>	<b>42,285,102.55</b>



<b>Non-Current Liabilities</b>			
Non-Current Borrowings	19	44,698,373.81	54,183,729.62
Retirement Benefit Obligations	20	7,325,543.14	7,370,147.00
Deferred Tax Liability	21	12,713,544.50	9,127,155.91
Lease Liability	22	240,955.17	0.00
<b>Total Non Current Liabilities</b>	<b>E</b>	<b>64,978,416.62</b>	<b>70,681,032.53</b>
<b>Total Liabilities (D+E)</b>		<b>109,603,846.16</b>	<b>112,966,135.08</b>
<b>Total Liabilities and Equity (C+D+E)</b>		<b>153,311,506.81</b>	<b>156,895,069.15</b>

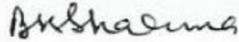
The above Statement of Financial Position should be read in conjunction with the accompanying notes

Significant Accounting Policies & Notes on Accounts 33

The Notes referred to above form an integral part of the Financial Statements

As per our attached Report of even date

For B.K. Sharma & Associates  
Chartered Accountants  
Firm Registration No.323388E



(CA B.K.SHARMA)  
Proprietor  
Membership No.055602  
UDIN : 23055602BGYMDB6027



(MR. KARMA GAYLAY)  
Chairman



(MR. D.B. GURUNG)  
Chief Executive Officer

Place: Nganglam, Bhutan  
Dated: The 8<sup>th</sup> Day of February, 2023



## DUNGSAM POLYMERS LIMITED

### STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER 2022

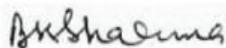
Particulars	Schedule	31/12/2022	31/12/2021
		Amount (Nu.)	Amount (Nu.)
<b>Income</b>			
Revenue from Manufacturing Sector	23	189,359,409.82	176,228,799.74
Other Income	24	1,563,852.18	2,331,998.59
Finance Income	25	0.00	4,345.70
<b>Total Revenue</b>		<b>190,923,262.00</b>	<b>178,565,144.03</b>
<b>Expenses</b>			
Consumption of Raw Material, Consumables and Changes in Inventory of Finished Goods	26	120,165,733.73	130,914,918.85
Operation and Maintenance Expenses	27	3,608,650.40	1,978,490.55
Employee Compensation & Benefit Expenses	28	35,606,356.53	34,999,425.37
Other Expenses	29	7,893,200.74	6,384,420.99
Depreciation and Amortisation	2-5	6,106,245.31	5,950,733.15
Finance Cost	30	4,790,107.35	4,386,420.05
Impairment Loss of Financial Asset	31	139,572.00	0.00
<b>Total Expenditure</b>		<b>178,309,866.06</b>	<b>184,614,408.96</b>
<b>Profit/(Loss) Before Income Tax</b>		<b>12,613,395.94</b>	<b>(6,049,264.93)</b>
Income Tax Expenses (Provision)		5,048,855.00	0.00
Deferred Tax Expenses	32	3,586,388.59	533,744.91
<b>Profit/(Loss) After Income Tax</b>		<b>3,978,152.35</b>	<b>(6,583,009.84)</b>
<b>Other Comprehensive Income/(Loss)</b>			
(i) Items that will not be reclassified to Profit or Loss			
- Actuarial Gain/ (Loss) on post employment benefit obligations	C(9)	(1,375,071.00)	77,047.00
(ii) Income Tax relating to items that will not be reclassified to Profit or Loss		412,521.00	0.00
<b>Net Other Comprehensive Income/(Loss)</b>		<b>(962,550.00)</b>	<b>77,047.00</b>
<b>Total Comprehensive Income/(Loss)</b>		<b>3,015,602.35</b>	<b>(6,505,962.84)</b>
<b>Basic and Diluted Earnings per Share</b>	<b>C(21)</b>	<b>0.26</b>	<b>(0.43)</b>

The above Statement of Financial Position should be read in conjunction with the accompanying notes



The Notes referred to above form an integral part of the Financial Statements  
As per our attached Report of even date

For B.K. Sharma & Associates  
Chartered Accountants  
Firm Registration No.323388E



(CA B.K.SHARMA)

Proprietor

Membership No.055602

UDIN : 23055602BGYMDB6027

Place: Nganglam, Bhutan

Dated: The 8<sup>th</sup> Day of February, 2023



(MR. KARMA GAYLAY)

Chairman



(MR. D.B. GURUNG)

Chief Executive Officer

**DUNGSAM POLYMERS LIMITED**

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2022**

(Figures in Ngultrum)

**Number of shares authorised for each class of shares:**

Authorised Share Capital	As at 31st December	
	2022	2021
30,000,000 Equity Shares of Nu. 10 each	300,000,000.00	300,000,000.00

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				
<b>Balance as at January 1, 2021</b>	<b>15,272,350.00</b>	<b>10.00</b>	<b>152,723,500.00</b>	<b>26,348,001.00</b>	<b>(128,636,604.09)</b>	<b>0.00</b>	<b>50,434,896.91</b>
Issue of rights shares	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Impact of fair value of inter corporate loan	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Profit for the year	0.00	0.00	0.00	0.00	(6,583,009.84)	0.00	(6,583,009.84)
Other Comprehensive Income/ (Loss) for the year	0.00	0.00	0.00	0.00	77,047.00	0.00	77,047.00
<b><u>Effect of Para 42 of BAS 8 (for restatement of previous year's figure)</u></b>							
None	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Balance as at December 31, 2021</b>	<b>15,272,350.00</b>	<b>10.00</b>	<b>152,723,500.00</b>	<b>26,348,001.00</b>	<b>(135,142,566.93)</b>	<b>0.00</b>	<b>43,928,934.07</b>
<b>Balance as at January 1, 2022</b>	<b>15,272,350.00</b>	<b>10.00</b>	<b>152,723,500.00</b>	<b>26,348,001.00</b>	<b>(135,142,566.93)</b>	<b>0.00</b>	<b>43,928,934.07</b>
Issue of rights shares	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Impact of fair value of inter corporate loan	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Profit for the year	0.00	0.00	0.00	0.00	3,978,152.35	0.00	3,978,152.35





Income Tax Assessment (2020)	0.00	0.00	0.00	0.00	(2,747,748.10)	0.00	(2,747,748.10)
Expected Credit Loss of Receivables (Earlier Year)	0.00	0.00	0.00	0.00	(454,838.17)	0.00	(454,838.17)
Lease Liabilities (Earlier Year)	0.00	0.00	0.00	0.00	(3,272.01)	0.00	(3,272.01)
Depreciation of Lease Liabilities (Earlier Year)	0.00	0.00	0.00	0.00	(7,903.49)	0.00	(7,903.49)
Provision for Income Tax on Other Comprehensive Income	0.00	0.00	0.00	0.00	(23,114.00)	0.00	(23,114.00)
Other Comprehensive Income/ (Loss) for the year	0.00	0.00	0.00	0.00	(962,550.00)	0.00	(962,550.00)
<b>Balance as at December 31, 2022</b>	<b>15,272,350.00</b>	<b>10.00</b>	<b>152,723,500.00</b>	<b>26,348,001.00</b>	<b>(135,363,840.35)</b>	<b>0.00</b>	<b>43,707,660.65</b>

Significant Accounting Policies & Notes on Accounts

33

The Notes referred to above form an integral part of the Financial Statements

As per our attached Report of even date

For B.K. Sharma & Associates  
Chartered Accountants  
Firm Registration No.323388E

*B.K. Sharma*

(CA B.K.SHARMA)

Proprietor

Membership No.055602

UDIN : 23055602BGYMDB6027

Place: Nganglam, Bhutan

Dated: The 8<sup>th</sup> Day of February, 2023

*(Signature of Mr. Karma Gaylay)*

(MR. KARMA GAYLAY)

Chairman



*(Signature of Mr. D.B. Gurung)*

(MR. D.B. GURUNG)

Chief Executive Officer

**DUNGSAM POLYMERS LIMITED**

**STATEMENT OF CASH FLOWS AS ON 31ST DECEMBER 2022**

Particulars	31/12/2022	31/12/2021
	Amount (Nu.)	Amount (Nu.)
<b>A: CASH FLOW FROM OPERATING ACTIVITIES:</b>		
<b>Net Profit as per Profit and Loss Account</b>	<b>12,613,395.94</b>	<b>(6,505,962.84)</b>
Adjusted for:		
Add: Depreciation	6,106,245.31	5,950,733.15
Add: Finance Cost	3,940,780.59	3,747,393.06
Add: Expected Credit Loss of Receivables	139,572.00	0.00
Add: Payment of Lease Rent	(578.43)	20,438.46
Add: Interest on Lease Liabilities	24,037.67	0.00
Add: Deferred Tax Expenses	0.00	533,744.91
Less: Interest Income on Fixed Deposits	(4,345.70)	(4,345.70)
Less: Income From Sale of Vehicle	(15,178.93)	0.00
<b>Operating Profit before Working Capital Changes</b>	<b>22,803,928.45</b>	<b>3,742,001.04</b>
Adjusted for:		
(Increase)/ Decrease in Other Non-Current Assets	(400,000.00)	0.00
(Increase)/ Decrease in Trade and Other Receivables	(2,133,853.93)	415,532.42
(Increase)/ Decrease in Inventories	3,966,067.96	(10,097,145.00)
(Increase)/ Decrease in Current Tax Assets	(3,300,925.66)	0.00
(Increase)/ Decrease in Other Current Assets	7,158,446.43	(1,204,640.59)
Increase/ (Decrease) in Trade and Other Payables	3,252,754.89	4,558,082.44
Increase/ (Decrease) in Current Borrowings	0.00	9,077,879.50
Increase/ (Decrease) in Other Current Liabilities	1,997,706.22	(744,488.94)
Increase/ (Decrease) in Provision	(467,288.49)	121,300.25
Increase/ (Decrease) in Retirement Benefit Obligations	(1,007,153.86)	1,402,167.00
Increase/ (Decrease) in Lease Liability	240,955.17	0.00
Increase/ (Decrease) in Retained Earnings	(3,236,875.77)	0.00
<b>Cash generated from Operations</b>	<b>6,069,832.96</b>	<b>3,528,687.08</b>
Less: Tax Paid	0.00	0.00
<b>Net Cash from Operating Activities (A)</b>	<b>28,873,761.41</b>	<b>7,270,688.12</b>
<b>B: CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Purchase of Fixed Assets (Net)	(3,125,989.28)	(1,974,096.47)
Sale/ Withdrawal Fixed Assets	200,000.00	0.00





A dhi company

(Increase)/ Decrease in Investment made in Fixed Deposits	(4,345.70)	(4,345.70)
Interest Income on Fixed Deposits	4,345.70	4,345.70
<b>Net Cash used in Investing Activities (B)</b>	<b>(2,925,989.28)</b>	<b>(1,974,096.47)</b>
<b>C: CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Increase/ (Decrease) in Current Borrowings	(7,491,700.63)	0.00
Increased/ (Decreased) in Non-Current Borrowings	(9,485,355.81)	(13,415,868.33)
Repayment of Lease Liabilities	578.43	(20,438.46)
Interest on Lease Liabilities	(24,037.67)	0.00
Finance Cost	(3,940,780.59)	(3,747,393.06)
<b>Net Cash from Financing Activities (C)</b>	<b>(20,941,296.27)</b>	<b>(17,183,699.85)</b>
Net Increase/ (Decrease) in Cash & Cash Equivalents (A+B+C)	5,006,475.86	(11,887,108.20)
Cash & Cash Equivalents at the beginning of the year	1,303,470.10	13,190,578.30
<b>Cash &amp; Cash Equivalents as on 31.12.2022</b>	<b>6,309,945.96</b>	<b>1,303,470.10</b>

**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'. As such during the year ended 2022, Net Profit before Tax has been considered in place of Net Profit after Tax being considered during the year ended 2021.

2. Cash and Cash Equivalents include cash in hand and bank balances in current accounts [Refer Note No.7 to the Accounts].

3. Figures in brackets indicate cash outflows.

The above Statement of Financial Position should be read in conjunction with the accompanying notes

Significant Accounting Policies & Notes on Accounts

33

The Notes referred to above form an integral part of the Financial Statements

As per our attached Report of even date

For B.K. Sharma & Associates

Chartered Accountants

Firm Registration No.323388E

*B.K. Sharma*

(CA B.K.SHARMA)

Proprietor

Membership No.055602

UDIN : 23055602BGYMDB6027

Place: Nganglam, Bhutan

Dated: The 8th Day of February, 2023

(MR. KARMA GAYLAY)  
Chairman

(MR. D.B. GURUNG)  
Chief Executive Officer



**DUNGSAM POLYMERS LIMITED**

**Schedules forming part of the Financial Position**

**(Figures in Ngultrum)**

**Schedule 1 : Investment**

<b>Particulars</b>	<b>31st December 2022</b>	<b>31st December 2021</b>
Long Term Deposits - Gratuity Fund-BDBL	69,110.58	64,764.88
<b>Total</b>	<b>69,110.58</b>	<b>64,764.88</b>





## **DUNGSAM POLYMERS LIMITED**

### **Schedule 2 : Property, Plant & Equipment (PPE)**

Particulars	GROSS BLOCK ( At Cost)				DEPRECIATION				NET BLOCK	
	As on 31/12/2021	Addition/ Adjustment	Sales/ Adjustment	As on 31/12/2022	As on 31/12/2021	For the Period	Sales/ Adjustment	As on 31/12/2022	Closing Balance as on 31/12/2022	Closing Balance as on 31/12/2021
<b>Tangible Assets</b>										
Civil Structure	75,244,500.79	628,880.29	0.00	75,873,381.08	23,950,034.60	2,611,401.02	0.00	26,561,435.62	49,311,945.46	51,294,466.19
Semi-Permanent Structures	237,873.81	0.00	0.00	237,873.81	73,627.60	33,981.97	0.00	107,609.57	130,264.24	164,246.21
Temporary Structures	283,477.37	0.00	0.00	283,477.37	198,790.07	84,687.30	0.00	283,477.37	0.00	84,687.30
Fire Fighting & Safety Equipments	62,073.90	0.00	0.00	62,073.90	47,183.53	6,126.75	0.00	53,310.28	8,763.62	14,890.37
Environment & OHS Assets	18,800.00	4,500.00	0.00	23,300.00	3,400.00	3,835.00	0.00	7,235.00	16,065.00	15,400.00
Furniture & Fixtures	599,029.95	36,096.71	0.00	635,126.66	518,540.67	22,500.52	0.00	541,041.19	94,085.47	80,489.28
Office Equipment	2,060,896.08	312,485.59	0.00	2,373,381.67	1,537,461.67	198,980.63	0.00	1,736,442.30	636,939.37	523,434.41
Vehicles	4,566,580.15	969,030.00	821,427.00	4,714,183.15	2,518,418.41	412,808.69	636,605.93	2,294,621.17	2,419,561.98	2,048,161.74
Tools & Plants	330,104.91	0.00	0.00	330,104.91	296,634.37	22,454.60	0.00	319,088.97	11,015.94	33,470.54
General Assets	274,830.36	92,350.00	0.00	367,180.36	172,611.41	40,087.24	0.00	212,698.65	154,481.71	102,218.95
Machinery	69,711,760.47	1,960,868.03	0.00	71,672,628.50	32,112,365.38	2,273,312.24	0.00	34,385,677.62	37,286,950.88	37,599,395.09
Low Value Assets	1,265,579.52	232,029.00	0.00	1,497,608.52	977,611.19	115,723.11	0.00	1,093,334.30	404,274.22	287,968.33
<b>Total</b>	<b>154,655,507.31</b>	<b>4,236,239.62</b>	<b>821,427.00</b>	<b>158,070,319.93</b>	<b>62,406,678.90</b>	<b>5,825,899.07</b>	<b>636,605.93</b>	<b>67,595,972.04</b>	<b>90,474,347.89</b>	<b>92,248,828.41</b>
<b>Previous Year</b>	<b>153,345,741.32</b>	<b>1,309,765.99</b>	<b>0.00</b>	<b>154,655,507.31</b>	<b>56,723,805.71</b>	<b>5,682,873.19</b>	<b>0.00</b>	<b>62,406,678.90</b>	<b>92,248,828.41</b>	<b>-</b>

1. Cost of Fixed Assets comprises Original Cost and all other expenses incurred to put the assets in use.
2. Depreciation is provided in accordance with Section 17 of BAS for SMEs on Property, Plant & Equipment.
3. Depreciation on Fixed Assets have been provided under Straight Line Method.



## DUNGSAM POLYMERS LIMITED

### Schedule 3 : Intangible Assets

Particulars	GROSS BLOCK ( At Cost)				DEPRECIATION				NET BLOCK	
	As on 31/12/2021	Addition/ Adjustment	Sales/ Adjustment	As on 31/12/2022	As on 31/12/2021	For the Period	Sales/ Adjustment	As on 31/12/2022	Closing Balance as on 31/12/2022	Closing Balance as on 31/12/2021
Software	10,105,625.88	448,465.28	0.00	10,554,091.16	9,324,367.66	272,442.75	0.00	9,596,810.41	957,280.75	781,258.22
<b>Total</b>	<b>10,105,625.88</b>	<b>448,465.28</b>	<b>0.00</b>	<b>10,554,091.16</b>	<b>9,324,367.66</b>	<b>272,442.75</b>	<b>0.00</b>	<b>9,596,810.41</b>	<b>957,280.75</b>	<b>781,258.22</b>
<b>Previous Year</b>	<b>10,105,625.88</b>	<b>0.00</b>	<b>0.00</b>	<b>10,105,625.88</b>	<b>9,056,507.70</b>	<b>267,859.96</b>	<b>0.00</b>	<b>9,324,367.66</b>	<b>781,258.22</b>	<b>-</b>

1. Cost of Fixed Assets comprises Original Cost and all other expenses incurred to put the assets in use.
2. Depreciation is provided in accordance with Section 17 of BAS for SMEs on Property, Plant & Equipment.
3. Depreciation on Fixed Assets have been provided under Straight Line Method.

### Schedule 4 : Capital Work-In-Progress

Particulars	GROSS BLOCK ( At Cost)				DEPRECIATION				NET BLOCK	
	As on 31/12/2021	Addition/ Adjustment	Sales/ Adjustment	As on 31/12/2022	As on 31/12/2021	For the Period	Sales/ Adjustment	As on 31/12/2022	Closing Balance as on 31/12/2022	Closing Balance as on 31/12/2021
Capital Work-In-Progress	1,897,516.86	0.00	1,787,916.86	109,600.00	0.00	0.00	0.00	0.00	109,600.00	1,897,516.86
<b>Total</b>	<b>1,897,516.86</b>	<b>0.00</b>	<b>1,787,916.86</b>	<b>109,600.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>109,600.00</b>	<b>1,897,516.86</b>
<b>Previous Year</b>	<b>1,233,186.38</b>	<b>683,680.04</b>	<b>19,349.56</b>	<b>1,897,516.86</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>1,897,516.86</b>	<b>-</b>





**Schedule 5 : Right of Use - Lease**

Particulars	GROSS BLOCK ( At Cost)			DEPRECIATION				NET BLOCK		
	As on 31/12/2021	Addition/ Adjustment	Sales/ Adjustment	As on 31/12/2022	As on 31/12/2021	For the Period	Sales/ Adjustment	As on 31/12/2022	Closing Balance as on 31/12/2022	Closing Balance as on 31/12/2021
Land	0.00	229,201.24	0.00	229,201.24	0.00	7,903.49	0.00	7,903.49	221,297.75	0.00
<b>Total</b>	<b>0.00</b>	<b>229,201.24</b>	<b>0.00</b>	<b>229,201.24</b>	<b>0.00</b>	<b>7,903.49</b>	<b>0.00</b>	<b>7,903.49</b>	<b>221,297.75</b>	<b>0.00</b>
<b>Previous Year</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>-</b>



**DUNGSAM POLYMERS LIMITED**

**Schedule 6 : Other Non-Current Assets**

**(Figures in Ngultrum)**

<b>Particulars</b>	<b>31st December 2022</b>	<b>31st December 2021</b>
Securities Deposits - Others to DHI	400,000.00	0.00
<b>Total</b>	<b>400,000.00</b>	<b>0.00</b>

**Schedule 7 : Cash and Cash Equivalents**

**(Figures in Ngultrum)**

<b>Particulars</b>	<b>31st December 2022</b>	<b>31st December 2021</b>
Cash in Hand	175,195.05	6,647.46
Cash at Bank	6,134,750.91	1,296,822.64
<b>Total</b>	<b>6,309,945.96</b>	<b>1,303,470.10</b>

**Schedule 8 : Trade and Other Receivables**

**(Figures in Ngultrum)**

<b>Particulars</b>	<b>31st December 2022</b>	<b>31st December 2021</b>
Domestic Customers - Non Trade	49,860.00	49,860.00
Domestic Customers - Trade	27,327,757.17	22,358,622.33
Export Customers - Non Trade	157,628.54	27,735.70
Export Customers - Trade	3,084,917.12	5,095,252.70
Other Customers	21,602.36	121,602.36
Receivable - Others	3,380.01	3,380.01
	<u>30,645,145.20</u>	<u>27,656,453.10</u>
Less: Provision for Expected Credit Loss of Receivables	594,410.17	0.00
	<u>30,050,735.03</u>	<u>27,656,453.10</u>
Securities Deposits - Others to DHI	0.00	400,000.00
<b>Total</b>	<b>30,050,735.03</b>	<b>28,056,453.10</b>

a. In determining the allowances for credit losses of Trade Receivables, the Company has used a practical expedient by computing the Expected Credit Loss Allowance for Trade Receivables based on a provision matrix. The provision matrix takes into account historical credit loss experience and is adjusted for forward looking information. The Expected Credit Loss allowance is based on the ageing of the receivables that are due and the rates used in the provision matrix.



## DUNGSAM POLYMERS LIMITED

### Schedule 9 : Inventories

(Figures in Ngultrum)

Particulars	31st December 2022	31st December 2021
<b>(Valued at lower of Cost and Net Realisable Value)</b>		
Asset Materials	1,786.83	251,868.09
Consumables	2,477,649.33	2,186,745.80
Finished Products	1,307,301.16	996,114.42
Raw Materials	3,064,836.54	8,138,049.17
Semi Finished Products	9,703,461.40	8,993,326.47
Spare Parts	3,427,683.35	3,382,682.62
<b>Total</b>	<b>19,982,718.61</b>	<b>23,948,786.57</b>

### Schedule 10 : Current Tax Assets

(Figures in Ngultrum)

Particulars	31st December 2022	31st December 2021
Tax Deducted at Source	3,300,925.66	0.00
<b>Total</b>	<b>3,300,925.66</b>	<b>0.00</b>

### Schedule 11 : Other Current Assets

(Figures in Ngultrum)

Particulars	31st December 2022	31st December 2021
Advance - Suppliers	1,240,087.66	430,629.72
Advances to Employee -Tour	78,955.80	78,250.00
Prepaid Expenses	101,350.88	101,351.00
Public Work Advances – Employees	15,150.24	7,821.24
Tax Deducted at Source	0.00	7,975,939.05
<b>Total</b>	<b>1,435,544.58</b>	<b>8,593,991.01</b>

### Schedule 12 : Share Capital

(Figures in Ngultrum)

Particulars	31st December 2022	31st December 2021
<b>Authorized Capital</b>		
30,000,000 (P.Y.30,000,000) Equity shares of Nu.10 each	300,000,000.00	300,000,000.00
<b>Total</b>	<b>300,000,000.00</b>	<b>300,000,000.00</b>

## DUNGSAM POLYMERS LIMITED

Particulars	31st December 2022	31st December 2021
<b>Issued &amp; Paid up Capital</b>		
15,272,350 (P.Y.15,272,350) Equity shares of Nu.10 each fully paid up		
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
Terms/ Rights attached to Equity Shares		
The Company has only one class of ordinary shares ('Equity Shares') having a par value of Nu.10 each. Each holder of ordinary shares ('Equity Shareholders') is entitled to one vote per share. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in the proportion to their shareholdings.		
<b>Total</b>	<b>152,723,500.00</b>	<b>152,723,500.00</b>

### Schedule 13 : Securities Premium Account

(Figures in Ngultrum)

Particulars	31st December 2022	31st December 2021
Securities Premium Account	26,348,001.00	26,348,001.00
<b>Total</b>	<b>26,348,001.00</b>	<b>26,348,001.00</b>

### Schedule 14 : Retained Earnings

(Figures in Ngultrum)

Particulars	31st December 2022	31st December 2021
Retained Earnings	(135,142,566.93)	(128,636,604.09)
Add: Transferred from Income Statement	3,015,602.35	(6,505,962.84)
Less: Income Tax Assessment (2020)	(2,747,748.10)	0.00
Less: Expected Credit Loss of Receivables (Earlier Year)	(454,838.17)	0.00
Less: Lease Liabilities (Earlier Year)	(3,272.01)	0.00
Less: Depreciation of Lease Liabilities (Earlier Year)	(7,903.49)	0.00
Less: Provision for Income Tax on Other Comprehensive Income (2021)	(23,114.00)	0.00
<b>Total</b>	<b>(135,363,840.35)</b>	<b>(135,142,566.93)</b>





## DUNGSAM POLYMERS LIMITED

### Schedule 15 : Trade and Other Payables

(Figures in Ngultrum)

Particulars	31st December 2022	31st December 2021
Inter Group Vendors	526,515.65	1,141,965.35
Related Party Vendors	99,978.05	330,522.05
Sundry Creditors - Foreign	10,677,449.01	5,949,696.77
Sundry Creditors - Local	552,161.35	1,181,165.00
<b>Total</b>	<b>11,856,104.06</b>	<b>8,603,349.17</b>

### Schedule 16 : Current Borrowings

(Figures in Ngultrum)

Particulars	31st December 2022	31st December 2021
<b><u>Secured Loan</u></b>		
Loan from National Pension & Provident Fund (Secured against hypothecation of Building Infrastructure, Plant & Machineries etc.)	5,082,057.19	4,573,757.82
Working Capital Loan - BOBL (Secured against hypothecation of Stock/ Materials and Book Debts as well as Second Charge on all the Fixed Assets of the Company)	13,400,000.00	13,400,000.00
<b><u>Unsecured Loan</u></b>		
Inter-Group Borrowing from DHI	0.00	8,000,000.00
<b>Total</b>	<b>18,482,057.19</b>	<b>25,973,757.82</b>



**DUNGSAM POLYMERS LIMITED**

**Schedule 17 : Other Current Liabilities**

**(Figures in Ngultrum)**

<b>Particulars</b>	<b>31st December 2022</b>	<b>31st December 2021</b>
Advances from Customers	0.00	35.57
Employee Vendors	1,652,669.10	58,255.00
Employee Welfare Deductions	60,000.00	0.00
Group Insurance Scheme	0.00	3,811.93
Health Contribution	20,740.00	20,179.00
Interest Accrued on Intergroup Borrowing	390,237.03	215,926.58
Loans-Employees	3,000.00	0.00
Other Deductions	246,803.28	70,447.13
Outstanding Liabilities - Employees	49,067.19	2,526,254.71
Liability for Refund of Right Shares Premium	2,370,865.00	0.00
Retention Money Payable - Suppliers	0.00	0.64
Salary Payable to Employees	1,749,972.37	1,660,249.30
Salary Saving Scheme	0.00	7,166.01
Salary Tax Payable	33,386.00	29,901.00
TDS Payable	32,903.55	19,710.43
<b>Total</b>	<b>6,609,643.52</b>	<b>4,611,937.30</b>

**Schedule 18 : Provision**

**(Figures in Ngultrum)**

<b>Particulars</b>	<b>31st December 2022</b>	<b>31st December 2021</b>
Provision for Performance based Variable Pay	553,485.34	553,485.34
Provision for Leave Encashment	1,143,424.21	1,601,456.47
Provision for Salary Indexation	466,733.49	466,733.49
Provision for Income Tax Act	5,513,981.73	474,382.96
<b>Total</b>	<b>7,677,624.77</b>	<b>3,096,058.26</b>





## DUNGSAM POLYMERS LIMITED

### Schedule 19 : Non Current Borrowings

(Figures in Ngultrum)

Particulars	31st December 2022	31st December 2021
<b>Secured Loan</b>		
<u>Term Loan</u>		
Loan from National Pension & Provident Fund (Secured against hypothecation of Building Infrastructure, Plant & Machineries etc.)	42,258,809.67	50,280,726.80
BOBL Loan (Secured against hypothecation of Stock and Book Debts)	2,439,564.14	3,903,002.82
<b>Total</b>	<b>44,698,373.81</b>	<b>54,183,729.62</b>

### Schedule 20 : Retirement Benefit Obligations

(Figures in Ngultrum)

Particulars	31st December 2022	31st December 2021
Provision for Gratuity	6,610,711.00	6,611,163.00
Provision for Carriage Charge	100,846.14	114,292.00
Provision for Repatriation Allowance	306,993.00	322,346.00
Provision for Transfer Grant	306,993.00	322,346.00
<b>Total</b>	<b>7,325,543.14</b>	<b>7,370,147.00</b>

### Schedule 21 : Deferred Tax Liabilities

(Figures in Ngultrum)

Particulars	31st December 2022	31st December 2021
Timing Difference of Depreciation on PPE & Intangible Assets	12,713,544.50	9,127,155.91
<b>Total</b>	<b>12,713,544.50</b>	<b>9,127,155.91</b>

### Schedule 22 : Lease Liability

(Figures in Ngultrum)

Particulars	31st December 2022	31st December 2021
Lease Liability	240,955.17	0.00
<b>Total</b>	<b>240,955.17</b>	<b>0.00</b>



## DUNGSAM POLYMERS LIMITED

### Schedules forming part of the Income Statement

#### Schedule 23 : Revenue from Manufacturing Sector

(Figures in Ngultrum)

Particulars	31st December 2022	31st December 2021
Revenue from Sale of Polymer Bags	170,533,493.25	149,797,040.61
Revenue from Sale of Fabric	18,908,374.57	26,463,245.13
	<u>189,441,867.82</u>	<u>176,260,285.74</u>
Less: Discount Allowed	15,360.00	31,486.00
Less: Commission	67,098.00	0.00
<b>Total</b>	<b>189,359,409.82</b>	<b>176,228,799.74</b>

#### Schedule 24 : Other Income

(Figures in Ngultrum)

Particulars	31st December 2022	31st December 2021
Discount Received	0.00	803,879.90
Income From Sale of Scraps	399,241.29	620,033.74
Income From Sale of Vehicle	15,178.93	0.00
Interest Income on Deposits against Gratuity Fund	4,345.70	0.00
Liquidated Damages	710.95	32,175.70
Other Miscellaneous Income	845,327.30	604,983.21
Rental Income	299,048.01	270,926.04
<b>Total</b>	<b>1,563,852.18</b>	<b>2,331,998.59</b>

#### Schedule 25 : Finance Income

(Figures in Ngultrum)

Particulars	31st December 2021	31st December 2020
Interest Income on deposits against Gratuity Fund	0.00	4,345.70
<b>Total</b>	<b>0.00</b>	<b>4,345.70</b>





## DUNGSAM POLYMERS LIMITED

### Schedule 26 : Consumption of Raw Material and Changes in Inventory of Finished Goods

(Figures in Ngultrum)

Particulars	31st December 2022	31st December 2021
<b>Consumption</b>		
Raw Materials	113,233,279.23	128,877,689.15
Semi Finished Products	285,918,673.95	246,016,840.05
Spare Parts	1,335,366.96	2,593,678.20
Consumables	5,161,043.71	4,620,809.75
<b>Cost of Goods Manufacturing</b>		
Semi Finished Goods	(381,789,680.28)	(288,835,936.74)
Finished Goods	(153,423,427.61)	(122,174,267.30)
Scraps	(1,624,768.01)	(2,122,392.77)
<b>Cost of Goods Sold</b>		
Cost of Goods Sold - Semi Finished Good	24,650,261.92	27,441,016.88
Cost of Goods Sold - Finished Good	161,717,288.91	121,622,212.79
Price Difference - Material	64,987,694.95	12,875,268.84
<b>Total</b>	<b>120,165,733.73</b>	<b>130,914,918.85</b>

### Schedule 27 : Operational & Maintenance Expenses

(Figures in Ngultrum)

Particulars	31st December 2022	31st December 2021
R & M of Plant & Machineries	1,032,155.55	0.00
R & M of Plant & Machineries - Material	0.00	391,060.12
R & M of Plant & Machineries -Services	0.00	30,520.00
R & M of Fire Fighting	0.00	6,000.00
R & M of Workshop Equipment	42,750.00	0.00
R & M of Building & Civil Structure	178,492.10	0.00
R & M of Building & Civil Structure - Material	0.00	22,304.41
R & M of Building & Civil Structure - Services	0.00	201,984.00
R & M of Furniture and Fixture	0.00	5,500.00
R & M of Office Equipment	1,630.00	10,950.00
R & M of Vehicle	1,089,029.32	0.00
R & M of Vehicle -Materials	0.00	558,409.52
R & M of Vehicles - Services	0.00	28,290.00
R & M of General Asset	31,066.16	0.00
R & M of Environment & OHS Assets	158,383.50	5,487.30
Running and Maintenance of SAP	1,075,143.77	717,985.20
<b>Total</b>	<b>3,608,650.40</b>	<b>1,978,490.55</b>



**DUNGSAM POLYMERS LIMITED**

**Schedule 28 : Employee Compensation & Benefit Expenses**

**(Figures in Ngultrum)**

<b>Particulars</b>	<b>31st December 2022</b>	<b>31st December 2021</b>
Allowances	2,949,658.06	2,710,481.80
Basic Pay	19,289,943.34	19,311,727.85
Carriage Charges	21,338.00	23,478.00
Defined Benefit Plan Expenses	0.00	52,724.00
GPA Insurance	105,168.00	79,620.58
Gratuity	1,261,414.00	1,276,242.00
In House/ In Country Training & Certificate	140,000.00	0.00
Leave Encashment	1,246,331.00	1,536,581.00
Leave Travel Concession	1,303,530.37	1,319,726.75
Medical Expenses	10,000.00	0.00
Overtime Allowance	1,790,361.54	1,302,956.89
Provident Fund-Matching Contribution	2,893,691.00	2,896,936.00
Repatriation Allowance	61,659.00	63,385.00
Shift Allowance	689,685.00	750,615.00
Sport Activities	40,850.00	31,500.00
Transfer Grant	61,659.00	63,385.00
Uniforms & Liveries	252,486.00	201,376.00
Wages	3,488,582.22	3,378,689.50
<b>Total</b>	<b>35,606,356.53</b>	<b>34,999,425.37</b>

**Schedule 29 : Other Expenses**

**(Figures in Ngultrum)**

<b>Particulars</b>	<b>31st December 2022</b>	<b>31st December 2021</b>
Advertisement	76,320.00	48,160.00
Audit Expenses	56,163.00	27,824.00
Audit Fees	63,250.00	63,250.00
Bank Charges & Other Fees paid to BoBL	206,615.62	0.00
Board Meeting Expenses	47,624.00	22,104.00
Board Sitting fees	274,880.00	352,000.00
Books and Periodicals	0.00	3,750.00
Brand & Management Fees to DHI	40,649.76	171,733.88
Consultancy Charges	31,335.00	0.00
Corporate Social Responsibility (CSR)	550.00	0.00
Electricity Charges - Paid to DHI Group	3,908,475.55	3,286,864.50





Fees And Subscription	346,191.12	293,870.76
Fine & Penalties	5,990.30	1,574.67
Freight Expenses	0.00	43,000.00
General Insurance	451,135.18	476,316.54
Hospitality And Entertainment Expenses	92,018.00	102,905.00
Internet and Telephone Charges - Paid to DHI Group	744,519.35	571,101.13
Lease Rent paid to DHI	0.00	20,438.46
License and Registration	9,218.00	7,958.00
Loading & Unloading Charges	196,710.53	281,518.02
Loss/ Retirement/ Scraping of Inventories	0.00	9,192.89
Marketing And Sales Promotion Expenses	55,796.00	198,166.00
Miscellaneous Expenses	322.73	3,862.02
Office Expenses	403,118.95	111,835.00
Postage & Courier Charges	3,940.00	4,255.00
Printing and Stationery	208,706.65	193,741.12
Rates and Taxes	5,691.00	0.00
Sub-Committee Sitting Fees	127,720.00	82,000.00
Travelling Expenses	536,260.00	7,000.00
<b>Total</b>	<b>7,893,200.74</b>	<b>6,384,420.99</b>



## DUNGSAM POLYMERS LIMITED

### Schedule 30 : Finance Cost

(Figures in Ngultrum)

Particulars	31st December 2022	31st December 2021
Bank Charges & Other Fees paid to BoBL	0.00	227,504.49
Interest on Borrowings -NPPF	3,271,760.52	3,006,943.02
Interest on Overdraft Loan - BOBL	825,289.09	639,026.99
Interest on Borrowings - Intergroup	669,020.07	512,945.55
Interest Expenses	24,037.67	0.00
<b>Total</b>	<b>4,790,107.35</b>	<b>4,386,420.05</b>

### Schedule 31 : Impairment Loss of Financial Asset

(Figures in Ngultrum)

Particulars	31st December 2022	31st December 2021
Expected Credit Loss of Receivables	139,572.00	0.00
<b>Total</b>	<b>139,572.00</b>	<b>0.00</b>

### Schedule 32 : Deferred Tax Expenses

(Figures in Ngultrum)

Particulars	31st December 2022	31st December 2021
Deferred Tax Expenses	3,586,388.59	533,744.91
<b>Total</b>	<b>3,586,388.59</b>	<b>533,744.91</b>





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## **ACCOUNTING POLICIES & NOTES TO ACCOUNTS**

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## NOTE: 33

### **Legal Status and Principal Activities, Significant Accounting Policies & Notes to Financial Statements**

#### **A. Legal Status and Principal Activities:**

Dungsam Polymers Limited (DPL) is incorporated under the Companies Act of Kingdom of Bhutan, 2000 on 12.08.2010 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 fabrics to the neighboring states of India. The plant commenced commercial production from 26<sup>th</sup> 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<sup>nd</sup> August 2013. Dungsam Polymers Limited (DPL) is a subsidiary of Druk Holding Investments (DHI) holding 51.00% of Equity Share Capital of the Company. The DPL is the first company divested by Druk Holding 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 Compliances:**

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 law such as the Companies Act of Bhutan, 2016.

The Financial Statements present the Company's financial position as on 31<sup>st</sup> December, 2022 and 31<sup>st</sup> December, 2021 as well as its earnings (Profit), comprehensive income (Profit), Cash Flows and Changes in Equity for the year ended 31<sup>st</sup> December, 2022 and 31<sup>st</sup> December, 2021. 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 statement are:

- Property, plant and equipment: Critical judgments are expected for period of use, condition of the assets, 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.

##### **2. Basis of Measurement:**

The Financial Statements have been prepared under the accrual, historical cost basis and going concern convention 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 assets.

The exercise on all the fixed assets has been carried out in the Year 2020 as to determine whether assets are impaired as per BAS 36 - Impairment of Assets read with BFRS 9 - Financial Instruments.

In case of trade receivables, the Company follows a simplified approach wherein an amount equal to lifetime Expected Credit Loss is measured and recognized as loss.

In case of other assets, the Company determines if there has been a significant increase in credit risk of the financial asset since initial recognition. If the credit risk of such assets has not increased significantly, an amount equal to 12-month ECL is measured and recognized as loss allowance. However, if credit risk has increased significantly, an amount equal to lifetime ECL is measured and recognized as loss allowance.

Subsequently, if the credit quality of the financial asset improves such that there is no longer a significant increase in credit risk since initial recognition, the Company reverts to recognizing impairment loss allowance based on 12-month ECL.

ECL impairment loss allowance (or reversal) recognized during the period is recognized as income/ expense in the Statement of Comprehensive Income.

### 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 life (taking Residual value to be Nil). The management has assessed the useful life which represents 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 life, depreciation methods and residual values of depreciable assets at each reporting date as required by BAS - 16.

<b>Assets Class</b>	<b>Useful Life (in years)</b>
Civil Structure	30
Semi-permanent structure	7
Temporary Structure	3
Machinery , Fire Fighting & safety Equipment	3-30
Furniture & Fixture	3-7
Office Equipment , General Assets & Intangible Assets	5-11
Vehicles	10-15
Tools & Tackles	2
Low Value Assets	5
Environment & OHS Assets	5

Gain and loss on disposal 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.

Leasehold improvements are depreciated over the shorter of their useful life or the lease term.

#### **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 life 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 Investment are valued at lower of cost and fair market value.
- b. The long term Investments in Government and/ or other Cities 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 Investment.

#### **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.

##### **9.2 Classification and Subsequent Measurement**

For the purpose of subsequent measurement, financial assets of the Company are classified into following categories:

- Financial Assets Measurement 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 Measurement 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 flow's 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 or 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 Comprehensive Income (OCI). Currently, the Company does not have any asset classified under this category.

#### **Financial Instruments Measured at Fair Value through Profit & 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 Receivable are initially recognized at fair value of the amount 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 asset. Receivable are reviewed regularly for impairment.

Trade Receivables are initially recognised at fair value. Subsequently, these assets are held at amortised cost, using the Effective Interest Rate ("EIR") method net of any Expected Credit



Losses (“ECL”). The EIR is the rate that discounts estimated future cash income through the expected life of financial instrument.

The Company follows a simplified approach wherein an amount equal to lifetime Expected Credit Loss is measured and recognized as loss.

#### **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.

In respect of trade receivables, the Company applies the simplified approach of BFRS 9, which requires measurement of loss at an amount equal to lifetime expected credit losses. Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

#### **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 a group of similar financial assets) is primarily derecognized 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 derecognized if the entity has not retained control of the financial asset. When the entity retains control of the financial asset, the asset is continued to be recognized to the extent of continuing involvement in the asset.

### **10. Inventories and Parts and Supplier**

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 overhead 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 later 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 Liabilities:

### 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 & 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.

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 with 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 anti 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.

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

All other borrowing costs are recognised in Statement of Comprehensive Income in the period in which they are incurred.

#### **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 de-recognized 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 recognized amounts and there is an intention to settle on a net basis or realize 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 economic 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 amount in the financial statement. Deferred income tax is determined using tax rates (and law) 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.

## 16. Revenue Recognition

The Company recognizes revenue when the entity satisfies a performance obligation identified in the contract by transferring promised goods or services (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 BFRS - 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.



The Company's lease asset classes primarily consist of leases for Land. The Company evaluates if an arrangement qualifies to be a lease as per the requirements of BFRS-16. Identification of lease requires significant judgement. The company uses significant judgement in assessing the lease term (including anticipated renewals) and the applicable discount rate. The company determines the lease term as non-cancellable period of a lease, together with both the periods covered by an option to extend the lease if the company is reasonably certain to exercise that option; and periods covered by an option to terminate the lease if the company is certain not to exercise that option. In assessing whether the company is reasonably certain to exercise an option to terminate a lease, it considers all relevant facts and circumstances that create an economic incentive for the Company to exercise the option to extend the lease, or not to exercise the option to terminate the lease. The company revises the lease term if there is a change in the non-cancellable period of a lease.

At the date of commencement of the lease, the Company recognizes a right-of-use asset ("ROU") and a corresponding lease liability for all lease arrangements in which it is a lessee, except for leases with a term of twelve months or less (short-term leases) and low value leases. Certain lease arrangements includes the options to extend or terminate the lease before the end of the lease term. ROU assets and lease liabilities includes these options when it is reasonably certain that they will be exercised. Right-of-use assets are depreciated from the commencement date on a straight-line basis over the shorter of the lease term and useful life of the underlying asset. Right of use assets are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable.

The Company applies BAS 36 - Impairment of Assets to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as per its accounting policy on 'Property, Plant and Equipment'.

The lease liability is initially measured at amortized cost at the present value of the future lease payments. The lease payments are discounted using the interest rate implicit in the lease or, if not readily determinable, using the incremental borrowing rates in the country of domicile of these leases. Lease liabilities are remeasured with a corresponding adjustment to the related right of use asset if the Company changes its assessment if whether it will exercise an extension or a termination option.

Lease liability and ROU asset have been separately presented in the Balance Sheet and lease payments have been classified as financing cash flows.

## **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 1<sup>st</sup> January 2016. However, the early application was permitted by the standard.

### **Under Defined Contribution Scheme**

- i) Eligible employees receive the benefits from the provident fund, which is defined benefit plan. Both the employee and corporation makes 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.

- ii) Employee benefits are also including Leave encashment, transfer grant, repatriation allowance and carriage charges which are actuarially determined and disclosed in Note No.C(9) of Notes to Financial Statements (Under Defined Benefit Plan).

### **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 Company, since there is no dilutive effect of Outstanding Stock Options.

### **21. Event after Balance Sheet**

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

### **22. Comparative Information**

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

## **C. Notes to Financial Statements**

### **1. Inter-corporate loan recognized as fair value**

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



2. 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 31 <sup>st</sup> December 2022		As at 31 <sup>st</sup> December 2021	
	No. of Shares	Amount (Nu.)	No. of Shares	Amount (Nu.)
Ordinary Shares of Nu.10 each				
At beginning of the year	15,272,350	152,723,500.00	15,272,350	152,723,500.00
Allotted during the year	-	-	-	-
At closing of the year	15,272,350	152,723,500.00	15,272,350	152,723,500.00

3. Approximately 37.56% (P.Y.36.82%) (in terms of PP bag production) and approximately 47.86% (P.Y.52.25%) in terms of Fabric production of installed plant capacity has been utilized in the financial year 2022.
4. All Statutory Record and Books of Accounts are maintained at Registered Office at Nganglam, Pemagatshel, Bhutan.
5. National Pension & Provident Fund (hereafter called as NPPF) has given a loan to the Company. 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. 4<sup>th</sup> 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 1<sup>st</sup> 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 5<sup>th</sup> January 2019. The corporation has collateralized borrowing having net book value of Nu.47.34 million is classified into current and non-current liabilities amounting to Nu.5.08 million and Nu. 42.26 million respectively.
6. The company has an outstanding Working Capital Loan Secured against hypothecation of Stock/ Materials and Book Debts as well as Second Charge on all the Fixed Assets of the Company amounting to Nu.13.40 million from Bank of Bhutan Limited.
7. Working Capital Loan from Bank of Bhutan Ltd. amounting to Nu.2.83 million (incl. Interest Accrued Nu.0.39 million) is Secured against hypothecation of Stock and Book Debts.

8. **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 (15% 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 year ended 31<sup>st</sup> December 2022 and 2021 were Nu.2.89 million and Nu. 2.90 million respectively.





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## 9. 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, Consulting Infinity, Thimphu, Bhutan.

### a. Reconciliation of Changes in Present Value of Defined Benefit Obligation on Carriage Charges

Particulars	31.12.2022	31.12.2021
DBO at the beginning of period	114,292	97,597
Add: Current service cost	16,402	16,158
Add: Past service cost	-	-
Add: Interest cost	4,936	7,320
Less: Benefits paid by the plan	-	-
Less: Benefits paid by the employer	(96,951)	-
Actuarial (gain) or losses due to experience adjustment	62,167	(6,713)
Actuarial (gain) or losses due to change in financial assumptions	-	-
Actuarial (gain) or losses due to change in demographic assumptions	-	(70)
<b>DBO at the end of period</b>	<b>100,846</b>	<b>114,292</b>

### b. Reconciliation of Changes in Present Value of Defined Benefit Obligation on Earned Leave

Particulars	31.12.2022	31.12.2021
DBO at the beginning of period	1,601,456	1,480,156
Add: Current service cost	(458,032)	121,300
Add: Past service cost	-	-
Add: Interest cost	56,196	4,866
Less: Benefits paid by the plan	-	-
Less: Benefits paid by the employer	(1,704,363)	(1,415,281)
Actuarial (gain) or losses due to experience adjustment	1,648,167	1,411,466
Actuarial (gain) or losses due to change in financial assumptions	-	-
Actuarial (gain) or losses due to change in demographic assumptions	-	(1,050)
<b>DBO at the end of period</b>	<b>1,143,424</b>	<b>1,601,456</b>

### c. Reconciliation of Changes in Present Value of Defined Benefit Obligation on Gratuity

Particulars	31.12.2022	31.12.2021
DBO at the beginning of period	6,611,163	5,385,839
Add: Current service cost	847,787	872,304
Add: Past service cost	-	-
Add: Interest cost	413,626	403,938
Less: Benefits paid by the plan	-	-
Less: Benefits paid by the employer	(2,192,290)	-
Actuarial (gain) or losses due to experience adjustment	930,424	(55,434)
Actuarial (gain) or losses due to change in financial assumptions	-	-
Actuarial (gain) or losses due to change in demographic assumptions	-	4,516
<b>DBO at the end of period</b>	<b>6,610,711</b>	<b>6,611,163</b>



d. **Reconciliation of Changes in Present Value of Defined Benefit Obligation on Repatriation Allowance**

Particulars	31.12.2022	31.12.2021
DBO at the beginning of period	322,346	268,634
Add: Current service cost	47,542	43,238
Add: Past service cost	-	-
Add: Interest cost	14,116	20,148
Less: Benefits paid by the plan	-	-
Less: Benefits paid by the employer	(268,252)	-
Actuarial (gain) or losses due to experience adjustment	191,240	(9,482)
Actuarial (gain) or losses due to change in financial assumptions	-	-
Actuarial (gain) or losses due to change in demographic assumptions	-	(192)
<b>DBO at the end of period</b>	<b>306,993</b>	<b>322,346</b>

e. **Reconciliation of Changes in Present Value of Defined Benefit Obligation on Transfer Grant**

Particulars	31.12.2022	31.12.2021
DBO at the beginning of period	322,346	268,634
Add: Current service cost	47,542	43,238
Add: Past service cost	-	-
Add: Interest cost	14,116	20,148
Less: Benefits paid by the plan	-	-
Less: Benefits paid by the employer	(268,252)	-
Actuarial (gain) or losses due to experience adjustment	191,240	(9,482)
Actuarial (gain) or losses due to change in financial assumptions	-	-
Actuarial (gain) or losses due to change in demographic assumptions	-	(192)
<b>DBO at the end of period</b>	<b>306,993</b>	<b>322,346</b>

**Summary of Actuarial (Gain)/Loss on Defined Benefit Plan as per Actuarial Reports for the year ended 31.12.2022**

Sl. No.	Particulars	Actuarial (Gain)/Loss	
		31.12.2022	31.12.2021
a.	Carriage Charge	(62,167.00)	(6,783.00)
b.	Earned Leave	0.00	0.00
c.	Gratuity	(930,424.00)	(50,918.00)
d.	Repatriation Allowance	(191,240.00)	(9,673.00)
e.	Transfer Grant	(191,240.00)	(9,673.00)
	<b>Total</b>	<b>(1,375,071.00)</b>	<b>(77,047.00)</b>

**Description of Risk Exposures**

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

**Liquidity Risk:** This is the risk that the Company is not able to meet the short-term gratuity payouts. This may arise due to non availability of enough cash/ cash equivalent to meet the liabilities or holding of illiquid assets not being sold in time.

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





**Demographic Risk:** The Company has used certain mortality and attrition assumptions in valuation of the liability. The Company is exposed to the risk of actual experience turning out to be worse compared to the assumption.

**Regulatory Risk:** Gratuity benefit is paid in accordance with the requirements of the Payment of Ministry of Labour Human Resources (MoLHR), 2007 (as amended from time to time). There is a risk of change in regulations requiring higher gratuity payouts.

10. During the year the Company has assessed the carrying amount of the assets vis-à-vis their recoverable value and no impairment is envisaged at the Statement of Financial Position date.
11. There is no unused tax losses, and unused tax credits for which no deferred tax asset is recognised in the statement of financial position.
12. The land occupied by the Company was leased from Druk Holding and Investment Limited (DHI). The agreement has been modified now covering 10.771 acres with an agreement to pay Nu.0.05 per square feet per annum amounting to Nu.23,459.24 for 365 days during the year 2022 (10.771 acres is 469,184.76 square feet).
13. During the COVID-19 pandemic, the Company was granted 50% interest waiver during the year 2022. Hence the Company is benefited by Nu. 1,334,909.12 in Statement of Comprehensive Income.

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

The Management has pursued the sales tax clarification on Polypropylene Bags and Fabric vide Letter No.DPL/ Govt-1.4/ 2072/ 854, dated-15.11.2012. In subsequent to this, the Management received letter no. RRCO/ SI/ BST (Exemption)/ 2012/ 922, dated-19.11.2012 from Regional Revenue & Custom Office (RRCO), Samdrup, Jøngkhar clarifying that till date there is no levy of sales tax on Polypropylene Bags and Fabric.

15. **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. However, Company's financial performance for the year 2022 indicates that the Company has suffered loss mainly due to increase in raw material prices. The increase in raw material price is attributable to COVID-19 pandemic globally. Profitability of the company is expected to improve on decrease in the price of the raw material at normal price. 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.

16. As per the TDS Guidelines issued by the Department of RRCO, 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 account, whichever is earlier. However, the Company has the practice of booking the TDS at the time of payment like any other DHI Companies.



**17. Disclosures as required by BFRS - 8 “Operating Segments”**

**(a) Identification of Operating Segments:**

The Company Operate in a Single Reportable Operating i.e. Segment Poly Woven Bags which have similar risk and returns and are of similar nature.

No other operating segments have been aggregated to form the above reportable operating segments as per the criteria specified in the BFRS - 8.

**(b) Business Segment wise revenue/results/assets/liabilities**

Since there is Single Reportable Operating Segment hence disclosure of Operating Segment wise Assets, Liabilities, Revenue and Results are not applicable.

**(c) Geographical Information as at:**

Sl. No.	Particulars	Year Ended 31.12.2022	Year Ended 31.12.2021
i.	<b>Segment revenue by location of Customers:</b>		
	Bhutan	161,594,276.85	134,589,510.81
	Outside Bhutan	27,765,132.97	41,639,288.93
	<b>Total</b>	<b>189,359,409.82</b>	<b>176,228,799.74</b>
ii.	<b>Segment Assets by location:</b>		
	Bhutan	91,762,526.39	95,156,804.73
	<b>Total</b>	<b>91,762,526.39</b>	<b>95,156,804.73</b>

(d) The Company does not have any tangible, intangible assets and non current operating assets located outside Bhutan.

**18. Capital Management**

Sl. No.	Particulars	As at 31/12/2022	As at 31/12/2021
a.	<b>Net Debt:</b>		
	Borrowings	63,180,431.00	80,157,487.44
	Less: Current Investments	0	0
	Less: Cash & Bank Balance	6,309,945.96	1,303,470.10
		56,870,485.04	78,854,017.34
b.	<b>Equity</b>	43,707,660.65	43,928,934.07
c.	Equity and Net Debt (a+b)	100,578,145.69	122,782,951.41
	Gearing Ratio (a/ c)	56.54%	64.22%



### 19. Related Party Transactions:

Related Parties 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.

Sl. No.	Key Management Personnel	Designation	Remarks
1.	Mr. Karma Gaylay	Director General, MoEA – Chairman	Appointed on 16.04.2022
2.	Mr. Yonten Namgyel	Director General, MoEA – Chairman	Resigned on 16.04.2022
3.	Mr. Sherab Zangpo	Dungpa, Nganglam – Independent Director	
4.	Mr. Pema Wangchuk	Director, Department of Corporate Service, CDCL	
5.	Mr. Dhan Bahadur Gurung	CEO, DPL	Appointed on 01.01.2023
6.	Mr. Tshering Tenzin	CEO, DPL	Resigned on 31.12.2022
7.	Mr. Dechen Choling	CEO, DCCL - Director	Appointed on 20.12.2022
8.	Mr. Sonam Darjay	Chief Licensing & Technical Division, BEA - Independent Director	Appointed on 16.04.2022
9.	Mr. Sangye Dorji	Branch Credit In-Charge, BNBL – Independent Director	Resigned on 16.04.2022
10.	Mr. Thinlay Gyamtsho	Proprietor, T&K Construction – Director	
11.	Mr. Harilal Bhattarai	Senior Analyst, DHI – Nominee Director	
12.	Mr. Tashi Phuntsho	Company Secretary	Appointed on 07.12.2022
13.	Mr. Sumpa Norbu	Company Secretary	Resigned on 17.06.2022

### b. Inter Company Transactions:

Inter Company Transactions have been made during the year with the following subsidiaries-

1. Bank of Bhutan
2. Bhutan Power Corporation Limited
3. Bhutan Telecom Limited
4. Druk Holding & Investments
5. Dungsam Cement Corporation Limited
6. Penden Cement Authority Limited
7. State Trading Corporation of Bhutan Limited
8. Thimphu Tech Park Limited



Particulars	Balance as on 31.12.2022	Balance as on 31.12.2021
<b>Bank of Bhutan</b>		
Balance with BoBL	6,125,930.91	1,287,852.64
Interest Accrued on Intergroup Borrowing	390,237.03	215,926.58
Borrowings – Current	13,400,000.00	13,400,000.00
Borrowings - Non-Current	2,439,564.14	3,903,002.82
Interest on Overdraft Loan	825,289.09	790,973.64
Bank Charges & Other Fees	206,615.62	227,504.49
<b>Bhutan Power Corporation Limited</b>		
Trade Payable	0.00	49,172.75
Electricity Charges paid	3,908,475.55	3,286,864.50
Rental Expenses paid to DHI Group Companies	0.00	49,172.75
<b>Bhutan Telecom Limited</b>		
Trade Payable	149,610.66	137,227.47
Internet and Telephone Charges paid	744,519.35	571,101.13
<b>Druk Holding &amp; Investments</b>		
Equity Shares held by DHI	77,889,010.00	77,889,010.00
Non Trade Payable	0.00	167,250.00
Inter-Company Borrowings	0.00	8,000,000.00
Intergroup Accrued Expenses	3,020.78	5,198.90
Inter Group Lease Rent	20,438.46	20,438.46
Inter Group Brand Management Fees	40,649.76	171,733.88
Interest on Borrowings	463,322.19	360,998.90
<b>Dungsam Cement Corporation Limited</b>		
Trade Receivable	24,503,955.80	19,703,826.00
Non Trade Payable	374,915.01	568,041.00
Sale of Packing Materials to DHI Group Companies	148,317,818.00	124,263,146.90
Lease Rent	0.00	0.00
<b>Penden Cement Authority Limited</b>		
Trade Receivable	158,520.42	158,520.42
Security Deposit - Others	400,000.00	400,000.00
Sale of Packing Materials to DHI Group Companies	2,920,646.25	2,631,470.00
<b>State Trading Corporation of Bhutan Limited</b>		
Running & Maintenance of Vehicles	313,686.43	183,032.61
Trade Payable	0.00	25,196.50
<b>Thimphu Tech Park Limited</b>		
Running & Maintenance of Others	1,153,597.13	403,755.48
Trade Payable	99,978.05	330,522.05





c. Remuneration paid to the Key Management Personnel (Chief Executive Officer & Non Executive Directors) includes the following –

Particulars	Current Year 2022	Previous Year 2021
<b>Chief Executive Officer</b>		
Salaries including LTC	1,936,854.00	1,889,604.00
Contribution to Provident Fund	162,672.00	158,628.00
Sitting Fees	39,200.00	60,000.00
Traveling Expenses	46,060.00	0.00
<b>Non Executive Directors</b>		
Board Sitting Fees	235,680.00	292,000.00
Board Level Sub Committee Sitting Fees	127,720.00	82,000.00
Board Training Expenses	0.00	0.00
Travelling Expenses	0.00	0.00

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

20. Auditors Remuneration & Audit Expenses:

Particulars	Current Year 2022	Previous Year 2021
Audit Fees	63,250.00	63,250.00
Audit Expenses	56,163.00	27,824.00
<b>Total</b>	<b>119,413.00</b>	<b>91,074.00</b>

➤ The Audit Expenses are accounted on the basis of expenses incurred during the year whereas the Audit Fees are accounted on accrual basis.

21. Earnings per Share:

Particulars	31.12.2022	31.12.2021
a) Net Profit/ (Loss) after tax available for equity shareholders (Nu.)	3,978,152.35	(6,583,009.84)
b) Weighted average number of Basic Equity shares of Nu.10 each outstanding during the year (No. of shares)	15,272,350	15,272,350
c) Weighted average number of Diluted Equity shares of Nu.10 each outstanding during the year (No. of shares)	15,272,350	15,272,350
d) Nominal Value of Shares	10.00	10.00
e) Basic Earnings per Share (Nu.) (a/ b)	0.26	(0.43)
f) Diluted Earnings per Shares (Nu.) (a/ c)	0.26	(0.43)

22. Contingent Liabilities and Commitments at the end of the year:

(i)	Contingent Liabilities	2022	2021
a)	Claims against the company not acknowledged as debts	0.00	0.00
b)	Outstanding Bank Guarantee	0.00	0.00
c)	Bills discounted with Banks	0.00	0.00

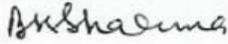


(ii)	Commitments	2022	2021
a)	Estimated amount of contracts remaining to be executed on capital account (net of payment) and not provided for	0.00	0.00
b)	Other Commitments	0.00	0.00

23. Trade and Other Receivables, Advance to Suppliers, Trade and Other Payables are subject to confirmation.

24. Previous year's figures have been rearranged and/ or regrouped, wherever necessary.

For B.K. Sharma & Associates  
Chartered Accountants  
Firm Registration No.323388E



(CA B.K.SHARMA)

Proprietor

Membership No.055602

UDIN : 23055602BGYMDB6027



(MR. KARMA GAYLAY)

Chairman



(MR. D.B. GURUNG)

Chief Executive Officer

Place: Nganglam, Bhutan

Dated: The 8<sup>th</sup> Day of February, 2022

