ANNUAL REPORT

2020


LOHIA STARLINGER

THE YEAR IN REVIEW

The year 2020 was not a good year to be remembered. The COVID19 swept the world and Bhutan could not escape from it. As corona virus continued to spread across Indian sub-continent, India announced Janata Curfew on 22nd March 2020 followed by complete lockdown until May 3, 2020. Bhutan was fast to react and closed its international border from 23rd March 2020 and saved the country from devastation. Initially, the local industries suffered due to lack of raw materials and spare parts.

Gradually, the factories and industries started to operate under new normal. But soon the country had to face National lockdown in August 2020 as the community cases erupted in the country. While some factories begin to operate under self-containment mode, some had to shutdown because of inadequate preparation. DPL continued to operate the factory under self-containment mode but the production had to be lowered as the sales have been hugely affected.

Due to obvious reasons, the sales in 2020 have dropped drastically and the total revenue generated was Nu 154.927 million which is 12.7% down from the previous year. However, the company managed to maintain positive bottom line mainly due to monitory measures extended by His Majesty in response to COVID19. The company also explored various means to push sales by introducing carry bags and sales incentive schemes. While the sales of PP bags have been affected, the company focused on the export of fabric rolls and increased its sales by 95.4%.

During the lockdown and when the factory was shutdown due to shortages of raw materials, the employees were engaged in carrying out repair and maintenance works such as concreting of raw material go-down, construction of drainage, maintenance of water source, etc. These activities have reduced the R&M cost which otherwise would have to be outsourced at much higher cost.

As the pandemic continued to threaten the country and there was no sign of subsiding, Bhutan was divided to high-risk areas and low-risk areas. As Nganglam fell under high-risk area, the domestic sales were hugely impacted as transporters charged too high or refused to carry DPL bags due to stringent protocols.

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 period. It is with your unwavering support that we are able to stand where we are today. I would also like to thank all the employees for consistently delivering beyond expectation.

Lastly, I would like to assure our valued shareholders that we would do everything to keep the bottom line positive while we fight against the pandemic.

Tashi Delek!

Tshering Tenzin
Chief Executive Officer

TABLE OF CONTENT

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 (DCC) with 51% share owned by DHI and 49% owned by the public. Although DPL is a DCC as per the DHI Portfolio, beginning 2019, DPL was given special consideration and treated like any other DHI Owned Companies.

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

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

VISION

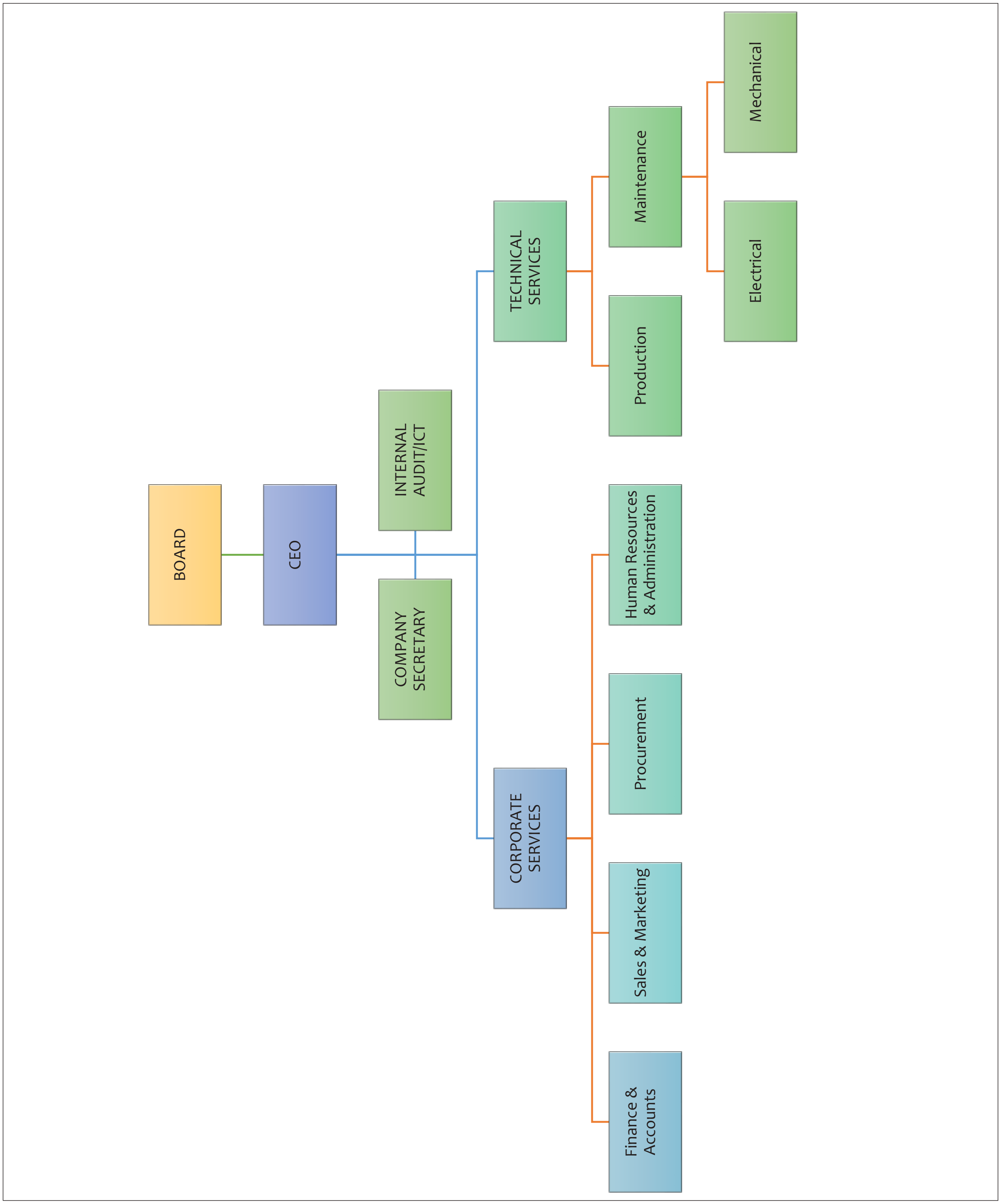
MISSION

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



BOARD OF DIRECTORS

Mr. Yonten Namgyel, Chairman

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

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

Mr. Sherab Zangpo, Director

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

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

Mr. Thinlay Gyamtsho– Director

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

Ms. Choni Ome, Director

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

Mr. Pema Wangchuk- Director

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

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

Mr. Sangye Dorji- Director

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

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

Mr. Tshering Tenzin- Chief Executive Officer

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

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

MANAGEMENT TEAM

DIRECTORS' REPORT

Dear Shareholders,

On behalf of the Board of Directors and the Management of Dungsam Polymers Limited (DPL), it is my privilege and honor to present the Directors' Report for the year ending 31st December 2020. Last year has been a challenging year for everyone globally and DPL is no exception. The pandemic has not only affected DPL but also DCCL and other manufacturing companies who are our main customers.

1. Financial Highlights

1.1 Revenue

The total revenue earned in 2020 has dropped from Nu 177.632 million in 2019 to Nu 154.972 million in 2020. The sales revenue is more or less dependent on DCCL's demand for bags as about 75% percent of the company's total revenue comes from DCCL. Although the company's primary source of revenue is from the sale of PP bags, DPL also sold over 296 MT of fabrics earning additional revenue of Nu 24.86 million.

1.2 Expenditure

The total expenditure incurred for the year is Nu 147.130 million as compared to Nu 171.711 million in the previous year. The reduction in the expenditure is not only due to interest waiver provided as part of the Royal Kidu but also other cost cutting measures adopted by the company. When the Government announced monetary measures in response to COVID19, the company availed term-based soft working capital loan of Nu 23.055 million from BoB, which enabled the company to stock over 300 MT of raw materials when the price was at its lowest. Additionally, much has been done to curb other controllable costs. Meetings were conducted through virtual conferences. Movement restriction imposed by the Government and local administrations further reduced travel expenses.

1.3 Profit /(Loss) After Tax

The Profit Before Tax was Nu 7.84 Million for 2020 as compared to Nu 5.92 Million (restated) in 2019, an increase of about 32%. However, the Profits After Tax (PAT) were Nu 5.46 million and Nu 4.22 million for 2020 and 2019 respectively due to deferred tax provisions. Despite slowdown of business as a result of COVID19 restrictions and closures, the company has managed to end the year with a positive bottom line.

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

Particulars	2020	2019 (restated)	Variance
Total Revenue	**154.97**	**177.63**	**(12%)**
Opex	137.60	160.58	(14%)
EBITDA	**17.37**	**19.12**	**(9%)**
Interest	3.63	8.91	(59%)
Depreciation & Amortization	**5.90**	**5.65**	**4%**

Particulars	2020	2019 (restated)	Variance
Profit Before Tax	7.84	5.92	32%
Income Tax Expense (Provision)	**0.47**	-	-
Deferred Tax Expenses	1.91	1.69	-
Profit After Tax	**5.46**	**4.22**	**29%**

2. Operational Highlights

With the outbreak of the COVID19 pandemic, the year 2020 was a year of challenges and uncertainties for businesses across various segments of the industry. DPL too could not escape.

2.1 Production

In the year 2020, the company produced 1,167.27MT fabrics and 887.37MT bags (equivalent to 12.423Million bags). The production was not only affected by the national lockdowns in Bhutan as well as in India, but also the many construction activities were either cancelled or postponed due to COVID19 pandemic. As a result, the demand for cement drastically reduced thereby affecting sales.

About 77% of the bags were sold to DCCL and the rest to PCAL, RSA Ltd., Chundu Enterprise and some other small vendors and distributors across the country. Apart from the bags, the company exported over 295 MT of fabrics to customers in India.

Table 1: Production of PP bags

SN	Particular	2020	2019	Variance %
1	Production of PP bags- (Million)	12.423	15.25	(18.5%)
2	Production of Fabric- (Metric tons)	1,167.27	1,191.99	(2.0%)

Table 2: Sales of PP bags

SN	Particular	2020	2019	Variance %
1	Sales of PP bags- (Million)	12.21	15.07	(19%)
2	Sales of Fabric- (Metric tons)	296.23	151.62	95.4%

2.2 Marketing & Sales

The following efforts have been made in exploring the market opportunities amid covid restrictions.

1. With an aim to reduce the wastage, the company segregated assorted-fabric wastages and categorized as 2nd grade bags which fetched better price. The so-called 2nd grade bags are sold to ferrosilicon companies like SD Ferro-Silicon in Motanga. The same bags were also exported to India thereby bringing drastic reduction in the wastages.

2. DPL also carried out a brief study on leno bag market. Leno bags are used for packaging potatoes and onions. As per the 2019 statistics, 26,075.52 tons of potatoes were exported to India that would require 0.52 million leno bags. Besides, other products such as chilli, carrot, ginger, pea and cabbage use leno bags for packaging. Further, the demand for leno bags in the Indian state

of Assam alone is very high. Bhutan Polymers sells about 5 million to 6 million bags a year in the states of Assam and West Bengal.

2.3 Human Resource

The company has provided employment to over 100 regular employees and more than 40 casual workers. Casual workers are engaged in the finishing unit and the number varies from day to day depending on their convenience and their requirement for the work.

With the plant capacity utilization hovering around 50%, the size of the employees is kept deliberately low. Whenever there is sudden increase in the demand, the employees are engaged in overtime duties so that the overhead cost is minimized.

3. Audit Highlights

3.1 Statutory Audit

The Financial Statements of Dungsam Polymers Limited was audited by M/s. Nundi & Associates, Kolkata from 1st February to 26th February 2021. Due to the outbreak of COVID-19 pandemic that caused global lockdown and other travel restrictions imposed by Governments or Local administration during the period of our audit, the audit was conducted virtually following the letter from the Royal Audit Authority. Although the physical verification of assets and inventories should have been verified by engaging a Bhutanese firm, it was not done as the country continued to face movement restrictions considering new covid19 cases in the western parts of the country.

I am pleased to report that there is no qualified opinion and no major issues depicted in the statutory audit report for the year 2020.

3.2 Royal Audit Authority

The Royal Audit Authority could not carry out the audit as planned due to COVID19 pandemic. They have last audited in 2018 covering the period up to 2017.While few observations are still pending, there are no issues of serious matter.

3.3 Internal Audit

The company could not conduct Internal Audit, as it did not have its own auditor. Outsourcing the service was not possible due to COVID19 restrictions.

3.4 Corporate Social Responsibility

The company did not make any notable contribution towards CSR. However, a total contribution of Nu 11,988.80 was disbursed for COVID19 pandemic activities coordinated by DHI. During the construction of interim Mini Dry Port (iMDP) at Pelzomthang for the purpose of goods transshipment, DPL not only provided welders and other technical support for more than a month but also contributed additional manpower during weekends to construct other facilities. DPL has provided its Hilux and school bus for COVID related conveyance and delivery of essential items during restrictions and lockdowns.

Besides, small contributions were made in kind such as fabrics, raw material bags and empty drums to offices and institutions mainly to help them equip COVID19 facility requirement.

4. Board Recommendations of Dividend

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

5. Key Challenges

While the Company has managed to show positive bottom line for the last two consecutive years, there is a drop in the production and sales which is more concerning. The plant is operating at low output levels considering limited demand for bags. The capacity utilization in 2020 was 51% as far as fabrics production is concerned but it is much lesser in terms of bag production. Not only was there drastic drop in the demand from DCCL but also other domestic firms have not ordered much.

6. Way Forward

Since the customer in the domestic market is saturated, the only way out is to increase export market. Due to cutthroat price competition from the Indian manufacturers, it has to be priced very low for which the production cost has to be lowered. We can only lower the production cost by converting manual systems to automated systems. Installation of valvomatic machine is in its pipeline.

On the other hand, the company is also planning to install a leno bag machine which can manufacture bags for packaging potatoes and onions. Not only there is demand within Bhutan but also there is high demand in Assam.

ACKNOWLEDGEMENT

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 contribution. The appreciation is also extended to the Management and all other employees for their tireless and continued effort.

Tashi Delek!

For and on behalf of the Board

(Yonten Namgyel)
CHAIRMAN

CORPORATE GOVERNANCE REPORT

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

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

a) Board Of Directors

The Board of 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. Yonten Namgyel	Non- Executive	DG, Department of Industry	First term	None
2.	Mr. Sherab Zangpo	Independent	Dungpa, Nganglam Dungkhag	First term	None
3	Mr. Thinlay Gyamtsho	Non-Executive	Proprietor –T&K Construction	First term	None
4.	Ms. Choni Ome	Non-Executive	Sr. Analyst, DHI	Second term	None
5.	Mr. Pema Wangchuk	Non-Executive	DY. Project Director, Gyalsung Project	Second term	None
6.	Mr. Sangye Dorji	Non-Executive	Credit In-Charge, BNBL	Second term	None
7.	Mr. Tshering Tenzin	Executive	CEO, DPL	Second term	None

b) Board meetings

A total of four Board Meetings were held in 2020. 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)			
		45th BM (20.03.2020)	46th BM (19.05.2020)	47th BM (01.08.2020)	48th BM (02.12.2020)
1	Mr. Yonten Namgyel	✓	✗	✓	✓
2	Mr. Sherab Zangpo	✗	✗	✓	✗
3	Mr. Thinlay Gyamtsho	✓	✓	✓	✓
4	Mr. Pema Wangchuk	✓	✓	✓	✓
5	Ms. Choni Ome	✓	✓	✓	✓
6	Mr. Sangye Dorji	✗	✓	✓	✓
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, Board Tender Committee and Board NGC meetings in 2020 as the necessity was not felt.

1. Board Audit Committee Meetings

Sl. No.	Board Audit Committee Member	Board Audit Committee Meetings (BACM)		
		23rd BACM (13.03.2020)	24th BACM (30.07.2020)	25th BACM (01.12.2020)
1	Mr. Choni Ome – Chairman	✓	✓	✓
2	Mr. Pema Wangchuk	✓	✓	✓
3	Mr. Sangye Dorji	✓	✓	✓

d) Board Remuneration

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

Particulars	Amount (Nu)
	2020
Chief Executive Officer	
Salaries including LTC	1,799,046.78
Contribution to Provident Fund	150,864.00
Sitting fees	31,360.00
Travelling Expenses	35,000.00
Non-Executive Directors	
Board sitting fees	176,000.00
Board level sub-committee sitting fees	44,000.00

e) Annual General Meeting

The 10th Annual General Meeting was held on 26th March 2021 at DHI Board room.

f) Board and CEO Evaluation

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT

To

The Members

DUNGSAM POLYMERS LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Dungsam Polymers Limited (the Company) , which comprise the statement of financial position as at 31st December, 2020 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 31st December, 2020 and of its financial performance and its cash flows for the year then ended in accordance with Bhutanese Accounting Standards/Bhutanese Financial Reporting Standards (BAS/BFRSs).

Basis for Opinion

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

Other Matter

Due to outbreak of COVID-19 pandemic that caused global lockdown and other travel restrictions imposed by the Governments or Local administration during the period of our audit, we could not travel to the client's office and carry out the audit processes remotely. As we could not gather audit evidence in person/physically/through discussions and personal interactions with the officials at the Corporate Offices and factory, we have identified such other audit procedures together audit evidence for this audit.

Our opinion is not modified in respect of this matter.

NUNDI & ASSOCIATES
Chartered Accountants

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

NUNDI & ASSOCIATES
Chartered Accountants

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

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

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

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

NUNDI & ASSOCIATES Chartered Accountants

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

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

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

(S. Nandi, Partner)
Membership No: 059828 UDIN:

Date: 26th March 2021
Place: Kolkata, India

NUNDI & ASSOCIATES
Chartered Accountants

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Exhibit I

DUNGSAM POLYMERS LIMITED

MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENTS

FOR THE YEAR 2020

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

a) The Financial statement of the Company has been audited in adherence to the Corporate Governance Guidelines and Regulations as applicable to them.

b) The company is having a prudent and sound financial management practice in managing the affairs of the company.

c) The financial statements are prepared applying the Bhutanese Accounting Standards issued by the Accounting and Auditing Standards Board of Bhutan (AASBB).

d) Proper books of accounts have been maintained and financial statements are in agreement with the underlying accounting records.

e) Adequate records as specified under Section 228 of the Companies Act of Bhutan 2016 have been maintained. However, Director Register is not updated properly such as date of retirement of directors is not updated.

f) As per the provision of section 164 and section 165 of the Companies Act of Bhutan 2016, a Code of Conduct for Companies should have policies on business ethics, auditing, risk management, good corporate governance ownership and the human resource management and corporate social responsibility and all companies shall also maintain Corporate Social Responsibility fund which shall be administered by the respective Company Board in line with the regulations issued by the Authority respectively.

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

However in the year 2020, the companyhas made expenditure to the tune of Nu. 11,988.80 On account of Corporate Social Responsibility which was paid for COVID-19 pandemic related activities.

g) As no tax computation is presented before us we are unable to comment whether the amount of tax is computed correctly and reflected in the financial statements.

NUNDI & ASSOCIATES
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Accountants

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

1. The Company has maintained proper records showing full particulars including quantitative details except location of fixed assets not updated in few cases in SAP Accounting System. As explained to us, all the fixed assets have been physically verified. Physical verification of fixed assets conducted by the Management which did not reveal any material discrepancies. However, the asset register in SAP system does not contain quantitative details in few cases..
2. None of the fixed assets were revalued during the year.
3. ***During the current year it is decided that, physical verification of fixed assets and inventories will be done by an independent Bhutanese firm. However as informed by the management, physical verification could not be done due to the COVID-19 restriction prevailed in the country.*** Consequently we found that, company has formed a committee for the said purpose. The said Physical verification was conducted on 1st January, 2021 and completed on the same day, in respect of finished goods, spares parts and raw materials 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 stocks as compared to the book records. Hence, the company should take necessary action to resolve this irregularity.***
6. The company has a reasonable system of recording receipts, issues and consumption of materials and stores and allocating materials consumed to the respective jobs, commensurate with its size and nature of its business.
7. Quantitative reconciliation between book record and physical verification is carried out at the end of accounting year in respect of all major items of inventories i.e. finished goods and raw materials.
8. The obsolete, damaged and slow moving inventories have been determined but the value of those items are not significant.
9. The obsolete and surplus inventories are disposed off and proceeds from such disposals are accounted for appropriately.
10. Approval of Board/appropriate authority is obtained for writing off amounts due to material loss/ discrepancies in physical/book balances of inventories including finished goods, raw materials, stores and spares.
11. On the basis of our examination of stocks, it is observed that valuation of stock is fair and proper in accordance with the applicable Accounting Standards issued by the Accounting and Auditing Standard Board of Bhutan (AASBB). The basis of valuation of stocks is the same as in the preceding year. The Company values inventories at "Cost" only since the cost is lower than Net Realizable Value.

NUNDI & ASSOCIATES Chartered Accountants

12. The rate of interest and the other terms and conditions of loans availed by the company secured or unsecured are prima facie not prejudicial to the interest of the company.

13. The Company has not granted any loans, secured or unsecured, to other companies, firms, or other parties and/or to the companies under the same management during the year under our review, except advances granted to suppliers of raw materials in the normal course of business and to the officers/employees of the Company.

14. Generally, officers/employees to whom loans/advances have been given by the company are repaying the principal amounts as stipulated. However there are certain cases where loan given to the employees by the company are not duly recovered within the end of the financial year. In our opinion and according to the information and explanations given to us, loans/advances granted to the officers/staff are generally in keeping with the provisions of the Company's service rules, no excessive/frequent advances are granted and also advances are not lent before recovering the earlier loan amount.

15. The company has established adequate system of internal controls to ensure completeness, accuracy and reliability of accounting records, carrying out the business in an orderly and efficient manner, to safeguard the assets of the company as well as to ensure adherence to the rule/ regulations and system and procedures***. However, the Inventory Management process requires further improvement and widens the areas of coverage by Internal audit. Moreover no internal audit was conducted during the current financial year due to Covid-19 pandemic.***

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

17. 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, equipment and other assets, and for the sale of goods and services. In the present financial year 2020, audit has been carried out in a virtual mode; hence we were unable to comment on such matters.

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 the director(s) are directly or indirectly interested except DHI group companies. According to information and explanation given to us, the transaction of such goods and services entered into with DHI group companies at the prevailing market prices.

NUNDI & ASSOCIATES
Chartered Accountants

b) Accordingly this clause is not applicable.

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

20. No unserviceable or damaged stores, raw materials or finished goods are determined during the year as per the physical verification report.

21. There is no reasonable system of ascertaining and identifying point of occurrence of breakage/ damages of raw materials, packaging materials and finished products i.e. while in transit, during processing, during loading/unloading, in storage and during handling etc. so that the responsibility could be fixed and compensation sought from those responsible.

22. The company is maintaining reasonable record for production of finished goods, By-Products ***but adequate physical safeguard doesn't exist to prevent unauthorized or irregular movement of goods from the company, consequently we observe that there are differences existed in physical balance of stock appearing in the physical verification report and stock balance appearing in the SAP system.***

23. The company is maintaining reasonable records for sales and disposal of realizable by products and scrap wherever applicable.

24. The company is regular in depositing rates and taxes, duties, royalties, provident funds, and other statutory dues with the appropriate authority. As no tax computation is presented before us so we are unable to comment whether the amount of tax is computed correctly as per the prevailing tax laws, rules and regulations of Bhutan.

25. No undisputed amounts payable in respect of rates, taxes, duties, royalties, provident funds and other statutory deductions were outstanding, as per the last day of the financial year concerned.

26. The company has a reasonable system of allocating man-hours utilized to the respective jobs, commensurate with the size and nature of its business.

27. Remove.

28. There is a reasonable system of price fixation taking into account the cost of production and market conditions.

29. In our opinion and according to the information and explanations given to us, the Company has formulated a standard credit sales policy which has been implemented. ***There is no system of carrying out credit rating of customers, since the company's major customer Dungsam Cement Corporate Limited.***

NUNDI & ASSOCIATES Chartered Accountants

30. The company does not have any commission agent except the one appointed during the year for retail sales nearby the company. So this clause is not applicable for the year.

31. There is reasonable system for continuous follow-up with debtors and other parties for recovery of outstanding amounts.

32. The management of liquid resources particularly cash/ bank balances and short term deposits etc. are adequate and we observe that, there is no such excessive amounts lying idle in non-interest bearing accounts and excess amounts are withdrawn from loan leading to avoidable interest burden on the company.

33. In our opinion and according to the information and explanations given to us, the activities carried out by the management are lawful and intra vires to the Articles of Incorporation of the Company.

34. During the year the company has not made any investment decisions and investment in new projects, accordingly, this clause is not applicable.

35. The Company has established a budgetary control system through the implementation of Fund Management (FM) Module in SAP.

36. The input-output relationship was established through standard costing system and the variance analysis carried out on periodic intervals and corrective actions are taken if warranted. ***However it is required to do such activities more often (on an annual basis) as the variance is more than the previous year.***

37. The remuneration paid to the Chief Executive Officer and sitting fees paid to Directors has been disclosed in the Accounts. According to information and explanation given to us, that payments like commission and other payments in cash or in kind to the Board of Directors including the Chief Executive Officer or any of their relatives (including spouse(s) and child/children) have not been made by the company directly or indirectly during the year.

38. On the basis of our examination of minutes of the meetings of the Board of Directors, made available to us, the directive of the Board appears to have been complied with respect to preparation of financial statement of the current year.

39. During the course of our audit, we have not come across any incident where the officials of the company have transmitted any price sensitive information which is not made publicly available, to their relatives/ friends/associates or close persons which would directly or indirectly benefit themselves.

40. In our opinion and according to the information and explanation given to us proper records are kept for inter unit transactions/services and arrangements for services made with other agencies engaged in similar activities.

NUNDI & ASSOCIATES
Chartered Accountants

41. In our opinion and according to the information and explanation given to us proper agreements are executed and the terms and conditions of leases are reasonable.

Computerized Accounting Environment

1. The Company is operating in SAP Environment. The internal control system needs little improvement especially in the area of Inventory Management.

2. As evident from information and explanations provided, there is adequate safeguard measures and back up facilities.

3. Post implementation of SAP, disaster recovery measures and back up facilities are available.

4. Operational controls are inadequate to ensure correctness and validity of input data and the corresponding output information in relation to Inventory. Measures are to be taken to improve operational controls in SAP.

5. According to information and explanation given to us, it seems that there are adequate preventive measures for unauthorized access over the computer installation and files.

6. During the year no such the data migration has taken place so this clause is not applicable.

Other requirements:

1. Going concern problems

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

2. Ratio Analysis

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

3. Compliance with the Companies Act of Bhutan 2016

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

4. Adherence to Laws, Rules and Regulations

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

NUNDI & ASSOCIATES
Chartered Accountants

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

Date: 26th March 2021
Place: Kolkata, India

For Nundi and Associates
Chartered Accountants

NUNDI & ASSOCIATES Chartered Accountants

(S. Nandi, Partner)
Membership No: 059828 UDIN:

STATEMENT OF FINANCIAL POSITION AS AT 31st DECEMBER 2020

Particulars	Schedule No.	31/12/2020	31/12/2019
ASSETS		**Amount (Nu.)**	**Amount (Nu.)**
Non-Current assets			
Investment	1	60,419.18	56,073.48
Property, plant and equipment	2		
Tangible Assets		96,621,935.61	101,587,524.89
Intangible Assets		1,049,118.18	1,316,978.14
Capital Work In Progress	3	1,233,186.38	-
Total Non - Current Assets	**A**	**98,964,659.35**	**102,960,576.51**
Current assets			
Cash and cash equivalents	3	13,190,578.30	11,808,395.82
Trade and other receivables	4	28,471,985.52	29,167,293.41
Other current assets	5	7,389,350.42	3,982,365.45
Inventories	6	13,851,641.57	22,150,780.56
Total Current Assets	**B**	**62,903,555.81**	**67,108,835.24**
Total Assets (A+B)		**161,868,215.16**	**170,069,411.75**
EQUITY AND LIABILITIES			
Equity			
Share Capital	7	152,723,500.00	152,723,500.00
Securities Premium Account	8	26,348,001.00	26,348,001.00
Retained earnings	9	(128,636,604.09)	(134,034,398.65)
Total Equity	**C**	**50,434,896.91**	**45,037,102.35**
LIABILITIES			
Current liabilities			
Trade and other payables	10	4,045,266.73	10,919,858.40
Current borrowings	11	16,895,878.32	26,050,458.62
Other current liabilities	12	5,356,426.24	7,586,396.46
Provision	14	2,974,758.01	1,891,319.14
Total Current liabilities	**D**	**29,272,329.30**	**46,448,032.62**
Non Current liabilities			
Non Current borrowings	13	67,599,597.95	66,818,688.28
Retirement benefit obligations - Non Current	15	5,967,980.00	5,080,353.50
Deferred Tax liability - Non Current	16	8,593,411.00	6,685,235.00
Total Non Current liabilities	**E**	**82,160,988.95**	**78,584,276.78**
Total liabilities (D+E)		**111,433,318.25**	**125,032,309.40**
Total Liabilities and Equity (C+D+E)		**161,868,215.16**	**170,069,411.75**

Place: Kolkata, India
Date: 26-06-2021

For Nundi & Associates
(Chartered Accountants)

(Tshering Tenzin)
Chief Executive Officer

(Yonten Namgyel)
Chairman

NUNDI & ASSOCIATES
Chartered Accountants

(MR. S. Nundi), PARTNER
Membership No: 059828

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31st DECEMBER 2020

Particulars	Schedule No.	31/12/2020 Amount (Nu.)	31/12/2019 Amount (Nu.)
Income			
Revenue from Manufacturing Sector	17	153,103,755.76	173,309,670.66
Other income	18	1,864,239.00	4,319,050.37
Finance Income	23	4,345.70	3,349.28
Total Revenue		**154,972,340.46**	**177,632,070.31**
Expenses			
Consumption of Raw Material, Consumables and Changes in Inventory of Finished Goods	19	93,743,115.44	114,182,676.67
Operation and Maintenance Expenses	20	1,461,768.69	2,061,743.48
Personnel cost	21	35,625,462.65	30,720,813.41
Other expenses	22	6,771,071.52	10,183,502.73
Depreciation and amortisation	2	5,900,483.31	5,653,049.06
Finance Cost	24	3,628,174.33	8,909,396.81
Total Expenditure		**147,130,075.94**	**171,711,182.16**
Profit (Loss) Before Income Tax		**7,842,264.52**	**5,920,888.15**
Income Tax Expenses (provision)		474,382.96	-
Deferred Tax Expenses	25	1,908,176.00	1,698,534.00
Deferred Tax Income	26	-	-
Profit (loss) After Income Tax		**5,459,705.56**	**4,222,354.15**
Other Comprehensive (income)/Loss			
Actuarial(Gain)/Loss on post employment benefit obligation	C(11)	61,911.00	2,542,026.00
Net Other Comprehensive (Income)/Loss		**61,911.00**	**2,542,026.00**
Total Comprehensive Income/(Loss)		**5,397,794.56**	**1,680,328.15**
Basic and Diluted Earnings per Share	**C(19)**	**0.36**	**0.11**

Place: Kolkata, India
Date: 26-06-2021

For Nundi & Associates
(Chartered Accountants)

(Tshering Tenzin)
Chief Executive Officer

(Yonten Namgyel)
Chairman

(MR. S. Nundi), PARTNER
Membership No: 059828

NUNDI & ASSOCIATES Chartered Accountants

STATEMENT OF CASHFLOWS FOR THE YEAR ENDED DECEMBER 31, 2020

Particulars	31/12/2020 Amount (Nu.)	31/12/2019 Amount (Nu.)
A: CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit after Tax as per Profit and Loss Account	**5,397,794.56**	**1,680,328.15**
Adjusted for:		
less : Prior period		
Less: Finance Income	(4,345.70)	(3,349.28)
Add: Depreciation	5,900,483.31	5,653,049.06
Add: Finance Cost	2,931,985.73	7,930,264.81
Add: loss on retirement of Asset	322,644.62	
Add: Current tax expenses	474,382.96	-
Add: Deferred Tax expenses	1,908,176.00	1,698,534.00
Operating Profit before Working Capital Changes	**16,931,121.48**	**16,958,826.74**
Adjusted for:		
(Increase)/Decrease in Inventory	8,299,138.99	4,381,298.66
(Increase)/Decrease in Sundry Debtors	695,307.89	(7,007,292.83)
(Increase)/Decrease in Other Current Assets	(3,406,984.97)	6,686,574.62
Increase/(Decrease) in Current Liabilities	(6,874,591.67)	(7,197,234.79)
Increase/(Decrease) in Provision	1,083,438.87	(946,479.98)
Increase/(Decrease) in Retirement Benefit	887,626.50	3,101,373.50
Increase/(Decrease) in Other Current Liabilities	(2,229,970.22)	2,606,662.97
Increase/(Decrease) in Current Borrowings	(9,154,580.30)	7,629,176.87
Cash generated from Operations	(10,700,614.91)	9,254,079.02
Less; Tax Paid	474,382.96	-
Net Cash from Operating Activities (A)	**5,756,123.61**	**26,212,905.76**
B: CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets and capital work in progress	(2,222,865.07)	(3,398,971.69)
Increased in LTD - Gratuity Fund – BDBL	(4,345.70)	(56,073.48)
Interest income on deposits against Gratuity Fund	4,345.70	3,349.28
Net Cash used in Investing Activities (B)	**(2,222,865.07)**	**(3,451,695.89)**
C: CASH FLOW FROM FINANCING ACTIVITIES:		
Increased/ (Decreased) in Non-current Borrowings	780,909.67	(38,021,647.11)
Finance Cost	(2,931,985.73)	(7,930,264.81)
Net Cash from Financing Activities (C)	**(2,151,076.06)**	**(45,951,911.92)**
Net Increase/ (Decrease) in Cash & Cash Equivalents (A+B+C)	**1,382,182.48**	**(23,190,702.05)**
Cash & Cash Equivalents at the beginning of the year	**11,808,395.82**	**34,999,097.87**
Cash & Cash equivalents as on 31.12.2020	**13,190,578.30**	**11,808,395.82**

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

Notes:

1. The above Statement of Cash Flow has been prepared under the "Indirect Method" as set out in the Bhutanese Accounting Standard- 7 on 'Statement of Cash Flows'.

2. Cash and Cash Equivalents include cash in hand and bank balances in current accounts [Refer Note No. 3 to the Accounts.

3. Figures in brackets indicate cash outflows.

Place: Kolkata, India
Date: 26-06-2021

For Nundi & Associates
(Chartered Accountants)

(Tshering Tenzin)
Chief Executive Officer

(Yonten Namgyel)
Chairman

(MR. S. Nundi), PARTNER
Membership No: 059828

NUNDI & ASSOCIATES Chartered Accountants

Statement of Changes in Equity for the year ended 31st December 2020

Attributable to the Owners of the Company

Amounts in Ngultrum (BTN)

Particulars	Attributable to owners of the parent						
	Ordinary Shares			Securities Premium	Retained earnings	Other Equity	Total
	No. of Shares (issued and fully paid up)	Par value	Total Value of Shares				
Balance as at 1 January 2020	**15,272,350.00**	**10.00**	**152,723,500.00**	**26,348,001.00**	**(134,034,398.65)**	-	**45,037,102.35**
Profit for the year	-	-		-	5,459,705.56		**5,459,705.56**
Other comprehensive income for the year	-	-		-	(61,911.00)		**(61,911.00)**
Balance as at 31st December 2020	**15,272,350.00**	**10.00**	**152,723,500.00**	**26,348,001.00**	**(128,636,604.09)**	-	**50,434,896.91**

Number of shares authorized for each class of shares:

Authorized share capital	As at 31st December 2020	
	2020	2019
30,000,000 Equity Shares of Nu. 10 each	300,000,000.00	300,000,000.00

Statement of Changes in Equity for the 31st December 2019

Particulars	Attributable to owners of the parent						
	Ordinary Shares			Securities Premium	Retained earnings	Other Equity	Total
	No. of Shares (issued and fully paid up)	Par value	Total Value of Shares				
Balance as at 31st December 2019 (As per last Audited)	**15,272,350.00**	**10.00**	**152,723,500.00**	**26,348,001.00**	**(125,377,808.88)**		**53,693,692.12**
Expenses Booked after audit 2019-DBO expenses not recognized for Transfer Grant					**(24,376.05)**		**(24,376.05)**
Rectification entry for Deferred tax Asset and liability					**(3,947,507.23)**		**(3,947,507.23)**
Rectification for 2018 entry					**(4,684,706.49)**		**(4,684,706.49)**
Balance as at 31st December 2019					**(134,034,398.65)**		**(134,034,398.65)**

Place: Kolkata, India
Date: 26-06-2021

For Nundi & Associates
(Chartered Accountants)

(Tshering Tenzin)
Chief Executive Officer

NUNDI & ASSOCIATES Chartered Accountants

(Yonten Namgyel)
Chairman

(MR. S. Nundi), PARTNER
Membership No: 059828

Schedules forming part of the Financial Position	(Figures in Ngultrum)	
Schedule 1 : Investment		
Particulars	**31st December 2020**	**31st December 2019**
Long-Term Deposits - Gratuity Fund-BDBL	60,419.18	56,073.48
Total	**60,419.18**	**56,073.48**
Schedule 3 : Cash and Cash Equivalents	**(Figures in Ngultrum)**	
Particulars	**31st December 2020**	**31st December 2019**
Cash in hand	18,955.46	21,475.03
Cash at Bank	13,171,622.84	11,786,920.79
Total	**13,190,578.30**	**11,808,395.82**
Schedule 4: Trade and Other Receivables	**(Figures in Ngultrum)**	
Particulars	**31st December 2020**	**31st December 2019**
Domestic Customers – Trade	21,387,733.09	24,528,934.39
Export Customers - Trade	6,067,270.06	3,395,331.28
Export Customers - Non Trade	294,034.40	418,759.55
Other Customers	319,567.96	420,888.18
Receivable – Others	3,380.01	3,380.01
Securities Deposits-Others(A)	400,000.00	400,000.00
Total	**28,471,985.52**	**29,167,293.41**
Schedule 5 : Other Current Assets	**(Figures in Ngultrum)**	
Particulars	**31st December 2020**	**31st December 2019**
Advance - Suppliers	1,862,490.66	767,968.31
Public Work Advances – Employees	(1,065.76)	22,565.04
Advances to Employee -Tour	4,370.00	14,900.00
Pre-paid expenses	100,115.00	101,350.88
Pre-paid Tax Deducted at Source	5,423,440.52	2,967,808.10
Pre-paid GPA Insurance	-	107,773.12
Total	**7,389,350.42**	**3,982,365.45**
Schedule 6 : Inventories	**(Figures in Ngultrum)**	
Particulars	**31st December 2020**	**31st December 2019**
Raw materials	3,546,600.19	12,015,611.95
Consumables	1,264,544.68	1,074,597.64
Semi- Finished Product	3,197,285.49	4,608,644.59
Finished Products	1,606,180.62	838,618.76
Asset Materials	278,433.72	-
Spare-parts	3,958,596.87	3,613,307.62
Total	**13,851,641.57**	**22,150,780.56**

NUNDI & ASSOCIATES Chartered Accountants

Schedule 2: Property Plant & Equipments (PPE)

Particulars	GROSS BLOCK (At Cost)				DEPRECIATION				NET BLOCK	
	As on 31/12/2020	Addition/ Adjust-ment	Sales/ Adjust-ment	As on 30/06/2021	As on 31/12/2020	For the Period	Sales/ Adjust-ment	As on 30/06/2021	Closing Balance as on 30/06/2021	Closing Balance as on 31/12/2020
Tangible Assets										
Civil Structure	74,589,917.05	633,684.18	-	75,223,601.23	21,337,559.58	1,301,967.35	-	22,639,526.93	52,584,074.30	53,252,357.47
Semi-permanent Structure	237,873.81	-	-	237,873.81	39,645.63	16,990.99	-	56,636.62	181,237.19	198,228.18
Temporary Structure	283,477.37	-	-	283,477.37	104,297.61	47,246.23	-	151,543.84	131,933.53	179,179.76
Fire Fighting & Safety Equipments	62,073.90	-	-	62,073.90	41,056.78	3,063.38	-	44,120.16	17,953.74	21,017.12
Environment & OHS Assets	11,000.00	-	-	11,000.00	550.00	1,100.00	-	1,650.00	9,350.00	10,450.00
Furniture & Fixtures	599,029.95	-	-	599,029.95	496,100.97	11,219.87	-	507,320.84	91,709.11	102,928.98
Office Equipment	1,866,190.45	69,315.63	-	1,935,506.08	1,359,843.42	87,862.72	-	1,447,706.14	487,799.94	506,347.03
Vehicles	4,477,731.80	-	-	4,477,731.80	2,130,923.29	191,526.35	-	2,322,449.64	2,155,282.16	2,346,808.51
Tools & Plants	289,106.06	29,125.98	-	318,232.04	275,461.75	10,345.70	-	285,807.45	32,424.59	13,644.31
General Assets	260,230.36	-	-	260,230.36	136,666.67	17,364.04	-	154,030.71	106,199.65	123,563.69
Machinery	69,589,891.54	-	-	69,589,891.54	29,916,320.62	1,094,946.63	-	31,011,267.25	38,578,624.29	39,673,570.92
Low Value Assets	1,079,219.03	186,360.49	-	1,265,579.52	885,379.39	40,346.59	-	925,725.98	339,853.54	193,839.64
Total (A)	**153,345,741.32**	**918,486.28**	**-**	**154,264,227.60**	**56,723,805.71**	**2,823,979.85**	**-**	**59,547,785.56**	**94,716,442.04**	**96,621,935.61**
Intangible Assets										
Software	**10,105,625.88**	**-**	**-**	**10,105,625.88**	**9,056,507.70**	**133,929.98**	**-**	**9,190,437.68**	**915,188.20**	**1,049,118.18**
Total (B)	**10,105,625.88**	**-**	**-**	**10,105,625.88**	**9,056,507.70**	**133,929.98**	**-**	**9,190,437.68**	**915,188.20**	**1,049,118.18**
Total (A+B)	**163,451,367.20**	**918,486.28**	**-**	**164,369,853.48**	**65,780,313.41**	**2,957,909.83**		**68,738,223.24**	**95,631,630.24**	**97,671,053.79**

NUNDI & ASSOCIATES
Chartered Accountants

Schedule 7 : Share Capital	(Figures in Ngultrum)	
Authorized Capital		
Particulars	**31st December 2020**	**31st December 2019**
30,000,000 shares @ Nu. 10	300,000,000.00	300,000,000.00
Total	**300,000,000.00**	**300,000,000.00**
Issued & Paid up Capital		
15,272,350 Equity Shares of Nu. 10 each fully paid up		
Particulars	**31st December 2020**	**31st December 2019**
Equity Shares Held by DHI	77,889,010.00	77,889,010.00
Equity Shares Held by Others	74,834,490.00	74,834,490.00
Total	**152,723,500.00**	**152,723,500.00**

Schedule 8 : Securities Premium Account	(Figures in Ngultrum)	
Particulars	**31st December 2020**	**31st December 2019**
Securities Premium Account	26,348,001.00	26,348,001.00
Total	**26,348,001.00**	**26,348,001.00**

Schedule 9 : Retained Earnings	(Figures in Ngultrum)	
Particulars	**31st December 2020**	**31st December 2019**
Retained Earnings	(134,034,398.65)	(135,714,726.80)
Transferred from Income Statement	5,397,794.56	1,680,328.15
Total	**(128,636,604.09)**	**(134,034,398.65)**

Schedule 10 : Trade and Other Payables	(Figures in Ngultrum)	
Particulars	**31st December 2020**	**31st December 2019**
Sundry Creditors - Local	1,096,159.28	1,765,409.03
Inter Group vendors	821,736.70	1,321,497.35
Sundry Creditors - Foreign	1,951,997.90	7,615,117.69
Related party Vendors	175,372.85	217,834.33
Total	**4,045,266.73**	**10,919,858.40**

Schedule 11 : Current Borrowings	(Figures in Ngultrum)	
Particulars	**31st December 2020**	**31st December 2019**
Loan – NPPF	3,495,878.32	4,650,458.62
Working Capital Loan - BOBL	13,400,000.00	13,400,000.00
Inter-group borrowing from DHI	-	8,000,000.00
Total	**16,895,878.32**	**26,050,458.62**

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Schedule 12 : Other Current Liabilities	(Figures in Ngultrum)	
Particulars	**31st December 2020**	**31st December 2021**
Advances from Customers	35.57	35.57
TDS Payable	2,514.76	9,556.49
Employee Vendors	20,392.91	373,295.97
Salary Payable to Employees	1,599,255.25	3,052,043.82
Loans-Employees	25,779.00	2,669.96
Contributory Provident Fund	469,793.00	938,827.74
Group Insurance Scheme	21,900.00	23,300.00
Salary Saving Scheme	54,804.01	48,543.01
TDS – Salary	28,411.00	77,048.00
Health Contribution	20,382.00	13,649.00
Other Deductions	79,010.01	38,081.06
Outstanding Liabilities - Employees	3,003,848.09	2,977,245.20
Employee Welfare Deductions	30,300.00	32,100.00
Retention Money Payable - Suppliers/Con	0.64	0.64
Total	**5,356,426.24**	**7,586,396.46**

Schedule 13 : Non -Current Borrowings	(Figures in Ngultrum)	
Particulars	**31st December 2020**	**31st December 2019**
Term Loan		
Loan from National Pension & Provident Fund (Secured against hypothecation of Building Infrastructure, Plant & Machineries etc.)	59,782,017.13	66,818,688.28
BOBL Loan - non current	7,817,580.82	-
Total	**67,599,597.95**	**66,818,688.28**

Schedule 14 : Provision -Current	(Figures in Ngultrum)	
Particulars	**31st December 2020**	**31st December 2019**
Provision for Performance based Variable Pay	553,485.34	553,485.34
Provision for Leave Encashment	1,480,156.22	1,245,863.21
Provision for Salary Indexation	466,733.49	-
Provision for Income Tax Act	474,382.96	-
Provision for others	-	91,970.59
Total	**2,974,758.01**	**1,891,319.14**

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Schedule 15 : Retirement Benefit Obligations - Non –Current	(Figures in Ngultrum)	
Particulars	**31st December 2020**	**31st December 2019**
Provision for Gratuity – Non Current	5,333,115.00	4,467,577.00
Provision for Carriage Charge-Noncurrent	97,597.00	154,602.50
Prov_Rep Allowance Non-current	268,634.00	229,087.00
Prov_Transfer Grant Non-Current	268,634.00	229,087.00
Total	**5,967,980.00**	**5,080,353.50**
Schedule 16 : Deferred Tax liabilities - Non -Current	**(Figures in Ngultrum)**	
Particulars	**31st December 2020**	**31st December 2019**
Deferred Tax Liability	8,593,411.00	6,685,235.00
Total	**8,593,411.00**	**6,685,235.00**

Schedules forming part of the Income Statement		
Schedule 17 : Revenue from Manufacturing Sector	**(Figures in Ngultrum)**	
Particulars	**31st December 2020**	**31st December 2019**
Revenue from sale of Polymer Bags	128,281,660.46	160,585,847.18
Revenue from sale of Fabric	24,862,664.10	12,767,746.58
Discount Allowed	- 37,068.80	- 36,923.10
Commission	- 3,500.00	- 7,000.00
Total	**153,103,755.76**	**173,309,670.66**
Schedule 18 : Other Income	**(Figures in Ngultrum)**	
Particulars	**31st December 2020**	**31st December 2019**
Rental Income	264,183.04	268,504.32
Liquidated Damages	24,008.72	6,697.73
Income From Sale Of Scraps	951,175.36	1,759,649.18
Discount Received	37,691.64	43,068.71
Other Miscellaneous Income	585,180.24	2,050,951.43
Gain due to Foreign Currency fluctuation	-	190,179.00
Freight Revenue	2,000.00	-
Total	**1,864,239.00**	**4,319,050.37**

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Schedule 19 : Consumption of Raw Material and Changes in Inventory of Finished Goods	(Figures in Ngultrum)	
Particulars	**31st December 2020**	**31st December 2019**
Consumption		
Raw Materials	87,735,738.26	98,756,526.50
Semi Finished Products	175,363,123.74	218,487,399.45
Spare Parts	1,955,149.16	1,694,366.56
Consumables	,502,931.06	4,292,430.54
Cost of Goods Manufacturing		
Semi Finished Goods	(201,930,830.99)	(224,476,288.15)
Finished Goods	89,599,471.20)	(21,819,827.38)
Scraps	(1,617,207.49)	(1,871,058.49)
Cost of Goods Sold		
Cost of good sold - Semi Finished Good	25,096,461.23	15,734,860.86
Cost of good sold - Finished Good	93,797,964.31	128,457,988.77
Price Difference - Material	-560,742.64	-5,073,721.99
Total	**93,743,115.44**	**114,182,676.67**

Schedule 20 : Operational & Maintenance Expenses	(Figures in Ngultrum)	
Particulars	**31st December 2020**	**31st December 2019**
R & M of Plant & Machineries - Material	211,477.53	288,184.38
R & M of Plant & Machineries -Services	100.00	55,180.00
R & M of Fire fighting-Services	-	9,000.00
R & M of Bulding & Civil Structure - Ma	24,756.00	31,369.25
R & M of Bulding & Civil Structure - Se	62,050.00	-
R & M of Office Equipment - Materials	4,350.00	9,153.94
R & M of Office Equipment - Services	-	4,400.00
R & M of Vehicle -Materials	357,634.88	591,673.67
R & M of Vehicles - Services	30,629.00	116,597.08
R & M of General Asset – Services	-	35,410.00
R & M of General Asset – Materials	589.00	-
R & M of Environment & OHS Assets – Materials	11,800.00	36,540.00
Running and Maintenance of SAP - Servic	758,382.28	884,235.16
Total	**1,461,768.69**	**2,061,743.48**

Schedule 21 : Personnel cost	(Figures in Ngultrum)	
	31st December 2020	**31st December 2019**
Payroll and related expenses		
Basic Pay	18,945,596.34	15,316,777.62

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Allowances	2,637,787.56	1,678,587.17
Shift Allowance	695,205.00	696,981.00
Wages	4,082,012.02	4,486,816.92
Leave Travel Concession	1,316,487.25	1,344,643.61
Salary Indexation	466,733.49	-
Overtime Allowance	1,726,733.87	920,672.55
Uniforms & Liveries	-	418,900.00
GPA Insurance	105,013.12	112,977.88
Sport Activities	-	44,900.60
In House/In Country Training & Certific	-	61,071.00
Short Term Courses	-	360,414.00
Workshop & Seminars	-	24,196.00
Leave Encashment	1,497,336.00	1,296,323.00
Provident Fund-Matching Contribution	2,841,961.00	1,875,649.37
Gratuity	1,140,387.00	877,817.00
Rep Allowance	57,005.00	39,275.00
Transfer Grant	57,005.00	39,275.00
Defined benefit plan expense	30,000.00	-
Carriage Charges	26,200.00	26,671.00
Special Incentive	-	1,098,864.69
Total	**35,625,462.65**	**30,720,813.41**

Schedule 22 : Other Expenses	**(Figures in Ngultrum)**	
Particulars	**31st December**	**31st December**
Marketing And Sales Promotion Expenses	109,743.00	18,750.00
Board Meeting Expenses	41,913.00	402,965.00
Board Sitting fees	254,000.00	430,000.00
Board Training Expenses	-	427,347.40
Sub-Committee meeting expenses	-	8,646.00
Sub-Committee sitting fees	28,000.00	28,000.00
Fees And Subscription	296,200.00	467,348.86
Printing and Stationery	161,480.11	158,908.61
Postage & Courier Charges	2,350.00	10,166.00
Advertisement	49,280.00	55,880.00
Office Expenses	68,384.86	148,973.28
Lease Rent	722,328.59	722,328.59
Travelling Expenses - Local	108,508.00	846,204.68
Travelling Expenses - Foreign	119,316.00	268,654.00
Internet and telephone charges paid to	499,757.45	649,267.00

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License and Registration	20,590.00	14,685.00
Fines & Penalty	750.00	706,290.95
General Insurance	452,370.87	449,899.04
Electricity Charges - paid to DHI Group	3,018,032.00	3,464,636.42
Hospitality And Entertainment Expenses	51,249.87	44,176.00
Corporate Social Responsibility (CSR) E	11,988.80	163,523.33
Donations	-	5,000.00
Miscellaneous Expenses	564.61	1,102.83
Loss/Retirement/Scraping of Inventories	94,585.55	136,895.99
Loss/Retirement/Scraping of Asset	323,593.66	-
Consulting Fees	-	48,000.00
Audit Fees	63,250.00	63,250.00
Audit Expenses	64,952.00	117,193.00
Hiring Expenses	-	3,000.00
Loading & unloading charges	207,883.15	218,788.29
Loss due to Foreign Currency fluctuation	-	76,618.61
Bad debts	-	27,003.85
Total	**6,771,071.52**	**10,183,502.73**
Schedule 23 : Finance Income	**(Figures in Ngultrum)**	
Particulars	**31st December 2020**	**31st December 2019**
Interest income on deposits against Gratuity Fund	4,345.70	3,349.28
Total	**4,345.70**	**3,349.28**
Schedule 24 : Finance Cost	**(Figures in Ngultrum)**	
Particulars	**31st December 2020**	**31st December 2019**
Interest On Borrowings -NPPF	2,594,126.83	7,392,908.24
Bank Charges - others	-	27,391.00
Bank Charges & Other fees paid to BoBL	197,534.82	407,390.03
Interest On Overdraft Loan - BOBL	696,188.60	979,132.00
Interest on borrowings-Intragroup	140,324.08	102,575.54
Total	**3,628,174.33**	**8,909,396.81**
Schedule 25: Deferred Tax Expenses	**(Figures in Ngultrum)**	
Particulars	**31st December**	**31st December**
	2020	**2019**
Deferred tax expenses	1,908,176.00	,698,534.00

Dungsam Polymers Limited

Schedule 27: Significant Accounting Policies & Notes to Financial Statements December 2020

(In Ngultrum, except as otherwise noted)

A. Legal Status and Principal Activities

Dungsam Polymers Limited (DPL) is incorporated under the Companies Act of Kingdom of Bhutan, 2000 and has its principal administrative offices in Nganglam, Pemagatshel. The corporation is engaged in production of Polypropylene (PP) Bags and for bulk sale of the same to Dungsam Cement Corporation Limited (DCCL) for packing cement, and for export of surplus PP bags and fabric to the neighboring states of India. The plant commenced commercial production from 26th 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 2nd August 2013. The DPL is the first company divested by Druk Holding and Investments (DHI) since its formation in 2007 the authorized capital of the company is Nu 300 million.

B. Significant Accounting Policies

1. Basis of Presentation and Statement of Compliance

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

The financial statements present the Company's financial position as on 31st December, 2020 and 31st December,2019, as well as its earnings(Profit), comprehensive income (Profit) ,Cash Flows and Changes in Equity for the year ended 31st December,2020 and 31st Decemeber,2019. The preparation of financial statements is in conformity with BFRS that requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are:

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

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- 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 conventions except for the defined benefit liability (actuarial valuation of gratuity in the financial position for which the measurement basis is detailed in their respective accounting policies).

3. Critical Accounting Judgments, Estimates and Assumptions

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

4. Property, Plant and Equipment

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

5. Impairment of Assets

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

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

6. Depreciation

As of the reporting date, the depreciation on Property, Plant and Equipment (PPE) is provided on straight-line method based on the useful lives (taking Residual value to be Nil). The management

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has assessed the useful lives which represent the expected utility of the assets to the company based on the vendor's recommendation. Actual results, however, may vary due to technical or commercial obsolescence, particularly with respect to manufacturing equipment. However, the management will review the useful lives, depreciation methods and residual values of depreciable assets at each reporting date as required by BAS 16.

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

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

7. Intangible Assets

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

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

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

8. **Investment**

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

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

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

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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 in the following categories:

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

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

- ***Financial assets measured at amortized cost:***

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

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

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

After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are 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.

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Financial instruments measured at fair value through other comprehensive income

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

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

b. the asset's contractual cash flow represents SPPI.

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

Financial instruments measured at fair value through profit and loss

Fair value through profit and loss is the residual category. Any financial instrument which does not meet the criteria for categorization as at amortized cost or fair value through other comprehensive income is classified at FVTPL. Financial instruments included within FVTPL category are measured initially as well as at each reporting period at fair value. Fair value movements are recorded in statement of profit and loss.

9.3 Trade and other receivables

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

9.4 Impairment of financial assets

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

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

9.5 De recognition of financial assets

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

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

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

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

10. Inventories and Parts and Supplies

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

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

11. Cash and Cash Equivalents

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

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12. Financial liability

12.1 Initial recognition and measurement

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

12.2 Subsequent measurement

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

Financial Liabilities at fair value through profit or loss

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

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

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

12.3 Borrowings

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

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

12.4 Trade and other payables

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

12.5 De recognition

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

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

13. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to offset the 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.

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

15. Current and deferred income tax

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

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

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

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

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

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 IFRS 15. Any balance against such exchange contracts not settled during the same financial year are accounted for as payable/receivable and included under other current assets/liabilities in statement of financial position.

Revenue from Operations: Revenue generated from the Sale of PP Bags, Fabric Roll & Scrap Materials within and outside Bhutan is recognized when the entity has transferred to the buyers the significant risks and rewards of ownership of the goods; the entity retains neither continuing

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managerial involvement to the degree usually associated with ownership nor effective control over the goods sold: the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Company and the cost incurred or to be incurred in respect of the transactions can be measured reliably.

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

17. Land Lease

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

18. Retirement benefits

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

Under Defined Contribution Scheme

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

Under Defined Benefit Scheme

i. The Company operates a gratuity scheme for employees, whereby employees receive one month's final salary for each year of completed service. The employee must complete five (5) years of service before the gratuity is payable and the limitation of the scheme has been removed from October 2019. The cost of defined benefit scheme and the present value of the related obligations are determined using actuarial valuations. The determination of benefits expense and related obligations requires assumptions such as the expected return on assets available to fund future obligations, the discount rate to measure obligations, expected mortality, the salary escalation rate and the expected experience of employee turnover. Actual results will differ from results which are estimated based on assumptions. All assets held to provide for the future liability are

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in the form of bank deposits, as required by the Income Tax Act. The assets are therefore subject to the financial risks associated with such deposits. Refer to Note 11 for more information regarding the assumptions and disclosures related to the defined benefit cost for the year ending 31st December 2020.

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

Material events 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 a more appropriate basis for comparison.

C. NOTES TO ACCOUNTS

1. Prior Period Adjustments and change in accounting estimates

During the Financial Year 2019-20, the Company has restated its financial statement for the FY 2018-19 for prior period year retrospectively in Compliance to BAS 8 - Accounting Policies, Changes in Accounting Estimates & Errors. The prior period error relates to wrong reckoning of DBO expenses not booked as Transfer Grant to the tune of Nu.24,376.05 and booking of Deferred Tax Liability of Nu. 5.64 Million and Nu. 4.68 Million for year 2019 and 2018 respectively

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The impact of the rectification as also follows for Financial Year 2019:

- Loss before tax for Financial Year 2019 is decreased from Nu.8.19 million to Nu. 2.53 Million.

2. Provision for impairment Loss on trade receivables

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

3. Inter-corporate loan recognized at fair value

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

4. There is no contingent liability outstanding against the company as at 31st December 2020.

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

Reconciliation of the number of shares outstanding:

Particulars	As At 31st December 2020		As At 31st December 2019	
	No. of shares	Amount (Nu)	No. of shares	Amount (Nu)
Ordinary Share of Nu 10 each				
At beginning of the year	15,272,350	152,723,500.00	15,272,350	152,723,500.00
At closing of the year	15,272,350	152,723,500.00	15,272,350	152,723,500.00

6. Approximately 37.29% of installed plant capacity has been utilized in the financial year 2020.

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

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

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value of Nu 63.28 million is classified into current and non-current liabilities amounting to Nu. 3.50 million and Nu. 59.78 million respectively.

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

10. Defined Contribution Plan

The admissibility of pension benefits to an employee shall be governed by the pension rules and regulations of the NPPF. On separation from his service, an employee shall be entitled to receive the full accumulation, including interest accrued, of provident fund which is created through a monthly deduction from his/her salary and an equal contribution (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 years ended December 31st 2020 and 2019 were Nu. 2.84 million and 1.87 Million respectively.

11. Defined Benefit Plan

Valuation in respect of Gratuity, Earned leave, Carrier Charge, Repartriation Allowace and Transfer Grant as per BAS 19 Employee Benefits for accounting and disclosure of employee benefits has been carried out by independent actuary, Druk Infinity Consulting, Thimphu, Bhutan.

A summary of the key results for the year ended 31 December 2020 are presented below:

11.1. Gratuity Valuation

11.1.1. Executive Summary for Gratuity

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STATEMENT OF FINANCIAL POSITION

Nu.	31-Dec-2020	31-Dec-2019
Present value of defined benefit obligation	5,385,839	4,520,301
Fair value of plan assets	-	-
Net defined benefit asset/(liability)	**(5,385,839)**	**(4,520,301)**

EXPENSES RECOGNIZED IN

Nu.	31-Dec-2020	31-Dec-2019
(a) Statement of profit or loss	1,140,387	934,031
(b) Other comprehensive income	78,321	1,909,995

11.1.2. Detailed financial exhibits for Gratuity

A. LIABILITY RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION

Nu.	31-Dec-2020	31-Dec-2019
Present value of define benefit obligation	5,385,839	4,520,301
Fair value of plan assets	-	-
Funded status - surplus/(deficit)	(5,385,839)	(4,520,301)
Effect of asset ceiling	-	-
Net defined benefit asset/(liability)	**(5,385,839)**	**(4,520,301)**

B. COMPOSITION OF DEFINED BENEFIT COST

Nu.	31-Dec-2020	31-Dec-2019
Expense recognised in profit or loss	1,140,387	934,031
Expense recognised in other comprehensive income	78,321	1,909,995
Defined benefit cost	**1,218,708**	**2,844,026**

C. EXPENSE RECOGNISED IN STATEMENT OF PROFIT OR LOSS

Nu.	31-Dec-2020	31-Dec-2019
Current service cost	814,608	796,959
Past service cost	-	-
Loss/(Gain) on settlement	-	-
Interest on DBO	325,779	137,072
Interest on plan asset	-	-
Expenses recognised in profit or loss	**1,140,387**	**934,031**

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D. AMOUNT RECOGNISED AS OTHER COMPREHENSIVE INCOME

Nu.	31-Dec-2020	31-Dec-2019
Actuarial (gain) or loss due to experience adjustments	78,321	1,909,995
Actuarial (gain) or loss due to changes in financial assumptions	-	-
Actuarial (gain) or loss due to changes in demographic assumptions	-	-
Return on plan assets (greater) or less than discount rate	-	-
Expenses recognised as OCI	**78,321**	**1,909,995**

E. RECONCILIATION OF CHANGES IN PRESENT VALUE OF DEFINED BENEFIT OBLIGATION

Nu.	31-Dec-2020	31-Dec-2019
DBO at the beginning of period	4,520,301	1,978,980
Add: Current service cost	814,608	796,959
Add: Past service cost	-	-
Add: Interest cost	325,779	137,072
Less: Benefits paid by the plan	-	-
Less: Benefits paid by the employer	(353,170)	(302,705)
Actuarial (gain) or losses due to experience adjustment	78,321	1,909,995
Actuarial (gain) or losses due to change in financial assumptions	-	-
Actuarial (gain) or losses due to change in demographic assumptions	-	-
DBO at the end of period	**5,385,839**	**4,520,301**

F. COMPOSITION OF PLAN ASSET

Nu.	31-Dec-2020	31-Dec-2019
Bonds (Government/corporate)	-	-
Fixed deposit	-	-
Equities	-	-
Total	**-**	**-**

G. RECONCILIATION OF CHANGES IN FAIR VALUE OF PLAN ASSETS

Nu.	31-Dec-2020	31-Dec-2019
Fair value at the beginning of period	-	-
Contribution paid into the plan	-	-
Return on plan assets	-	-
Benefits paid from the plan	-	-
Return on plan assets greater or (less) than discount rate	-	-
Fair value at the end of period	**-**	**-**

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H. BIFURCATION BETWEEN CURRENT & NON-CURRENT LIABILITY

Nu.	31-Dec-2020	31-Dec-2019
Current liability	327,848	-
Non-current liability	5,057,991	4,520,301
Net Liability	**5,385,839**	**4,520,301**

I. EXPECTED BENEFIT PAYMENTS IN FUTURE YEARS

In.	Nu.
December 31, 2021	352,436
December 31, 2022	431,060
December 31, 2023	500,220
December 31, 2024	572,793
December 31, 2025	809,731
December 2026 to December 2030	5,789,599
December 2031 to December 2040	21,667,101

J. ESTIMATED TERM OF LIABILITY (IN YEARS): 17.95

Sensitivity analyses

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

Assumption/Parameter	*Scenario*	*Defined Benefit Obligation (DBO)*	*Net effect of DBO*	*Percent change*
Discount rate	+ 0.5%	5,022,315	(363,524)	-6.75%
	Base rate	5,385,839	-	0.00%
	- 0.5%	5,785,786	399,947	7.43%
Salary growth rate	+ 0.5%	5,807,765	421,926	7.83%
	Base rate	5,385,839	-	0.00%
	- 0.5%	5,000,190	(385,649)	-7.16%
Mortality rate	+ 0.5%	5,379,355	(6,484)	-0.12%
	Base rate	5,385,839	-	0.00%
	- 0.5%	5,392,376	6,537	0.12%
Employer turnover rate	+ 0.5%	5,293,920	(91,919)	-1.71%
	Base rate	5,385,839	-	0.00%

11.2. Earned Leave Valuation

11.2.1. Executive summary for Earned Leave Valuation

The key valuation results as at **[Comments]** are summarized in the following tables.

STATEMENT OF FINANCIAL POSITION

Nu.	31-Dec-2020	31-Dec-2019
Present value of defined benefit obligation	1,480,156	1,245,863
Fair value of plan assets	-	-
Net defined benefit asset/(liability)	**(1,480,156)**	**(1,245,863)**

EXPENSES RECOGNIZED IN

Nu.	31-Dec-2020	31-Dec-2019
(a) Statement of profit or loss	1,497,336	486,545
(b) Other comprehensive income	-	-

11.2.2. Detailed financial exhibits for Earned Leave Valuation

A. LIABILITY RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION

Nu.	31-Dec-2020	31-Dec-2019
Present value of define benefit obligation	1,480,156	1,245,863
Fair value of plan assets	-	-
Funded status - surplus/(deficit)	(1,480,156)	(1,245,863)
Effect of asset ceiling	-	-
Net defined benefit asset/(liability)	**(1,480,156)**	**(1,245,863)**

B. COMPOSITION OF DEFINED BENEFIT COST

Nu.	31-Dec-2020	31-Dec-2019
Service Cost	234,293	419,143
Net interest on net defined liability (asset)	(1,288)	59,738
Immediate recognition of gains/losses – Other long term employee benefits	1,264,331	7,664
Expense recognised in other comprehensive income	-	-
Define Benefit Cost	**1,497,336**	**486,545**

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C. EXPENSE RECOGNISED IN STATEMENT OF PROFIT OR LOSS

Nu.	31-Dec-2020	31-Dec-2019
Current service cost	234,293	419,143
Past service cost	-	-
Loss/(Gain) on settlement	-	-
Interest on DBO	(1,288)	59,738
Less: Interest on plan asset	-	-
Immediate recognition of gains/losses – Other long term employee benefits	1,264,331	7,664
Expenses recognised in profit or loss	**1,497,336**	**486,545**

D. AMOUNT RECOGNISED AS OTHER COMPREHENSIVE INCOME

Nu.	31-Dec-2020	31-Dec-2019
Actuarial (gain) or loss due to experience adjustments	1,264,331	7,664
Actuarial (gain) or loss due to changes in financial assumptions	-	-
Actuarial (gain) or loss due to changes in demographic assumptions	-	-
Return on plan assets (greater) or less than discount rate	-	-
Immediate recognition of gains/losses – Other long term employee benefits	**1,264,331**	**7,664**
Expense recognised as other comprehensive income	-	-

E. RECONCILIATION OF CHANGES IN PRESENT VALUE OF DEFINED BENEFIT OBLIGATION

Nu.	31-Dec-2020	31-Dec-2019
DBO at the beginning of period	1,245,863	863,907
Add: Current service cost	234,293	419,143
Add: Past service cost	-	-
Add: Interest cost	(1,288)	59,738
Less: Benefits paid by the plan	-	-
Less: Benefits paid by the employer	(1,263,043)	(104,589)
Actuarial (gain) or losses due to experience adjustment	1,264,331	7,664
Actuarial (gain) or losses due to change in financial assumptions	-	-
Actuarial (gain) or losses due to change in demographic assumptions	-	-
DBO at the end of period	**1,480,156**	**1,245,863**

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F. COMPOSITION OF PLAN ASSET

Nu.	31-Dec-2020	31-Dec-2019
Bonds (Government/corporate)	-	-
Fixed deposit	-	-
Equities	-	-
Total	**-**	**-**

G. RECONCILIATION OF CHANGES IN FAIR VALUE OF PLAN ASSETS

Nu.	31-Dec-2020	31-Dec-2019
Fair value at the beginning of period	-	-
Contribution paid into the plan	-	-
Expected return on plan assets	-	-
Benefits paid from the plan	-	-
Return on plan assets greater or (less) than discount rate	-	-
Fair value at the end of period	**-**	**-**

H. BIFURCATION BETWEEN CURRENT & NON-CURRENT LIABILITY

Nu.	31-Dec-2020	31-Dec-2019
Current liability	63,613	-
Non-current liability	1,416,543	1,245,863
Net Liability	**1,480,156**	**1,245,863**

I. EXPECTED BENEFIT PAYMENTS IN FUTURE YEARS

In.	Nu.
December 31, 2021	68,384
December 31, 2022	69,832
December 31, 2023	71,337
December 31, 2024	72,899
December 31, 2025	102,170
December 2026 to December 2030	527,668
December 2031 to December 2040	1,323,064

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J. ESTIMATED TERM OF LIABILITY (IN YEARS): 14.11

K. SENSITIVITY ANALYSES

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

Assumption/Parameter	*Scenario*	*Defined Benefit Obligation (DBO)*	*Net effect of DBO*	*Percent change*
Discount rate	+ 0.5%	1,394,122	(86,034)	-5.81%
	Base rate	1,480,156	-	0.00%
	- 0.5%	1,574,493	94,337	6.37%
Salary growth rate	+ 0.5%	1,580,280	100,124	6.76%
	Base rate	1,480,156	-	0.00%
	- 0.5%	1,388,286	(91,870)	-6.21%
Mortality rate	+ 10%	1,481,016	860	0.06%
	Base rate	1,480,156	-	0.00%
	- 10%	1,479,300	(856)	-0.06%
Employer turnover rate	+ 0.5%	1,506,220	26,064	1.76%
	Base rate	1,480,156	-	0.00%
	- 0.5%	1,452,584	(27,572)	-1.86%

11.3. Executive summary for Transfer Grant

11.3.1. Executive summary for Transfer Grant

The key valuation results as at **[Comments]** are summarized in the following tables.

STATEMENT OF FINANCIAL POSITION

Nu.	31-Dec-2020	31-Dec-2019
Present value of defined benefit obligation	268,634	229,087
Fair value of plan assets	-	-
Net defined benefit asset/(liability)	**(268,634)**	**(229,087)**

EXPENSES RECOGNIZED IN

Nu.	31-Dec-2020	31-Dec-2019
(a) Statement of profit or loss	57,005	39,275
(b) Other comprehensive income	23,412	236,068

11.3.2. Detailed financial exhibits for Transfer Grant

A. LIABILITY RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION

Nu.	31-Dec-2020	31-Dec-2019
Present value of define benefit obligation	268,634	229,087
Fair value of plan assets	-	-
Funded status - surplus/(deficit)	(268,634)	(229,087)
Effect of asset ceiling	-	-
Net defined benefit asset/(liability)	**(268,634)**	**(229,087)**

B. COMPOSITION OF DEFINED BENEFIT COST

Nu.	31-Dec-2020	31-Dec-2019
Expense recognised in profit or loss	57,005	39,275
Expense recognised in other comprehensive income	23,412	236,068
Defined benefit cost	**80,417**	**275,343**

C. EXPENSE RECOGNISED IN STATEMENT OF PROFIT OR LOSS

Nu.	31-Dec-2020	31-Dec-2019
Current service cost	41,356	41,010
Past service cost	-	-
Loss/(Gain) on settlement	-	-
Interest on DBO	15,649	(1,735)
Interest on plan asset	-	-
Expenses recognised in profit or loss	**57,005**	**39,275**

D. AMOUNT RECOGNISED AS OTHER COMPREHENSIVE INCOME

Nu.	31-Dec-2020	31-Dec-2019
Actuarial (gain) or loss due to experience adjustments	23,412	236,068
Actuarial (gain) or loss due to changes in financial assumptions	-	-
Actuarial (gain) or loss due to changes in demographic assumptions	-	-
Return on plan assets (greater) or less than discount rate	-	-
Expenses recognised as OCI	**23,412**	**236,068**

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E. RECONCILIATION OF CHANGES IN PRESENT VALUE OF DEFINED BENEFIT OBLIGATION

Nu.	31-Dec-2020	31-Dec-2019
DBO at the beginning of period	229,087	-
Add: Current service cost	41,356	41,010
Add: Past service cost	-	-
Add: Interest cost	15,649	(1,735)
Less: Benefits paid by the plan	-	-
Less: Benefits paid by the employer	(40,870)	(46,256)
Actuarial (gain) or losses due to experience adjustment	23,412	236,068
Actuarial (gain) or losses due to change in financial assumptions	-	-
Actuarial (gain) or losses due to change in demographic assumptions	-	-
DBO at the end of period	**268,634**	**229,087**

F. COMPOSITION OF PLAN ASSET

Nu.	31-Dec-2020	31-Dec-2019
Bonds (Government/corporate)	-	-
Fixed deposit	-	-
Equities	-	-
Total	**-**	**-**

G. RECONCILIATION OF CHANGES IN FAIR VALUE OF PLAN ASSETS

Nu.	31-Dec-2020	31-Dec-2019
Fair value at the beginning of period	-	-
Contribution paid into the plan	-	-
Return on plan assets	-	-
Benefits paid from the plan	-	-
Return on plan assets greater or (less) than discount rate	-	-
Fair value at the end of period	**-**	**-**

H. BIFURCATION BETWEEN CURRENT & NON-CURRENT LIABILITY

Nu.	31-Dec-2020	31-Dec-2019
Current liability	40,046	-
Non-current liability	228,588	229,087
Net Liability	**268,634**	**229,087**

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I. EXPECTED BENEFIT PAYMENTS IN FUTURE YEARS

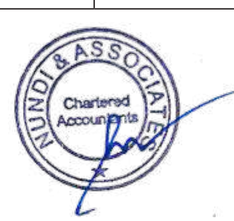
In.	Nu.
December 31, 2021	43,049
December 31, 2022	49,480
December 31, 2023	52,479
December 31, 2024	55,219
December 31, 2025	70,640
December 2026 to December 2030	389,707
December 2031 to December 2040	989,213

J. ESTIMATED TERM OF LIABILITY (IN YEARS): 14.40

Sensitivity analyses

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

Assumption/Parameter	*Scenario*	*Defined Benefit Obligation (DBO)*	*Net effect of DBO*	*Percent change*
Discount rate	+ 0.5%	254,131	(14,503)	-5.40%
	Base rate	268,634	-	0.00%
	- 0.5%	284,435	15,801	5.88%
Salary growth rate	+ 0.5%	285,453	16,819	6.26%
	Base rate	268,634	-	0.00%
	- 0.5%	253,100	(15,534)	-5.78%
Mortality rate	+ 0.5%	268,763	129	0.05%
	Base rate	268,634	-	0.00%
	- 0.5%	268,507	(127)	-0.05%
Employer turnover rate	+ 0.5%	272,421	3,787	1.41%
	Base rate	268,634	-	0.00%
	- 0.5%	264,647	(3,987)	-1.48%



11.4. Executive summary for Carriage Charge Valuation

11.4.1. *Executive summary for Carriage Charge Valuation*

The key valuation results as at 31st December 2020 are summarized in the following tables.

STATEMENT OF FINANCIAL POSITION

Nu.	31-Dec-2020	31-Dec-2019
Present value of defined benefit obligation	97,597	154,602
Fair value of plan assets	-	-
Net defined benefit asset/(liability)	**(97,597)**	**(154,602)**

EXPENSES RECOGNIZED IN

Nu.	31-Dec-2020	31-Dec-2019
(a) Statement of profit or loss	26,200	26,671
(b) Other comprehensive income	(63,234)	148,741

11.4.2. *Detailed financial exhibits Carrier Charge*

A. LIABILITY RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION

Nu.	31-Dec-2020	31-Dec-2019
Present value of define benefit obligation	97,597	154,602
Fair value of plan assets	-	-
Funded status - surplus/(deficit)	(97,597)	(154,602)
Effect of asset ceiling	-	-
Net defined benefit asset/(liability)	**(97,597)**	**(154,602)**

B. COMPOSITION OF DEFINED BENEFIT COST

Nu.	31-Dec-2020	31-Dec-2019
Expense recognised in profit or loss	26,200	26,671
Expense recognised in other comprehensive income	(63,234)	148,741
Defined benefit cost	**(37,034)**	**175,412**

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C. EXPENSE RECOGNISED IN STATEMENT OF PROFIT OR LOSS

Nu.	31-Dec-2020	31-Dec-2019
Current service cost	16,103	28,232
Past service cost	-	-
Loss/(Gain) on settlement	-	-
Interest on DBO	10,097	(1,561)
Interest on plan asset	-	-
Expenses recognised in profit or loss	**26,200**	**26,671**

D. AMOUNT RECOGNISED AS OTHER COMPREHENSIVE INCOME

Nu.	31-Dec-2020	31-Dec-2019
Actuarial (gain) or loss due to experience adjustments	(63,234)	148,741
Actuarial (gain) or loss due to changes in financial assumptions	-	-
Actuarial (gain) or loss due to changes in demographic assumptions	-	-
Return on plan assets (greater) or less than discount rate	-	-
Expenses recognised as OCI	**(63,234)**	**148,741**

E. RECONCILIATION OF CHANGES IN PRESENT VALUE OF DEFINED BENEFIT OBLIGATION

Nu.	31-Dec-2020	31-Dec-2019
DBO at the beginning of period	154,602	-
Add: Current service cost	16,103	28,232
Add: Past service cost	-	-
Add: Interest cost	10,097	(1,561)
Less: Benefits paid by the plan	-	-
Less: Benefits paid by the employer	(19,972)	(20,810)
Actuarial (gain) or losses due to experience adjustment	(63,234)	148,741
Actuarial (gain) or losses due to change in financial assumptions	-	-
Actuarial (gain) or losses due to change in demographic assumptions	-	-
DBO at the end of period	**97,597**	**154,602**

F. COMPOSITION OF PLAN ASSET

Nu.	31-Dec-2020	31-Dec-2019
Bonds (Government/corporate)	-	-
Fixed deposit	-	-
Equities	-	-
Total	**-**	**-**

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G. RECONCILIATION OF CHANGES IN FAIR VALUE OF PLAN ASSETS

Nu.	31-Dec-2020	31-Dec-2019
Fair value at the beginning of period	-	-
Contribution paid into the plan	-	-
Return on plan assets	-	-
Benefits paid from the plan	-	-
Return on plan assets greater or (less) than discount rate	-	-
Fair value at the end of period	**-**	**-**

H. BIFURCATION BETWEEN CURRENT & NON-CURRENT LIABILITY

Nu.	31-Dec-2020	31-Dec-2019
Current liability	14,259	-
Non-current liability	83,338	154,602
Net Liability	**97,597**	**154,602**

I. EXPECTED BENEFIT PAYMENTS IN FUTURE YEARS

In.	Nu.
December 31, 2021	15,328
December 31, 2022	18,910
December 31, 2023	20,805
December 31, 2024	22,041
December 31, 2025	22,518
December 2026 to December 2030	158,064
December 2031 to December 2040	383,107

J. ESTIMATED TERM OF LIABILITY (IN YEARS): 14.46

Sensitivity analyses

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

Assumption/Parameter	Scenario	Defined Benefit Obligation (DBO)	Net effect of DBO	Percent change
Discount rate	+ 0.5%	92,246	(5,351)	-5.48%
	Base rate	97,597	-	0.00%
	- 0.5%	103,434	5,837	5.98%

Increase in transportation cost	+ 0.5%	103,805	6,208	6.36%
	Base rate	97,597	-	0.00%
	- 0.5%	91,870	(5,727)	-5.87%
Mortality rate	+ 0.5%	97,646	48.86	0.05%
	Base rate	97,597	-	0.00%
	- 0.5%	97,548	(49)	-0.05%
Employer turnover rate	+ 0.5%	98,994	1,397	1.43%
	Base rate	97,597	-	0.00%
	- 0.5%	96,122	(1,475)	-1.51%

11.5. Repatriation Allowance Valuation

11.5.1. Executive summary for Repatriation Allowance Valuation

The key valuation results as at 31st December 2020 are summarized in the following tables.

STATEMENT OF FINANCIAL POSITION

Nu.	31-Dec-2020	31-Dec-2019
Present value of defined benefit obligation	268,634	229,087
Fair value of plan assets	-	-
Net defined benefit asset/(liability)	**(268,634)**	**(229,087)**

EXPENSES RECOGNIZED IN

Nu.	31-Dec-2020	31-Dec-2019
(a) Statement of profit or loss	57,005	39,275
(b) Other comprehensive income	23,412	236,068

11.5.2. Detailed financial exhibits for Repatriation Allowance

A. LIABILITY RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION

Nu.	31-Dec-2020	31-Dec-2019
Present value of define benefit obligation	268,634	229,087
Fair value of plan assets	-	-
Funded status - surplus/(deficit)	(268,634)	(229,087)
Effect of asset ceiling	-	-
Net defined benefit asset/(liability)	**(268,634)**	**(229,087)**

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B. COMPOSITION OF DEFINED BENEFIT COST

Nu.	31-Dec-2020	31-Dec-2019
Expense recognised in profit or loss	57,005	39,275
Expense recognised in other comprehensive income	23,412	236,068
Defined benefit cost	**80,417**	**275,343**

C. EXPENSE RECOGNISED IN STATEMENT OF PROFIT OR LOSS

Nu.	31-Dec-2020	31-Dec-2019
Current service cost	41,356	41,010
Past service cost	-	-
Loss/(Gain) on settlement	-	-
Interest on DBO	15,649	(1,735)
Interest on plan asset	-	-
Expenses recognised in profit or loss	**57,005**	**39,275**

D. AMOUNT RECOGNISED AS OTHER COMPREHENSIVE INCOME

Nu.	31-Dec-2020	31-Dec-2019
Actuarial (gain) or loss due to experience adjustments	23,412	236,068
Actuarial (gain) or loss due to changes in financial assumptions	-	-
Actuarial (gain) or loss due to changes in demographic assumptions	-	-
Return on plan assets (greater) or less than discount rate	-	-
Expenses recognised as OCI	**23,412**	**236,068**

E. RECONCILIATION OF CHANGES IN PRESENT VALUE OF DEFINED BENEFIT OBLIGATION

Nu.	31-Dec-2020	31-Dec-2019
DBO at the beginning of period	229,087	-
Add: Current service cost	41,356	41,010
Add: Past service cost	-	-
Add: Interest cost	15,649	(1,735)
Less: Benefits paid by the plan	-	-
Less: Benefits paid by the employer	(40,870)	(46,256)
Actuarial (gain) or losses due to experience adjustment	23,412	236,068
Actuarial (gain) or losses due to change in financial assumptions	-	-
Actuarial (gain) or losses due to change in demographic assumptions	-	-
DBO at the end of period	**268,634**	**229,087**

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F. COMPOSITION OF PLAN ASSET

Nu.	31-Dec-2020	31-Dec-2019
Bonds (Government/corporate)	-	-
Fixed deposit	-	-
Equities	-	-
Total	**-**	**-**

G. RECONCILIATION OF CHANGES IN FAIR VALUE OF PLAN ASSETS

Nu.	31-Dec-2020	31-Dec-2019
Fair value at the beginning of period	-	-
Contribution paid into the plan	-	-
Return on plan assets	-	-
Benefits paid from the plan	-	-
Return on plan assets greater or (less) than discount rate	-	-
Fair value at the end of period	**-**	**-**

H. BIFURCATION BETWEEN CURRENT & NON-CURRENT LIABILITY

Nu.	31-Dec-2020	31-Dec-2019
Current liability	40,046	-
Non-current liability	228,588	229,087
Net Liability	**268,634**	**229,087**

I. EXPECTED BENEFIT PAYMENTS IN FUTURE YEARS

In.	Nu.
December 31, 2021	43,049
December 31, 2022	49,480
December 31, 2023	52,479
December 31, 2024	55,219
December 31, 2025	70,640
December 2026 to December 2030	389,707
December 2031 to December 2040	989,213

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J. ESTIMATED TERM OF LIABILITY (IN YEARS): 14.40

Sensitivity analyses

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

Assumption/Parameter	*Scenario*	*Defined Benefit Obligation (DBO)*	*Net effect of DBO*	*Percent change*
Discount rate	+ 0.5%	254,131	(14,503)	-5.40%
	Base rate	268,634	-	0.00%
	- 0.5%	284,435	15,801	5.88%
Salary growth rate	+ 0.5%	285,453	16,819	6.26%
	Base rate	268,634	-	0.00%
	- 0.5%	253,100	(15,534)	-5.78%
Mortality rate	+ 0.5%	268,763	129	0.05%
	Base rate	268,634	-	0.00%
	- 0.5%	268,507	(127)	-0.05%
Employer turnover rate	+ 0.5%	272,421	3,787	1.41%
	Base rate	268,634	-	0.00%
	- 0.5%	264,647	(3,987)	-1.48%

11.6. Risk exposures

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

11.6.1. Discount rate risk

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

11.6.2. Salary growth risk

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

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11.6.3. Employer turnover risk

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

11.6.4. Demographic risk

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

11.6.5. Regulatory risk

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

11.6.6. Liquidity risk

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

12. The physical verification of fixed assets of the company was carried out comprehensively by the verification team for the financial year ended 31st December 2020 on 1st January 2021.

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

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

15. During the pandemic, the company was granted 100% interest waiver from April-September 2020 and 50% interest waiver from October 2020-March 2021. Hence the company is benefited by Nu. 4,939,860.31 in Profit and Loss Statement.

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

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

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

18. **Going Concern Problems**

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

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

20. Like any another manufacturing companies, the coronavirus pandemic has hugely impacted DPL. While we managed to source all raw materials uninterruptedly, the market for PP bags has drastically fallen. During the country's first lockdown in August 2020, there were literally no sales during the entire lockdown period. Therefore, we there was huge reduction on the sales of PP bags .Further, due to very low demand of PP bags from DCCL in the month of August and September, the company focused mainly on the sale of fabrics. The company sold over 296.23 MT of fabrics in the Financial Year 2020 alone earning over Nu24.59 million revenue. The market situation has not been improved mainly due to closure of international border and restricted movements in the southern border areas.

21. Related Party Disclosures

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

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

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i. Mr. Yonten Namgyel, Director General, MoEA - Chairman

ii. Mr. Sherab Zangpo, Sr. Dungpa, Nganglam – Independent Director

iii. Mr. Tshering Tenzin, CEO, DPL - Director

iv. Mr. Pema Wangchuk, Dy. Project Director, Gyalsung Project

v. Mr. Sangye Dorji, Branch Credit In-charge, BNBL – Independent Director

vi. Ms. Choni Ome, Senior analyst, DHI – Nominee Director

vii. Mr. Thinlay Gyamtsho, Proprietor, T&K Construction - Director

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

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

a. Bank of Bhutan Limited

b. Dungsam Cement Corporation Limited

c. Bhutan Telecom Limited

d. State Trading Corporation of Bhutan Limited

e. Druk Holding & Investments

f. Penden Cement Authority Limited

g. Bhutan Power Corporation Limited

h. Thimphu TechPark Ltd.

Particulars	2020	2019
Bank of Bhutan		
Balances with BoBL	13,162,652.84	11,777,950.79
Borrowings from BOB-Current	(13,400,000.00)	(13,400,000.00)
Borrowings from BOBL- noncurrent	(7,817,580.82)	0
Interest on loans from BoBL	696,188.60	979,132.00
Bank Charges and fees for other financial services paid to BoBL	197,534.82	434,781.03
Bhutan Power Corporation Limited		
Inter Company Trade payable	(138,470.46)	(488,987.37)

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Electricity Charges – Inter-companies	3,018,032.00	3,464,636.42
Running & Maintenance Of Others-Intergroup	138,470.46	212,046.91
Bhutan Telecom Limited		
Inter Company Trade payable	(80,340.50)	(42,029.00)
Communication, internet and telephone charges paid to BTL	499,757.45	649,267.00
Dungsam Cement Corporation Limited		
Inter-company trade receivable	16,790,787.60	18,946,016.04
Intergroup Non Trade Payables	(430,513.51)	(468,993.00)
Sale of packing material to DHI Group companies	(103,553,241.80)	(119,617,314.60)
Inter Group Lease Rent	722,328.59	722,328.59
Druk Holding and Investment		
Equity Shares held by DHI	(77,889,010.00)	(77,889,010.00)
Intergroup Non Trade Payables	(140,393.09)	(155,460.74)
Intergroup Accrued expenses	-	(102,575.54)
Interest on borrowings-Intergroup	140,324.08	102,575.54
Penden Cement Authority Limited		
Inter-company trade receivable	158,520.42	1,007,884.46
Inter-company deposits	400,000.00	400,000.00
Sale of packing material to DHI Group companies	(7,535,418.00)	(15,264,958.00)
State Trading Corporation Limited		
Running & Maintenance Of Vehicle-Intergroup	112,431.14	185,003.30
Inter Company Trade payable	(32,019.14)	(63,451.70)
Thimphu TechPark Ltd.		
Inter Group Miscellaneous Expenses	-	36,000.00
Running & Maintenance Of Others-Intergroup	285,895.18	139,428.33
Inter Company Trade payable	(146,466.85)	(175,428.33)

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22. Managerial Remuneration

Particulars	Amount in Ngultrun (NU.)	
	2020	2019
Chief Executive Officer*		
Salaries including LTC	1,799,046.78	1,303,158.30
Contribution to Provident Fund	150,864.00	102,555.00
Sitting Fees	31,360.00	60,000.00
Travelling Expenses	35,000.00	181,000.00
Non- Executives Directors		
Board Sitting Fees	176,000.00	370,000.00
Board Level sub-Committee Sitting Fees	44,000.00	28,000.00
Board Training Expenses	-	427,347.40
Travelling expenses	-	185,757.00

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

21. Auditors Remuneration:

Particulars	Amount (Nu.)	
	2020	2019
Audit Fees	63,250.00	63,250.00
Audit Expenses	64,952.00	117,193.00

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

Place: Kolkata, India

Date: 26-03-2021

For Nundi & Associates

(Chartered Accountants)

Firm Registration No. 309090E

NUNDI & ASSOCIATES Chartered Accountants

CA Soumen Nandi (Partner)

Membership No: 059828