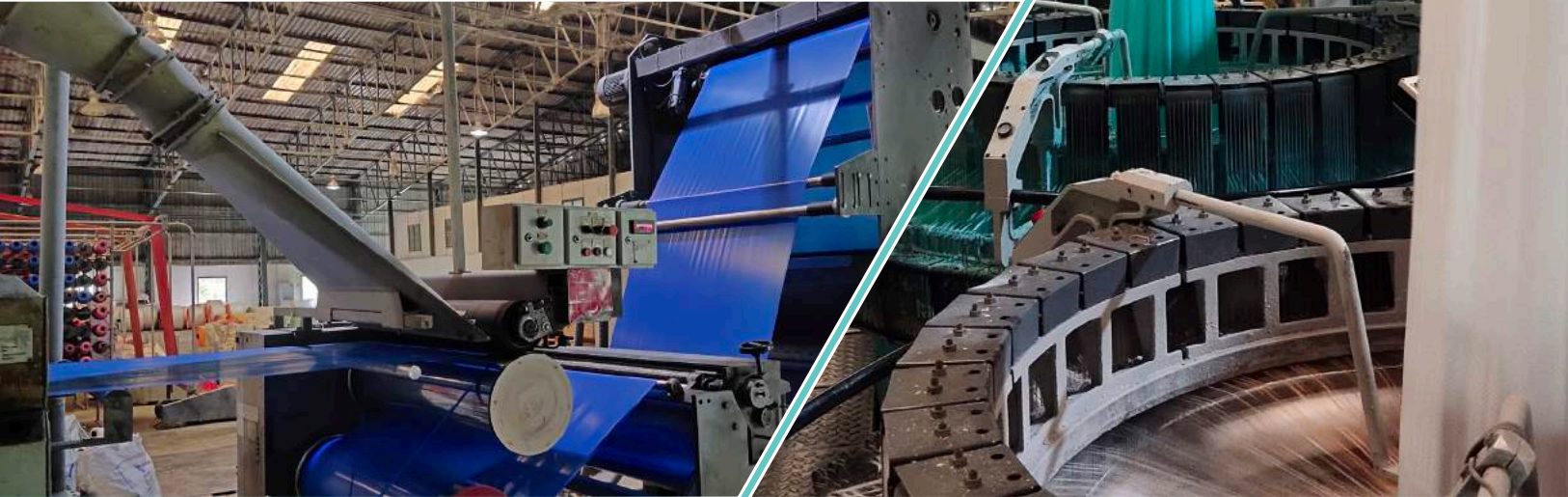




ANNUAL REPORT 2021



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DUNGSAM POLYMERS LIMITED



ANNUAL REPORT

2021



THE YEAR IN REVIEW

The year 2021 was another challenging year as the COVID19 pandemic continued to disrupt the manufacturing industries as a result of lockdowns and movement restrictions. Since our primary buyers are cement manufacturing industries, DPL's business was severely affected as cement industries suffered long days of shutdown following the pandemic outbreak at their campus. As there was no sign of subsidence of the pandemic, the country was divided into high-risk areas and low-risk areas. Due to stringent protocols at the switching stations, the transportations of goods from one area to another were severely hindered.

The total revenue generated in 2021 was Nu. 178.57 million against the figure of Nu. 154.97 million in 2020 which is up by 15% from the previous year. Although the volume of sales in 2021 was no different from that of 2020, it showed a huge jump in the revenue mainly due to increase in price of bags. While there was exorbitant increase in the price of the raw materials, the finished goods did not fetch sensible prices and as a result, the bottom line changed its course depicting a loss of Nu. 6.05 million in 2021.

Despite huge challenges from the pandemic, the company was able to withstand the most difficult situation. Notwithstanding numerous cases in the neighborhood, not a single case was erupted from the DPL factory and did not have to undergo any forced shutdown. This was all due to high commitment and determination put on to the COVID protocols.

As the pandemic subsides across the world and the COVID19 restrictions have gradually opened up, we see a high hope at the end of the tunnel. Further, the company reviewed and revised its pricing strategy factoring the price variations of the raw materials. With the revamping of the business strategy, we are hoping for a big turnaround in the following year.

On behalf of the Management of DPL, I would like to express our sincere gratitude to the Board and the DHI for their unconditional support and care during the pandemic. It is with their unwavering support that we were able to withstand the challenges against the life-threatening pandemic. 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 turnaround the bottom-line.

Tashi Delek!



Tshering Tenzin
Chief Executive Officer



TABLE OF CONTENT

COMPANY PROFILE	1
ORGANIZATIONAL CHART	2
FINANCIAL PERFORMANCE HIGHLIGHTS	2
BOARD DIRECTORS	3
DIRECTORS' REPORT	6
ACKNOWLEDGEMENT	10
CORPORATE GOVERNANCE REPORT	11
INDEPENDENT AUDITORS' REPORT	15



COMPANY PROFILE

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

The company is located in Tshenkari, Nganglam under Pemagatshel Dzongkhag. The plant has an installed capacity of 350 kg/hour melting output which is equivalent to one hundred thousand bags in a day. It was mandated to meet the requirements of PP bags for DCCL. Currently, 76.3% of the production is sold to Dungsam Cement Corporation Limited (DCCL) and 22.8% to other domestic market and in the nearby states of India.



VISION

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



MISSION

The Company manufactures good quality, economical and environment friendly polymer bags for packing cement and other products.



VALUES

Professionalism, integrity, teamwork and customer care.

ORGANIZATIONAL CHART



LEGEND



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 Affairs.

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. established in May 28, 1990. He served as the President of Construction Association Of Bhutan (CAB) and Construction Development Board of Bhutan (2016 – 2021) and Board Director at Bhutan Insurance Ltd (2016 – 2017).

Currently, he is serving as the Chairman of Briguette Manufacturing Pvt Ltd, Chief Executive Officer (CEO) and the shareholder of Jempa Norter Pvt Ltd. He is also the Board Director and Shareholder of Druk Gypsum Pvt Ltd. He is Board Director and the Shareholder of Dungsam Polymers Ltd.

Mr. Harilal Bhattarai, Director

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





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 to present the Directors' Report for the year ending 31st December 2021.

Although much hope was placed to improve its performance in 2021, the COVID19 pandemic continued to downplay. Repeated lockdowns and increase in raw material prices have changed the bottom line.

1. Financial Highlights

Particulars	2021	2020	Variance
Total Revenue	178.57	154.97	15%
Opex	174.27	137.60	27%
EBITDA	4.29	17.37	(75%)
Interest	4.39	3.63	21%
Depreciation & Amortization	5.95	5.90	1%
Profit Before Tax	(6.05)	7.84	(177%)
Income Tax Expense (Provision)	-	0.47	-
Deferred Tax Expenses	0.53	1.91	-
Profit After Tax	(6.58)	5.46	(221%)

While the total revenue has increased by 15%, the operational expenses has climbed up by 27%. Owing to the increase in the raw material price, the company reported a Net Loss of Nu 6.05 million in 2021. The company incurred heavy losses particularly in the first quarter due to the delay in the price negotiation as DPL and DCCL could not come to an agreement on the terms of the revised pricing.

2. Operational Highlights

There was not much change in terms of the production and the sales quantities owing to lockdowns and movement restrictions. The export business also dwindled owing to stringent COVID19 protocols and restrictions.

Table 1: Production of PP bags

SN	Particular	2021	2020	Variance %
1	Production of PP bags- (million)	12.15	12.423	(2%)
2	Production of Fabric- (Metric tons)	1,176.81	1,167.27	1%

Table 2: Sales of PP bags

SN	Particular	2021	2020	Variance %
1	Sales of PP bags- (Million)	12.21	12.12	1%
2	Sales of Fabric- (Metric tons)	233.51	296.23	(21%)

About 71% 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. Unlike the past, there was not much sale of bags to PCAL as they went through multiple shutdowns. Apart from the bags, the company exported over 233.51 MT of fabrics to customers in India.

3. Marketing & Sales

Not much could be done to increase the market share due to travel restrictions and COVID19 protocols. The team continued to explore for more domestic customers, however, the business volume was not very significant.

4. Human Resource

With the plant capacity utilization hovering below 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. The company has about 100 employees under its payroll.

5. Audit Highlights

5.1 Statutory Audit

The Financial Statements of Dungsam Polymers Limited was audited by M/s. B.K Sharma & Associates, Kolkata from 3rd February to 27th February 2022. Due to travel restrictions on account of COVID19 outbreak, the audit was conducted virtually following the letter from the Royal Audit Authority.

I am pleased to report that there is no qualified opinion and no major issues depicted in the statutory audit report for the year 2021.

5.2 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.

5.3 Internal Audit

As per the statutory requirement, the internal audit was conducted from 13th to 25th December 2021. The Internal Audit service was outsourced to Internal Audit & Risk Management Unit of DCCL. Except for few issues related to outstanding dues, there are no serious observations.

6. Corporate Social Responsibility

The company did not make any notable contribution towards CSR.

7. Board Recommendations of Dividend

The Board is not in a position to recommend the dividends to the shareholders owing to huge accumulated losses.

8. Key Challenges

The company had to face multiple lockdowns as a result of COVID19 outbreak in Nganglam. There were hardly any sales during that period of time as DCCL had to undergo complete shutdown.

The raw material price increased like never before and in the first quarter, the price increase was as high as 70%. Despite huge rise in the raw material price, the company could not get proportionate increase in the selling price of cement bags.

9. Way Forward

The volume of business in Bhutan, apart from the cement industries, is not very significant. Exploring the market beyond the border is equally challenging and risky as their business is informal in nature and they deal with cash payment.

DPL will have to focus on providing quality cement bags and charge them reasonably. The company shall be more cautious when it comes to pricing as the volume of business is much lower than expected.

The company is planning to install a leno bag machine which can manufacture bags for packaging vegetable products. Not only there is demand within Bhutan but also 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.

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

a) Board Directors

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

DPL has seven Board Directors including the Chief Executive Officer of the company and two Board Directors represents the private shareholder(s). DPL has two Board Directors representing the private shareholder(s). All appointments were approved in the Annual General Meeting (AGM). During the 10th Annual General Meeting (AGM) dated 26th March, 2021 Mr. Youten Namgyel and Mr. Sherab Zangpo has been reappointed for second term and Mr. Harilal Bhattaria was appointed as new board director in replace of Ms. Choni Ome.

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	Second term	None
2.	Mr. Sherab Zangpo	Independent	Senior Dungpa, Nganglam Dungkhag	Second term	None
3	Mr. Thinlay Gyamtsho	Non-Executive	Proprietor –T&K Construction	First term	None
4.	Mr. Harilal Bhattaria	Non-Executive	Sr. Analyst, DHI	First Term	None
5.	Mr. Pema Wangchuk	Non-Executive	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 2021. The Board has fulfilled quorum as per the Companies Act 2016 in all the board meetings as mention below.

SN	Name of the Board Director	Board Meeting (BM)				
		49 th BM (19.03.2021)	50 th BM (14.05.2021)	51 th BM (14.08.2021)	52 th BM (05.11.2021)	53 th BM (15.12.2021)
1	Mr. Yonten Namgyel	✓	✓	✗	✓	✓
2	Mr. Sherab Zangpo	✓	✓	✓	✓	✓
3	Mr. Thinlay Gyamtsho	✓	✓	✓	✓	✓
4	Mr. Pema Wangchuk	✓	✓	✓	✓	✓
5	Mr. Sangye Dorji	✓	✓	✗	✓	✓
6	Ms. Choni Ome	✓	-	-	-	-
7	Mr. Harilal Bhattaria	-	✓	✓	✓	✓
8	Mr. Tshering Tenzin	✓	✓	✓	✓	✓

c) Board Committees

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

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

However, DPL did not conduct Board HRC and Board NGC meetings in 2021 as the necessity was not felt.

1. Board Audit Committee Meetings

SN	Board Audit Committee Member	Board Audit Committee Meetings (BACM)			
		26 th BACM (18.03.2021)	27 th BACM (13.08.2021)	28 th BACM (28.11.2021)	29 th BACM (14.12.2021)
1	Mr Pema Wangchuk – Chairman	✓	✓	✓	✓
2	Mr Harilal Bhattaria	-	✓	✓	✓
3	Mr. Sangye Dorji	✓	✗	✓	✓
4	Mrs Choni Ome	✓	-	-	-

2. Board Tender Committee Meetings

SN	Board Tender Committee Member	Board Tender Committee Meetings (BTCM)
		1 st BTCM (27.07.2021)
1	Mr. Thinlay Gyamtsho – Chairman	✓
2	Mr. Sherab Zangpo	✓
3	Mr. Tshering Tenzin	✓

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)
	2021
Chief Executive Officer	
Salaries including LTC	1,889,604.00
Contribution to Provident Fund	158,628.00
Sitting fees	60,000.00
Travelling Expenses	0.00
Non-Executive Directors	
Board sitting fees	292,000.00
Board level sub-committee sitting fees	82,000.00

e) Annual General Meeting

The date for the 10th Annual General Meeting was held on 26th March 2021.

f) Board and CEO Evaluation

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

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

- i) A questionnaire-based leadership assessment which accounts for 20% weight of the overall evaluation and
- ii) An annual Compact performance which accounts for 80% weight.

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

INDEPENDENT AUDITORS' REPORT

To

The Members

DUNGSAM POLYMERS LIMITED NGANGLAM, BHUTAN

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **DUNGSAM POLYMERS LIMITED** (the Company), which comprise the statement of financial position as at December 31, 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and of its financial performance and its cash flows for the year then ended in accordance with Bhutanese Accounting Standards (BAS).

Basis for Opinion

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

Emphasis of Matter

We draw attention to the Note No. C(16) of Notes to financial statements, which indicates negative retained earnings at the yearend due to continues loss incurred from the prior years. The drastic increase in raw material prices during the pandemic had major impact on the profitability of the company during the year resulting into losses of Nu. 6.51 million. However, as informed to us, the profitability of the company is expected to improve if the raw material prices drop down to the normal price. Under the present circumstances use of going concern basis of accounting is appropriate.

Other Matter

The audit has been conducted remotely with documents obtained electronically from the client due to restriction in physical movement as a result of lockdown imposed by the government owing to Covid-19 pandemic.





Hence, the opinion expressed in the report is based on the limited information, facts and inputs made available to us through electronic means by the management. However, we have exercised all the required audit procedures prescribed by the International Auditing and Assurance Standards Board (IAASB) in relation to audit amid Covid-19 pandemic.

Our opinion is not modified in respect of these matters.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we have exercised professional judgment and maintained professional skepticism throughout the audit. Our responsibilities are to:

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





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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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 audit report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to the public interest benefits of such communication.

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





Report on Other Legal and Regulatory Requirements

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

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

- a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- b) In our opinion, proper books of account as required by law have been kept by the Company insofar as it appears from our examination of those books;
- c) The Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows dealt with by this report have been prepared in accordance with BAS; and
- d) Based on the information, explanations and management representations received during the course of our audit, the Company has complied with other legal and regulatory requirements to the extent applicable to the Company.

For B.K.SHARMA & ASSOCIATES

Chartered Accountants

Firm Regn. No. 323388E

(CA B.K.SHARMA)

Proprietor

Membership. No. 055602

UDIN: 22055602AEXYPZ8218

Place : Kolkata, India

Dated: The 16th day of April, 2022





APPENDIX- I

DUNGSAM POLYMERS LIMITED

MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENTS FOR THE YEAR 2021

General:

- i. The Company audited adhere to the Corporate Governance Guidelines and Regulations as applicable to them.
- ii. The Governing Board pursue a prudent and sound financial management practice in managing the affairs of the company.
- iii. The financial statements are prepared applying the Bhutanese Accounting Standards issued by the Accounting and Auditing Standards Board of Bhutan (AASBB).
- iv. Proper books of accounts have been maintained and financial statements are in agreement with the underlying accounting records.
- v. The adequate records as specified under Section 228 of the Companies Act of Bhutan 2016 have been maintained.
- vi. As per the provision of section 164 and section 165 of the Companies Act of Bhutan 2016, a Code of Conduct for Companies should have policies on business ethics, auditing, risk management, good corporate governance ownership and the human resources management and corporate social responsibility and all companies shall also maintain Corporate Social Responsibility fund which shall be administered by the respective Company Board in line with the regulation issued by the Authority respectively.

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

In the year 2021, the company has not made any expenditure on account of Corporate Social Responsibility.

- vii. Inasmuch as there is loss, no Income Tax is computed and reflected in the financial statements.





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

1. As informed to us, the company is maintaining proper records of Fixed Assets showing full particulars including quantitative details and situation of fixed assets. According to the information and explanation given to us, all fixed assets have been physically verified by the Management which did not reveal any material discrepancies on physical verification.
2. It was informed that none of the fixed assets have been revalued during the year.
3. As informed by the management, physical verification could not be done by External Agency due to the COVID-19 restriction prevailed in the country. As such the Company has formed a committee for the said purpose. The said physical verification was conducted on 31st December, 2021 and completed on the same day in respect of finished goods, spare 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 stock as compared to records. Hence the company should take necessary action to resolve this irregularity. *Further in order to improve the inventory control, it is suggested to increase the frequency of Stock Verification as may be convenient to the Management and appropriate steps should be taken to eliminate the variance between Stock Records & Physical Balances.*
6. As informed by the Management, the Company has a reasonable system of recording receipts, issues and consumption of materials and stores and allocating materials consumed to the respective jobs, commensurate with its size and nature of its business.
7. Quantitative reconciliation between books record and physical verification is carried out at the end accounting year in respect of all major items of inventories i.e. Raw Materials, Semi-Finished Goods, Finished Goods, Spare Parts & Consumables, etc.
8. It was informed by the Management that there are no obsolete, damaged, slow moving goods found in course of physical verification.
9. It was informed by the Management that no obsolete and surplus inventories are disposed off during the year.
10. As no stock has been written off during the year, the approval of Board was not necessary.
11. On the basis of examination of stocks, it is observed that valuation of stock is fair and proper in accordance with the applicable Accounting Standards issued by the Accounting and Auditing Board of Bhutan (AASBB). The basis of valuation of stocks is the same as in preceding year. The Company values inventories at lower of Cost or Net Realizable Value.





12. The rate of interest and the other terms and conditions of loans availed by the company secured or unsecured are prima facie not prejudicial to the interest of the company.
13. The Company has not granted any loans, secured or unsecured to other companies, firms, or other parties and/or to the companies under the same management during the year under review, except advances granted to suppliers of raw materials in normal course of business and to the officers/employees of the company.
14. Generally, officers/employees to whom loans/advances have been given by Company are repaying the principal amounts as stipulated. However there are certain cases where loan given to employees by the company are not duly recovered/adjusted at the end of the financial year. In our opinion and according to the information and explanation given to us, loans/advances granted to the officers/staff are generally in keeping with the provision of the Company's services rules, on 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 should widen the areas of coverage by Internal Audit.*
16. As informed by the Management, the Company has reasonable system of authorization at proper levels, and, an adequate system of internal control commensurate with the size of the company and nature of its business, on issue of stores and allocation of materials and labor 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 calendar year 2021, audit has been carried out in virtual mode hence we are 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 director(s) are directly or indirectly interested except DHI group companies. According to the information and explanation given to us, the transactions of such goods and services entered into with DHI group companies at the prevailing market prices.

(b) Accordingly this clause is not applicable.





19. According to the information and explanation given to us, the expenses charged to the company accounts represent legitimate business expenses and no personal expenses are charged to the company.
20. As informed by the Management, no unserviceable or damaged stores, raw materials or finished goods are being determined during the year.
21. It has been informed that there is no reasonable system of ascertaining and identifying point of occurrences of breakage/damages of raw materials, packing materials and finished products i.e. while in transit, during processing, during loading/unloading, in storage and during handling etc, so that responsibility could be fixed and compensation sought from those responsibility.
22. The Company is maintaining reasonable records for Production of finished goods and by-products. *However, adequate physical safeguards doesn't exist to prevent unauthorized or irregular movement of goods from the company. We have observed that there are differences between the balances of stock appearing in the physical verification report and stock balances appearing in SAP system.*
23. The Company is maintaining reasonable records for sales and disposal of realizable by products and scraps wherever applicable.
24. The Company is regular in depositing rates and taxes, duties, royalties, provident funds, and others statutory dues with the appropriate authority. The provision for corporate tax has not been made in view of Loss as per the prevailing tax laws, rules and regulations of Bhutan.
25. As per the records made available to us, there are no undisputed amounts in respect of rates, taxes, provident funds and other statutory dues, which are outstanding as on the last day of the financial year. The details are as follows.

Sl. No.	Nature of Expense	AMOUNT
a	Health Contribution Payable	20,179.00
b	Salary Tax Payable	29,901.00
c	TDS Payable	19,710.43
d	Group Insurance Scheme	3,811.93
e	Salary Saving Scheme	7,166.01

26. As informed by the Management, the Company has a reasonable system of allocating man-hour utilized to the respective jobs, commensurate with the size and nature of business.





27. As informed by the Management there is a reasonable system of price fixation taking into account the cost of production and market condition.
28. In our opinion and accordance to the information and explanations given to us, the Company has formulated a standard credit sales policy which has been implemented. *There is no system of carrying out credit rating of customers, since the company's major customer is Dungsam Cement Corporation Limited.*
29. As informed by the Management, the Company does not have any commission agent during the year. So this clause is not applicable for the year.
30. It was informed that there is reasonable system for continuous follow-up with debtors and other parties for recovery of outstanding amounts.
31. The management of liquid resources particularly cash/bank and short term deposits etc. are adequate and we observe that, there is no such excessive amount lying idle in non-interest bearing accounts and withdrawals of loan amounts are made after assessing the requirements of funds from time to time and no excess amounts are withdrawn leading to avoidable interest burden on the company.
32. In our opinion and according to the information and explanation given to us, the activities carried out by the management are lawful and intra vires to the Article of Incorporation of the Company.
33. During the year the company has not made any investment decision and investment in new projects, accordingly, this clause is not applicable.
34. As informed by the Management, the Company has established a budgetary control system through the implementation of Fund Management (FM) Module in SAP.
35. As informed by the Management, the input-output relationship was established through standard costing system and the variances analysis carried out on periodic intervals and corrective actions are taken if warranted. *However it is required to do such activities more often rather than only on an annual basis.*
36. The remuneration paid to the chief Executive Officers and sitting fees paid to Directors has been disclosed in Accounts. According to the information and explanation given to us, that payments like commission and other payments in cash or in kind to the Board of Directors including the Chief Executive Officers or any of their relatives (including spouse(s) and child/children) have not been made by the company directly or indirectly during the year.
37. According to the information and explanations given to us, the directives of the Board have been complied with.





38. According to the information and explanations given to us, the officials of the Company have not transmitted any price sensitive information, which are not made publicly available, to their relatives/friends/associates or close persons.
39. In our opinion and according to the information and explanation given to us proper records are kept for inter unit transactions/services and arrangement for services made with other agencies engaged in similar activity.
40. In our opinion and according to the information and explanation given to us, proper agreements are executed and the term and conditions of leases are reasonable.

Computerized Accounting Environment

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

Other requirements:

General:

1. Going concern problems

The matter relating to the Going Concern Problem has been disclosed in Note No. C(16) of Notes to financial statements and report relating to Going Concern section of the auditor's report.

2. Ratio Analysis

Ratio Analysis determining the financial health and profitability of the enterprise being mentioned herein below (Page No.50-53).





3. Compliance with the Companies Act of Bhutan, 2016

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

- i) *Non - Maintenance of Corporate Social Responsibility Fund u/s 165*
- ii) *One third of Total Directors of Public Companies shall be independent u/s 134*
- iii) *Minimum number of retirement on rotation of Directors u/s 138*

4. Adherence to Laws, Rules and Regulations

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

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

Place : Kolkata, India

Dated: The 16th day of April, 2022



For B.K.SHARMA & ASSOCIATES

Chartered Accountants

Firm Regn. No. 323388E

(CA B.K.SHARMA)

Proprietor

Membership. No. 055602

UDIN: 22055602AEXYPZ8218

STATEMENT OF FINANCIAL POSITION AS AT 31st DECEMBER 2021

Particulars	Schedule	31/12/2021	31/12/2020
		Amount (Nu.)	Amount (Nu.)
ASSETS			
Non-Current Assets			
Investment	1	64,764.88	60,419.18
Property, Plant and Equipment	2		
Tangible Assets		92,248,828.41	96,621,935.61
Intangible Assets		781,258.22	1,049,118.18
Capital Work In Progress		1,897,516.86	1,233,186.38
Total Non - Current Assets	A	94,992,368.37	98,964,659.35
Current Assets			
Cash and Cash Equivalents	3	1,303,470.10	13,190,578.30
Trade and Other Receivables	4	28,056,453.10	28,471,985.52
Other Current Assets	5	8,593,991.01	7,389,350.42
Inventories	6	23,948,786.57	13,851,641.57
Total Current Assets	B	61,902,700.78	62,903,555.81
Total Assets (A+B)		156,895,069.15	161,868,215.16
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	(135,142,566.93)	(128,636,604.09)
Total Equity	C	43,928,934.07	50,434,896.91
LIABILITIES			
Current Liabilities			
Trade and Other Payables	10	8,603,349.17	4,045,266.73
Current Borrowings	11	25,973,757.82	16,895,878.32
Other Current Liabilities	12	4,611,937.30	5,356,426.24
Provisions	14	3,096,058.26	2,974,758.01
Total Current Liabilities	D	42,285,102.55	29,272,329.30
Non-Current Liabilities			
Non-Current Borrowings	13	54,183,729.62	67,599,597.95
Retirement Benefit Obligations - Non Current	15	7,370,147.00	5,967,980.00



Deferred Tax Liability - Non Current	16	9,127,155.91	8,593,411.00
Total Non-Current Liabilities	E	70,681,032.53	82,160,988.95
Total Liabilities (D+E)		112,966,135.08	111,433,318.25
Total Liabilities and Equity (C+D+E)		156,895,069.15	161,868,215.16
		-	-

The above Statement of Financial Position should be read in conjunction with the accompanying notes
Significant Accounting Policies & Notes on Accounts 26

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

As per our attached Report of even date

For B.K. Sharma & Associates

Chartered Accountants

Firm Registration No.323388E

B.K. Sharma

(CA B.K.SHARMA)

Proprietor

Membership No.055602

UDIN: 22055602AEXYPZ8218

Place: Kolkata, India

Dated: The 16th day of April, 2022



Yonten Namgyel

(Mr. Yonten Namgyel)

Chairman

Tshering Tenzin

(Mr. Tshering Tenzin)

Chief Executive Officer



STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31st DECEMBER 2021

Particulars	Schedule	31/12/2021	31/12/2020
		Amount (Nu.)	Amount (Nu.)
Income			
Revenue from Manufacturing Sector	17	176,228,799.74	153,103,755.76
Other Income	18	2,331,998.59	1,864,239.00
Finance Income	23	4,345.70	4,345.70
Total Revenue		178,565,144.03	154,972,340.46
Expenses			
Consumption of Raw Material, Consumables and Changes in Inventory of Finished Goods	19	130,914,918.85	93,743,115.44
Operation and Maintenance Expenses	20	1,978,490.55	1,461,768.69
Personnel Cost	21	34,999,425.37	35,625,462.65
Other Expenses	22	6,384,420.99	6,771,071.52
Depreciation and Amortisation	2	5,950,733.15	5,900,483.31
Finance Cost	24	4,386,420.05	3,628,174.33
Total Expenditure		184,614,408.96	147,130,075.94
Profit (Loss) Before Income Tax		(6,049,264.93)	7,842,264.52
Income Tax Expenses (Provision)		0.00	474,382.96
Deferred Tax Expenses	25	533,744.91	1,908,176.00
Profit (loss) After Income Tax		(6,583,009.84)	5,459,705.56
Other Comprehensive Income/(Loss)			
Actuarial Gain/(Loss) on post-employment benefit obligations	C(10)	77,047.00	(61,911.00)
Net Other Comprehensive Income/(Loss)		77,047.00	(61,911.00)
Total Comprehensive Income/(Loss)		(6,505,962.84)	5,397,794.56
Basic and Diluted Earnings per Share	C(20)	(0.43)	0.35

The above Statement of Financial Position should be read in conjunction with the accompanying notes
 Significant Accounting Policies & Notes on Accounts 26
 The Notes referred to above form an integral part of the Financial Statements
 As per our attached Report of even date

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

B.K. Sharma

(CA B.K.SHARMA)

Proprietor

Membership No.055602

UDIN: 22055602AEXYPZ8218

Yonten Namgyel

(Mr. Yonten Namgyel)

Chairman



Tshering Tenzin

(Mr. Tshering Tenzin)

Chief Executive Officer



Statement of Changes in Equity for the year ended 31st December 2021

Number of shares authorised for each class of shares:

	As at 31st December 2021	
	2021	2020
Authorised share capital		
30,000,000 Equity Shares of Nu. 10 each	300,000,000.00	300,000,000.00

Particulars	Attributable to owners of the parent						Total
	Ordinary Shares			Securities Premium	Retained earnings	Other Equity	
	No. of Shares (issued and fully paid up)	Par value	Total Value of Shares				
Balance as at 31st December 2020 (As per last Audited)	15,272,350	10.00	152,723,500.00	26,348,001.00	(128,636,604.09)		50,434,896.91
Profit for the year							
Effect of Para 42 of BAS 8 (for restatement of previous year's figure)							
None	-	-	-	-	-	-	-
Balance as at 31st December 2020	15,272,350	10.00	152,723,500.00	26,348,001.00	(128,636,604.09)		50,434,896.91
Balance as at 1 January 2021	15,272,350	10.00	152,723,500.00	26,348,001.00	(128,636,604.09)		50,434,896.91
Issue of rights shares							
Impact of fair value of inter corporate loan							
Profit for the year	-	-	-	-	(6,583,009.84)		(6,583,009.84)
Other Comprehensive Income/(Loss) for the year					77,047.00		77,047.00
Balance as at 31st December 2021	15,272,350	10.00	152,723,500.00	26,348,001.00	(135,142,566.93)		43,928,934.07



Significant Accounting Policies & Notes on Accounts

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

As per our attached Report of even date

For B.K. Sharma & Associates

Chartered Accountants

Firm Registration No.323388E



(CA B.K.SHARMA)

Proprietor

Membership No.055602

UDIN: 22055602AEXYPZ8218

Place: Kolkata, India

Dated: The 16th day of April, 2022



(Mr. Yonten Namgyel)

Chairman



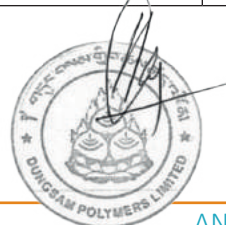
(Mr. Tshering Tenzin)

Chief Executive Officer



Statement of Cash Flows as on 31st December 2021

Particulars	31/12/2021	31/12/2020
	Amount (Nu.)	Amount (Nu.)
A: CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit after Tax as per Profit and Loss Account	(6,505,962.84)	5,397,794.56
Adjusted for:		
Less: Prior Period		
Less: Finance Income	(4,345.70)	(4,345.70)
Add: Depreciation	5,950,733.15	5,900,483.31
Add: Finance Cost	3,747,393.06	2,931,985.73
Add: Loss on Retirement of Asset	-	322,644.62
Add: Current Tax Expenses	-	474,382.96
Add: Deferred Tax Expenses	533,744.91	1,908,176.00
Operating Profit before Working Capital Changes	3,721,562.58	16,931,121.48
Adjusted for:		
(Increase)/Decrease in Inventory	(10,097,145.00)	8,299,138.99
(Increase)/Decrease in Sundry Debtors	415,532.42	695,307.89
(Increase)/Decrease in Other Current Assets	(1,204,640.59)	(3,406,984.97)
Increase/(Decrease) in Current Liabilities	4,558,082.44	(6,874,591.67)
Increase/(Decrease) in Provision	121,300.25	1,083,438.87
Increase/(Decrease) in Retirement Benefit	1,402,167.00	887,626.50
Increase/(Decrease) in Other Current Liabilities	(744,488.94)	(2,229,970.22)
Increase/(Decrease) in Current Borrowings	9,077,879.50	(9,154,580.30)
Cash generated from Operations	3,528,687.08	(10,700,614.91)
Less: Tax Paid	-	474,382.96
Net Cash from Operating Activities (A)	7,250,249.66	5,756,123.61
B: CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets and Capital Work-in-Progress	(1,974,096.47)	(2,222,865.07)
Sale/Withdrawal Fixed Assents		-
Increased in LTD - Gratuity Fund - BDBL	(4,345.70)	(4,345.70)
Interest income on deposits against Gratuity Fund	4,345.70	4,345.70
Net Cash used in Investing Activities (B)	(1,974,096.47)	(2,222,865.07)
C: CASH FLOW FROM FINANCING ACTIVITIES:		
Increased/ (Decreased) in Non-Current Borrowings	(13,415,868.33)	780,909.67
New Equity Raised	-	-
Finance Cost	(3,747,393.06)	(2,931,985.73)



Net Cash from Financing Activities (C)	(17,163,261.39)	(2,151,076.06)
Net Increase/ (Decrease) in Cash & Cash Equivalents (A+B+C)	(11,887,108.20)	1,382,182.48
Cash & Cash Equivalents at the beginning of the year	13,190,578.30	11,808,395.82
Cash & Cash equivalents as on 31.12.2021	1,303,470.10	13,190,578.30

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.

The above Statement of Financial Position should be read in conjunction with the accompanying notes Significant Accounting Policies & Notes on Accounts 26

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

As per our attached Report of even date

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



(CA B.K.SHARMA)

Proprietor

Membership No.055602

UDIN: 22055602AEXYPZ8218



(Mr. Yonten Namgyel)

Chairman



(Mr. Tshering Tenzin)

Chief Executive Officer

Place: Kolkata, India

Dated: The 16th day of April, 2022



Schedules forming part of the Financial Position

Schedule 1 : Investment (Figures in Ngultrum)

Particulars	31st December 2021	31st December 2020
Long-Term Deposits - Gratuity Fund-BDBL	64,764.88	60,419.18
Total	64,764.88	60,419.18

Schedule 3 : Cash and Cash Equivalents (Figures in Ngultrum)

Particulars	31st December 2021	31st December 2020
Cash in Hand	6,647.46	18,955.46
Cash at Bank	1,296,822.64	13,171,622.84
Total	1,303,470.10	13,190,578.30

Schedule 4: Trade and Other Receivables

Particulars	31st December 2021	31st December 2020
Domestic Customers - Trade	22,358,622.33	21,387,733.09
Export Customers - Trade	5,095,252.70	6,067,270.06
Export Customers - Non Trade	27,735.70	294,034.40
Domestic Customers - Non Trade	49,860.00	0.00
Other Customers	121,602.36	319,567.96
Receivable - Others	3,380.01	3,380.01
Securities Deposits-Others to DHI	400,000.00	400,000.00
Total	28,056,453.10	28,471,985.52



Schedule 2 : Property, Plant & Equipment (PPE)

Particulars	GROSS BLOCK (At Cost)			DEPRECIATION			NET BLOCK		
	As on 31/12/2020	Addition/ Adjustment	Sales/ Adjust- ment	As on 31/12/2021	As on 31/12/2020	For the Period	Sales/ Adjust- ment	As on 31/12/2021	Closing Bal- ance as on 31/12/2020
Tangible Assets									
Civil Structure	74,589,917.05	654,583.74	0.00	75,244,500.79	21,337,559.58	2,612,475.02	0.00	23,950,034.60	53,252,357.47
Semi-Permanent Structures	237,873.81	0.00	0.00	237,873.81	39,645.63	33,981.97	0.00	73,627.60	198,228.18
Temporary Structures	283,477.37	0.00	0.00	283,477.37	104,297.61	94,492.46	0.00	198,790.07	179,179.76
Fire Fighting & Safety Equipment	62,073.90	0.00	0.00	62,073.90	41,056.78	6,126.75	0.00	47,183.53	21,017.12
Environment & OHS Assets	11,000.00	7,800.00	0.00	18,800.00	550.00	2,850.00	0.00	3,400.00	10,450.00
Furniture & Fixtures	599,029.95	0.00	0.00	599,029.95	496,100.97	22,439.70	0.00	518,540.67	102,928.98
Office Equipment	1,866,190.45	194,705.63	0.00	2,060,896.08	1,359,843.42	177,618.25	0.00	1,537,461.67	506,347.03
Vehicles	4,477,731.80	88,848.35	0.00	4,566,580.15	2,130,923.29	387,495.12	0.00	2,518,418.41	2,346,808.51
Tools & Plants	289,106.06	40,998.85	0.00	330,104.91	275,461.75	21,172.62	0.00	296,634.37	13,644.31
General Assets	260,230.36	14,600.00	0.00	274,830.36	136,666.67	35,944.74	0.00	172,611.41	123,563.69
Machinery	69,589,891.54	121,868.93	0.00	69,711,760.47	29,916,320.62	2,196,044.76	0.00	32,112,365.38	39,673,570.92
Low Value Assets	1,079,219.03	186,360.49	0.00	1,265,579.52	885,379.39	92,231.80	0.00	977,611.19	193,839.64
Total (A)	153,345,741.32	1,309,765.99	0.00	154,655,507.31	56,723,805.71	5,682,873.19	0.00	62,406,678.90	96,621,935.61
Intangible Assets									
Software	10,105,625.88	0.00	0.00	10,105,625.88	9,056,507.70	267,859.96	0.00	9,324,367.66	1,049,118.18
Total (B)	10,105,625.88	0.00	0.00	10,105,625.88	9,056,507.70	267,859.96	0.00	9,324,367.66	1,049,118.18
Total (A+B)	163,451,367.20	1,309,765.99	0.00	164,761,133.19	65,780,313.41	5,950,733.15	0.00	71,731,046.56	97,671,053.79

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



Schedule 5 : Other Current Assets (Figures in Ngultrum)

Particulars	31st December 2021	31st December 2020
Advance – Suppliers	430,629.72	1,862,490.66
Public Work Advances – Employees	7,821.24	(1,065.76)
Advances to Employee –Tour	78,250.00	4,370.00
Pre-paid Expenses	101,351.00	100,115.00
Pre-paid Tax Deducted at Source	7,975,939.05	5,423,440.52
Total	8,593,991.01	7,389,350.42

Schedule 6 : Inventories (Figures in Ngultrum)

Particulars	31st December 2021	31st December 2020
Raw Materials	8,138,049.17	3,546,600.19
Consumables	2,186,745.80	1,264,544.68
Semi-Finished Products	8,993,326.47	3,197,285.49
Finished Products	996,114.42	1,606,180.62
Asset Materials	251,868.09	278,433.72
Spare Parts	3,382,682.62	3,958,596.87
Total	23,948,786.57	13,851,641.57

Schedule 7 : Share Capital (Figures in Ngultrum)

Particulars	31st December 2021	31st December 2020
Authorized Capital		
30,000,000 (P.Y.30,000,000) Equity shares of Nu.10 each	300,000,000.00	300,000,000.00
Total	300,000,000.00	300,000,000.00

Particulars	31st December 2021	31st December 2020
Issued & Paid up Capital		
15,272,350 (P.Y. 15,272,350) Equity shares of Nu.10 each fully paid up		
Equity Shares Held by DHI	77,889,010.00	77,889,010.00
Equity Shares Held by Others	74,834,490.00	74,834,490.00
Total	152,723,500.00	152,723,500.00



Schedule 8 : Securities Premium Account (Figures in Ngultrum)

Particulars	31st December 2021	31st December 2020
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 2021	31st December 2020
Retained Earnings	(128,636,604.09)	(134,034,398.65)
Transferred from Income Statement	(6,505,962.84)	5,397,794.56
Total	(135,142,566.93)	(128,636,604.09)

Schedule 10 : Trade and Other Payables (Figures in Ngultrum)

Particulars	31st December 2021	31st December 2020
Sundry Creditors – Local	1,181,165.00	1,096,159.28
Inter Group vendors	1,141,965.35	821,736.70
Sundry Creditors – Foreign	5,949,696.77	1,951,997.90
Related party Vendors	330,522.05	175,372.85
Total	8,603,349.17	4,045,266.73

Schedule 11 : Current Borrowings (Figures in Ngultrum)

Particulars	31st December 2021	31st December 2020
Loan – NPPF	4,573,757.82	3,495,878.32
Working Capital Loan – BOBL	13,400,000.00	13,400,000.00
Inter-Group Borrowing from DHI	8,000,000.00	0.00
Total	25,973,757.82	16,895,878.32

Schedule 12 : Other Current Liabilities (Figures in Ngultrum)

Particulars	31st December 2021	31st December 2020
Advances from Customers	35.57	35.57
TDS Payable	19,710.43	2,514.76
Employee Vendors	58,255.00	20,392.91
Salary Payable to Employees	1,660,249.30	1,599,255.25
Loans-Employees	0.00	25,779.00
Contributory Provident Fund	0.00	469,793.00
Group Insurance Scheme	3,811.93	21,900.00
Salary Saving Scheme	7,166.01	54,804.01
TDS – Salary	29,901.00	28,411.00
Health Contribution	20,179.00	20,382.00



Other Deductions	70,447.13	79,010.01
Outstanding Liabilities – Employees	2,526,254.71	3,003,848.09
Employee Welfare Deductions	0.00	30,300.00
Retention Money Payable - Suppliers/Con	0.64	0.64
Interest Accrued on Intergroup Borrowing	215,926.58	0.00
Total	4,611,937.30	5,356,426.24

Schedule 13 : Non -Current Borrowings (Figures in Ngultrum)

Particulars	31st December 2021	31st December 2020
Term Loan		
Loan from National Pension & Provident Fund (Secured against hypothecation of Building Infrastructure, Plant & Machineries etc.)	50,280,726.80	59,782,017.13
BOBL Loan - Non Current	3,903,002.82	7,817,580.82
Total	54,183,729.62	67,599,597.95

Schedule 14 : Provision–Current (Figures in Ngultrum)

Particulars	31st December 2021	31st December 2020
Provision for Performance based Variable Pay	553,485.34	553,485.34
Provision for Leave Encashment	1,601,456.47	1,480,156.22
Provision for Salary Indexation	466,733.49	466,733.49
Provision for Income Tax Act	474,382.96	474,382.96
Total	3,096,058.26	2,974,758.01

Schedule 15 : Retirement Benefit Obligations - Non -Current (Figures in Ngultrum)

Particulars	31st December 2021	31st December 2020
Provision for Gratuity - Non-Current	6,611,163.00	5,333,115.00
Provision for Carriage Charge - Non-Current	114,292.00	97,597.00
Provision for Repatriation Allowance - Non-Current	322,346.00	268,634.00
Provision for Transfer Grant - Non-Current	322,346.00	268,634.00
Total	7,370,147.00	5,967,980.00

Schedule 16 : Deferred Tax liabilities - Non -Current (Figures in Ngultrum)

Particulars	31st December 2021	31st December 2020
Deferred Tax Liability	9,127,155.91	8,593,411.00
Total	9,127,155.91	8,593,411.00



Schedules forming part of the Income Statement

Schedule 17 : Revenue from Manufacturing Sector (Figures in Ngultrum)

Particulars	31st December 2021	31st December 2020
Revenue from Sale of Polymer Bags	149,797,040.61	128,281,660.46
Revenue from Sale of Fabric	26,463,245.13	24,862,664.10
Discount Allowed	(31,486.00)	(37,068.80)
Commission	0.00	(3,500.00)
Total	176,228,799.74	153,103,755.76

Schedule 18 : Other Income (Figures in Ngultrum)

Particulars	31st December 2021	31st December 2020
Rental Income	270,926.04	264,183.04
Liquidated Damages	32,175.70	24,008.72
Income From Sale of Scraps	620,033.74	951,175.36
Discount Received	803,879.90	37,691.64
Other Miscellaneous Income	604,983.21	585,180.24
Freight Revenue	0.00	2,000.00
Total	2,331,998.59	1,864,239.00

Schedule 19 : Consumption of Raw Material and Changes in Inventory of Finished Goods (Figures in Ngultrum)

Particulars	31st December 2021	31st December 2020
Consumption		
Raw Materials	128,877,689.15	87,735,738.26
Semi-Finished Products	246,016,840.05	175,363,123.74
Spare Parts	2,593,678.20	1,955,149.16
Consumables	4,620,809.75	3,502,931.06
Cost of Goods Manufacturing		
Semi-Finished Goods	(288,835,936.74)	(201,930,830.99)
Finished Goods	(122,174,267.30)	(89,599,471.20)
Scraps	(2,122,392.77)	(1,617,207.49)
Cost of Goods Sold		
Cost of Goods Sold - Semi Finished Good	27,441,016.88	25,096,461.23
Cost of Goods Sold - Finished Good	121,622,212.79	93,797,964.31
Price Difference - Material	12,875,268.84	(560,742.64)
Total	130,914,918.85	93,743,115.44



Schedule 20 : Operational & Maintenance Expenses (Figures in Ngultrum)

Particulars	31st December 2021	31st December 2020
R & M of Plant & Machineries - Material	391,060.12	211,477.53
R & M of Plant & Machineries -Services	30,520.00	100.00
R & M of Fire Fighting-Services	6,000.00	0.00
R & M of Building & Civil Structure - Material	22,304.41	24,756.00
R & M of Building & Civil Structure - Services	201,984.00	62,050.00
R & M of Furniture And Fixture - Services	5,500.00	0.00
R & M of Office Equipment - Materials	10,950.00	4,350.00
R & M of Vehicle -Materials	558,409.52	357,634.88
R & M of Vehicles - Services	28,290.00	30,629.00
R & M of General Asset - Materials	0.00	589.00
R & M of Environment & OHS Assets - Materials	5,487.30	11,800.00
Running and Maintenance of SAP - Services	717,985.20	758,382.28
Total	1,978,490.55	1,461,768.69

Schedule 21 : Personnel cost (Figures in Ngultrum)

Particulars	31st December 2021	31st December 2020
Payroll and related expenses		
Basic Pay	19,311,727.85	18,945,596.34
Allowances	2,710,481.80	2,637,787.56
Shift Allowance	750,615.00	695,205.00
Wages	3,378,689.50	4,082,012.02
Leave Travel Concession	1,319,726.75	1,316,487.25
Salary Indexation	0.00	466,733.49
Overtime Allowance	1,302,956.89	1,726,733.87
Uniforms & Liveries	201,376.00	0.00
GPA Insurance	79,620.58	105,013.12
Sport Activities	31,500.00	0.00
Leave Encashment	1,536,581.00	1,497,336.00
Provident Fund-Matching Contribution	2,896,936.00	2,841,961.00
Gratuity	1,276,242.00	1,140,387.00
Repatriation Allowance	63,385.00	57,005.00
Transfer Grant	63,385.00	57,005.00
Defined Benefit Plan Expenses	52,724.00	30,000.00
Carriage Charges	23,478.00	26,200.00
Total	34,999,425.37	35,625,462.65



Schedule 22 : Other Expenses (Figures in Ngultrum)

Particulars	31st December 2021	31st December 2020
Marketing And Sales Promotion Expenses	198,166.00	109,743.00
Board Meeting Expenses	22,104.00	41,913.00
Board Sitting fees	352,000.00	254,000.00
Sub-Committee Sitting Fees	82,000.00	28,000.00
Fees And Subscription	293,870.76	296,200.00
Printing and Stationery	193,741.12	161,480.11
Postage & Courier Charges	4,255.00	2,350.00
Advertisement	48,160.00	49,280.00
Office Expenses	111,835.00	68,384.86
Lease Rent paid to DHI	20,438.46	722,328.59
Travelling Expenses - Local	7,000.00	108,508.00
Travelling Expenses - Foreign	0.00	119,316.00
Internet and telephone charges paid to DHI	571,101.13	499,757.45
License and Registration	7,958.00	20,590.00
Fine & Penalties	1,574.67	750.00
General Insurance	476,316.54	452,370.87
Electricity Charges - paid to DHI Group	3,286,864.50	3,018,032.00
Hospitality And Entertainment Expenses	102,905.00	51,249.87
Corporate Social Responsibility (CSR)	0.00	11,988.80
Miscellaneous Expenses	3,862.02	564.61
Loss/Retirement/Scraping of Inventories	9,192.89	94,585.55
Loss/Retirement/Scraping of Asset	0.00	323,593.66
Audit Fees	63,250.00	63,250.00
Audit Expenses	27,824.00	64,952.00
Loading & Unloading Charges	281,518.02	207,883.15
Brand & Management Fees to DHI	171,733.88	0.00
Freight Expenses	43,000.00	0.00
Books and Periodicals	3,750.00	0.00
Total	6,384,420.99	6,771,071.52



Schedule 23 : Finance Income (Figures in Ngultrum)

Particulars	31st December 2021	31st December 2020
Interest Income on deposits against Gratuity Fund	4,345.70	4,345.70
Total	4,345.70	4,345.70

Schedule 24 : Finance Cost (Figures in Ngultrum)

Particulars	31st December 2021	31st December 2020
Interest On Borrowings -NPPF	3,006,943.02	2,594,126.83
Bank Charges & Other Fees paid to BoBL	227,504.49	197,534.82
Interest on Overdraft Loan - BOBL	639,026.99	696,188.60
Interest on Borrowings-Intragroup	512,945.55	140,324.08
Total	4,386,420.05	3,628,174.33

Schedule 25: Deferred Tax Expenses (Figures in Ngultrum)

Particulars	31st December 2021	31st December 2020
Deferred Tax Expenses	533,744.91	1,908,176.00
Total	533,744.91	1,908,176.00



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

A. Legal Status and Principal Activities:

Dungsam Polymers Limited (DPL) is incorporated under the Companies Act of Kingdom of Bhutan, 2000 on 12.08.2010 and has its principal administrative offices in Nganglam, Pemagatshel. The corporation is engaged in production of Polypropylene (PP) Bags and for bulk sale of the same to Dungsam Cement Corporation Limited (DCCL) for packing cement and for export of surplus PP bags and fabrics to the neighboring states of India. The plant commenced commercial production from 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. Dungsam Polymers Limited (DPL) is a subsidiary of Druk Holding Investments (DHI) holding 51.00% of Equity Share Capital of the Company. The DPL is the first company divested by Druk Holding Investments (DHI) since its formation in 2007 the authorized capital of the company is Nu.300 million.

B. Significant Accounting Policies

1. Basis of Presentation and Statement of Compliances:

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

The Financial Statements present the Company's financial position as on 31st December, 2021 and 31st December, 2020 as well as its earnings (Loss), comprehensive income (Loss), Cash Flows and Changes in Equity for the year ended 31st December, 2021 and 31st December, 2020. The preparation of Financial Statements is in conformity with BFRS that requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statement are:

Property, plant and equipment: Critical judgments are expected for period of use, condition of the assets, technological advances, regulation, and residual values.

- Actuarial valuation of employee benefits: expected uptake of the gratuities and the discount rate used in the valuation.
- The functional currency of preparation is the Bhutanese Ngultrum.

2. Basis of Measurement::

The Financial Statements have been prepared under the accrual, historical cost basis and going concern convention expect for the defined benefit liability (actuarial valuation of gratuity in the



financial position for which the measurement basis is detailed in their respective accounting policies).

3. Critical Accounting Judgments, Estimates and Assumptions :

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

4. Property, Plant and Equipment:

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

5. Impairment of Assets:

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

The exercise on all the fixed assets has been carried out in the Year 2021 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 life (taking Residual value to be Nil). The management has assessed the useful life which represents the expected utility of the assets to the company based on the vendor's recommendation. Actual results, however, may vary due to technical or commercial obsolescence, particularly with respect to manufacturing equipment. However the management will review the useful life, depreciation methods and residual values of depreciable assets at each reporting date as required by BAS - 16.

Assets Class	Useful Life (in years)
Civil Structure	30
Semi-permanent structure	7



Temporary Structure	3
Machinery , Fire Fighting & safety Equipment	3-30
Furniture & Fixture	3-7
Office Equipment , General Assets & Intangible Assets	5-11
Vehicles	10-15
Tools & Tackles	2
Low Value Assets	5
Environment & OHS Assets	5

Gain and loss on disposal are determined by comparing the proceeds with the carrying amount and are recognized within 'Other Income' or 'Other Expenses' as the case may be, in the income statement.

7. Intangible Assets:

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

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

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

8. Investment:

- a. The Current Investment are valued at lower of cost and fair market value.
- b. The long term Investments in Government and/or other Cities including private placements are valued at cost as reduced by incentive or diminution in value of permanent nature.
- c. Provision is made where there is permanent fall in valuation of Long Term Investment.

9. Financial Assets:

9.1 Initial Measurement

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

9.2 Classification and Subsequent Measurement

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

- Financial Assets Measurement at Amortized Cost;
- Financial assets measured at fair value through other comprehensive income (FVTOCI); and
- Financial assets measured at fair value through profit and Loss (FVTPL)

The classification of financial assets depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

Management determines the classification of its financial assets at initial recognition.

Financial Assets Measurement at Amortized Cost:

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

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

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

Financial Instruments Measured at Fair Value through Other Comprehensive Income:

A financial instrument shall be measured at fair value through other Comprehensive Income if both of the following conditions are met

- The objective or the business model is achieved by both collecting contractual cash flows and selling financial assets; and
- The asset's contractual cash flow represents SPPI.

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

Financial Instruments Measured at Fair Value through Profit & Loss:

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

9.3 Trade and Other Receivables

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

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 a group of similar financial assets) is primarily derecognized only when:

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

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

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

10. Inventories and Parts and Supplier

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



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

11. Cash and Cash Equivalents

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

12. Financial Liabilities:

1.1 Initial recognition and measurement

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

1.2 Subsequent Measurement

The measurement of Financial Liabilities depends on their classification, as described below:

Financial Liabilities at Fair Value through Profit or Loss

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

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

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

1.3 Borrowings

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

prepayment for liquidity services anti amortized over the period of the facility to which it relates.

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

1.4 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.

1.5 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.

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 amount in the financial statement. Deferred income tax is determined using tax rates (and law) that have been enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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

16. Revenue Recognition

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

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

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



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

17. Land Lease

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

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

Under Defined Benefit Scheme

- i) The Company operates a gratuity scheme for employees, whereby employees receive one month's final salary for each year of completed service. The employee must complete five (5) years of service before the gratuity is payable and the limitation of the scheme has been removed from October 2019. The cost of defined benefit scheme and the present value of the related obligations are determined using actuarial valuations. The determination of benefits expense and related obligations requires assumptions such as the expected return on assets available to fund, future obligations, the discount rate to measure obligations, expected mortality, the salary escalation rate and the expected experience of employee turnover. Actual results will differ from results which are estimated based on assumptions. All assets held to provide for the future liability are in the form of bank deposits, as required by the Income Tax Act. The assets are therefore subject to the financial risks associated with such deposits.
- ii) Employee benefits are also including Leave encashment, transfer grant, repatriation allowance and carriage charges which are actuarially determined and disclosed in Note No. C (10) of Notes to Financial Statements (Under Defined Benefit Plan).

19. Foreign Currency Transactions

Transactions denominated in foreign currencies are translated into the functional currency of that entity using the exchange rates prevailing at the date of each transaction as per BAS - 21. Foreign

exchange gains or losses arising on the settlement of monetary items or on the translation of monetary items at rates different from those at which they were translated on initial recognition during the period are recognized as gain/loss on Foreign Exchange in the period in which they arise.

20. Earnings per Share

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

21. Event after Balance Sheet

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

22. Comparative Information

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

C. Notes to Financial Statements

1. 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.

2. Inter-corporate loan recognized as fair value

Under the provision GAAP, loans are recorded at their transaction value. Under IFRS, all financial liabilities are required to be recognized as 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 shareholder’s equity.

3. The Authorized Share Capital of the Company is Nu.300,000,000.00 (30,000,000 Equity Shares @ Nu.10 each). The Capital Structure is summarized as below:

Reconciliation of the number of shares outstanding:

Particulars	As at 31 st December 2021		As at 31 st December 2020	
	No. of Shares	Amount (Nu.)	No. of Shares	Amount (Nu.)
Ordinary Shares of Nu.10 each				
At beginning of the year	15,272,350	152,723,500.00	15,272,350	152,723,500.00
Allotted during the year	-	-	-	-
At closing of the year	15,272,350	152,723,500.00	15,272,350	152,723,500.00



4. Approximately 36.82% (in terms of PP bag production) and approximately 52.25% in terms of Fabric production of installed plant capacity has been utilized in the financial year 2021.
5. All Statutory Record and Books of Accounts are maintained at Registered Office at Nganglam, Pemagatshel, Bhutan.
6. National Pension & Provident Fund (hereafter called as NPPF) has given a loan to the Company. The NPPF loan has been rescheduled and the amount of the said term loan shall be Nu. 125.89 million from the date of re-schedulement i.e. 4th May, 2015 with the same terms and conditions as before secured against hypothecation of Building, Infrastructure & Fixed Assets and Plant & Machineries of the Company. The borrowing is for the period of 15 years 9 months (63 Equated Quarterly Installments) effective from 1st July, 2015, bearing interest at an annual fixed rate of 10%. The company had made repayment of Nu. 35.00 Million against the term loan and the loan was restructured on 5th January 2019. The corporation has collateralized borrowing having net book value of Nu. 54.85 million is classified into current and non-current liabilities amounting to Nu. 4.57 million and Nu. 50.28 million respectively.
7. The company has an outstanding Working Capital Loan secured by hypothecation of Stock and Book Debts of the Company amounting to Nu. 13.40 million from Bank of Bhutan Limited.
8. Working Capital Loan from Bank of Bhutan Ltd. amounting to Nu. 4.12 million is secured by Hypothecation of Stock and Book Debts.
9. **Defined Contribution Plan**

The admissibility of pension benefits to an employee shall be governed by the pension rules and regulations of the NPPF. On separation from his service, an employee shall be entitled to receive the full accumulation, including interest accrued of provident fund which is created through a monthly deduction from his/her salary and an equal contribution (15% of the basic pay) by the employer. Since the PF is managed by the NPPF, payment shall be governed by the rules and regulations of the NPPF.

The amount expensed with respect to the provident fund matching contributions for the year ended 31st December 2021 and 2020 were Nu. 2.90 million and Nu. 2.84 million respectively.

10. **Defined Benefit Plan**

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

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

Particulars	31.12.2021	31.12.2020
DBO at the beginning of period	97,597	154,602
Add: Current service cost	16,158	16,103
Add: Past service cost	-	-
Add: Interest cost	7,320	10,097

Less: Benefits paid by the plan	-	-
Less: Benefits paid by the employer	-	(19,972)
Actuarial (gain) or losses due to experience adjustment	(6,713)	(63,234)
Actuarial (gain) or losses due to change in financial assumptions	-	-
Actuarial (gain) or losses due to change in demographic assumptions	(70)	-
DBO at the end of period	114,292	97,597

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

Particulars	31.12.2021	31.12.2020
DBO at the beginning of period	1,480,156	1,245,863
Add: Current service cost	121,300	234,293
Add: Past service cost	-	-
Add: Interest cost	4,866	(1,288)
Less: Benefits paid by the plan	-	-
Less: Benefits paid by the employer	(1,415,281)	(1,263,043)
Actuarial (gain) or losses due to experience adjustment	1,411,466	1,264,331
Actuarial (gain) or losses due to change in financial assumptions	-	-
Actuarial (gain) or losses due to change in demographic assumptions	(1,050)	-
DBO at the end of period	1,601,456	1,480,156

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

Particulars	31.12.2021	31.12.2020
DBO at the beginning of period	5,385,839	4,520,301
Add: Current service cost	872,304	814,608
Add: Past service cost	-	-
Add: Interest cost	403,938	325,779
Less: Benefits paid by the plan	-	-
Less: Benefits paid by the employer	-	(353,170)
Actuarial (gain) or losses due to experience adjustment	(55,434)	78,321
Actuarial (gain) or losses due to change in financial assumptions	-	-
Actuarial (gain) or losses due to change in demographic assumptions	4,516	-
DBO at the end of period	6,611,163	5,385,839

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

Particulars	31.12.2021	31.12.2020
DBO at the beginning of period	268,634	229,087
Add: Current service cost	43,238	41,356
Add: Past service cost	-	-
Add: Interest cost	20,148	15,649
Less: Benefits paid by the plan	-	-
Less: Benefits paid by the employer	-	(40,870)
Actuarial (gain) or losses due to experience adjustment	(9,482)	23,412



Actuarial (gain) or losses due to change in financial assumptions	-	-
Actuarial (gain) or losses due to change in demographic assumptions	(192)	-
DBO at the end of period	322,346	268,634

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

Particulars	31.12.2021	31.12.2020
DBO at the beginning of period	268,634	229,087
Add: Current service cost	43,238	41,356
Add: Past service cost	-	-
Add: Interest cost	20,148	15,649
Less: Benefits paid by the plan	-	-
Less: Benefits paid by the employer	-	(40,870)
Actuarial (gain) or losses due to experience adjustment	(9,482)	23,412
Actuarial (gain) or losses due to change in financial assumptions	-	-
Actuarial (gain) or losses due to change in demographic assumptions	(192)	-
DBO at the end of period	322,346	268,634

Summary of Actuarial (Gain)/Loss on Defined Benefit Plan as per

Actuarial Reports for the year ended 31.12.2021

S I No.	Particulars	Actuarial (Gain)/Loss	
		31.12.2021	31.12.2020
a.	Carriage Charge	(6,783.00)	(63,234.00)
b.	Earned Leave	0.00	0.00
c.	Gratuity	(50,918.00)	78,321.00
d.	Repatriation Allowance	(9,673.00)	23,412.00
e.	Transfer Grant	(9,673.00)	23,412.00
Total		(77,047.00)	61,911.00

- During the year the Company has assessed the carrying amount of the assets vis-à-vis their recoverable value and no impairment is envisaged at the Statement of Financial Position date.
- The land occupied by the Company was leased from Druk Holding and Investment Limited (DHI). The agreement has been modified now covering 10.771 acres with an agreement to pay Nu. 0.05 per square feet per annum amounting to Nu. 20,438.46 for 318 days during the year 2021 (10.771 acres is 469,184.76 square feet).
- During the COVID-19 pandemic, the Company was granted 50% interest waiver during the year 2021. Hence the Company is benefited by Nu. 3,582,270.10 in Statement of Comprehensive Income.
- 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”.



15. Sales Tax on Polypropylene Bags and Fabric Roll

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

16. Going Concern Problems

It was pointed out in previous audit report that the company was unable to bear the impact of finance Costs and was thus making losses. In order to address this problem during 2018, the company raised capital Nu. 70 million from right issue of Equity shares, out of which Nu 20 million has been used to pay off DHI's Inter Corporate Loan and Nu. 35 million has been used for partial settlement of term loan and balance has been used to replenish working capital which would be used for purchase of raw materials. However, Company's financial performance for the year 2021 indicates that the Company has suffered loss mainly due to increase in raw material prices. The increase in raw material price is attributable to COVID-19 pandemic globally. Profitability of the company is expected to improve on decrease in the price of the raw material at normal price. At present there is no going concern problem in foreseeable future and under the present circumstances use of going concern basis of accounting is appropriate.

17. As per the TDS Guidelines issued by the Department of RRCO, all government and semi-government agencies, NGO, Companies and Business must deduct TDS at the time of bill payment/disbursement or credit in the books of account, whichever is earlier. However, the Company has the practice of booking the TDS at the time of payment like any other DHI Companies.

18. Related Party Transactions:

Related Parties transactions with them as identified by the Management are given below:

- a. Key Management Personnel who have authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the Company.
 - i) Mr. Yonten Namgyel, Director General, MoEA – Chairman
 - ii) Mr. Sherab Zangpo, Senior Dungpa, Nganglam – Independent Director
 - iii) Mr. Tshering Tenzin, CEO, DPL – Director
 - iv) Mr. Pema Wangchuk, Director, Department of Corporate Service, CDCL – Director
 - v) Mr. Sangay Dorji, Branch Credit In-Charge, BNBL – Independent Director
 - vi) Ms. Choni Ome, Senior Analyst, DHI – Nominee Director (**Resigned on 26.03.2021**)
 - vii) Mr. Thinlay Gyamtsho, Proprietor, T&K Construction – Director

viii) Mr. Harilal Bhattarai, Senior Analyst, DHI – Nominee Director (**Appointed on 01.03.2021**)

b. Inter Company Transactions:

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

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

Particulars	As on 31.12.2021	As on 31.12.2020
Bank of Bhutan		
Balance with BoBL	1,287,852.64	13,162,652.84
Interest Accrued on Intergroup Borrowing	215,926.58	0.00
Borrowings – Current	13,400,000.00	13,400,000.00
Borrowings - Non-Current	3,903,002.82	7,817,580.82
Interest on Overdraft Loan	790,973.64	696,188.60
Bank Charges & Other Fees	227,504.49	197,534.82
Bhutan Power Corporation Limited		
Trade Payable	49,172.75	138,470.46
Electricity Charges paid	3,286,864.50	3,018,032.00
Rental Expenses paid to DHI Group Companies	49,172.75	0.00
Running & Maintenance of Others	0.00	138,470.46
Bhutan Telecom Limited		
Trade Payable	137,227.47	80,340.50
Internet and Telephone Charges paid	571,101.13	499,757.45
Druk Holding & Investments		
Equity Shares held by DHI	77,889,010.00	77,889,010.00
Non Trade Payable	167,250.00	140,393.09
Inter-Company Borrowings	8,000,000.00	0.00
Intergroup Accrued Expenses	5,198.90	0.00
Inter Group Lease Rent	20,438.46	0.00
Inter Group Brand Management Fees	171,733.88	0.00
Interest on Borrowings	360,998.90	140,324.08



Dungsam Cement Corporation Limited		
Trade Receivable	19,703,826.00	16,790,787.60
Non Trade Payable	568,041.00	430,513.51
Sale of Packing Materials to DHI Group Companies	124,263,146.90	103,553,241.80
Lease Rent	0.00	722,328.59
Penden Cement Authority Limited		
Trade Receivable	158,520.42	158,520.42
Security Deposit – Others	400,000.00	400,000.00
Sale of Packing Materials to DHI Group Companies	2,631,470.00	7,535,418.00
State Trading Corporation of Bhutan Limited		
Running & Maintenance of Vehicles	25,196.50	112,431.14
Trade Payable	183,032.61	32,019.14
Thimphu Tech Park Limited		
Running & Maintenance of Others	403,755.48	285,895.18
Trade Payable	330,522.05	146,466.85

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

Particulars	Current Year	Previous Year
	2021	2020
Chief Executive Officer		
Salaries including LTC	1,889,604.00	1,799,046.78
Contribution to Provident Fund	158,628.00	150,864.00
Sitting Fees	60,000.00	31,360.00
Traveling Expenses	0.00	35,000.00
Non-Executive Directors		
Board Sitting Fees	292,000.00	176,000.00
Board Level Sub Committee Sitting Fees	82,000.00	44,000.00
Board Training Expenses	0.00	0.00
Travelling Expenses	0.00	0.00

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

19. Auditors Remuneration & Audit Expenses:

Particulars	Current Year 2021	Previous Year 2020
Audit Fees	63,250.00	63,250.00
Audit Expenses	27,824.00	64,952.00
Total	91,074.00	128,202.00

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



20. Earnings per Share:

Particulars		31.12.2021	31.12.2020
a)	Net Profit/(Loss) after tax available for equity shareholders (Nu.)	(6,583,009.84)	5,459,705.56
b)	Weighted average number of Basic Equity shares of Nu.10 each outstanding during the year (No. of shares)	15,272,350	15,272,350
c)	Weighted average number of Diluted Equity shares of Nu.10 each outstanding during the year (No. of shares)	15,272,350	15,272,350
d)	Nominal Value of Shares	10.00	10.00
e)	Basic Earnings per Share (Nu.) (a/b)	(0.43)	0.35
f)	Diluted Earnings per Shares (Nu.) (a/c)	(0.43)	0.35

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

(i)	Contingent Liabilities	2021	2020
a)	Claims against the company not acknowledged as debts	0.00	0.00
b)	Outstanding Bank Guarantee	0.00	0.00
c)	Bills discounted with Banks	0.00	0.00
(ii)	Commitments	2021	2020
a)	Estimated amount of contracts remaining to be executed on capital account (net of payment) and not provided for	0.00	0.00
b)	Other Commitments	0.00	0.00

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

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

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



(CA B.K.SHARMA)

Proprietor

Membership No.055602

UDIN: 22055602AEXYPZ8218

Place: Kolkata, India

Dated: The 16th day of April, 2022



(Mr. Yonten Namgyel)

Chairman



(Mr. Tshering Tenzin)

Chief Executive Officer





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DUNGSAM POLYMERS LIMITED

Tshenkari, Nganglam, Pemagatshel

Tel: +975-7-481260/481241, Website: www.dpl.bt