ANNUAL REPORT

2025

Dungsam Polymers Limited

Nganglam, Pemagatshel

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YEAR-END REVIEW

Despite a challenging market environment characterized by subdued demand for polypropylene (PP) bags in both domestic and export markets, DPL concluded 2025 with resilience and determination. Through disciplined operations, prudent cost management, and the unwavering commitment of our employees, the Company remained profitable while achieving a plant capacity utilization rate of 41.61%.

While DPL has maintained profitability for four consecutive years, sustaining this performance amid evolving market dynamics remains a significant challenge. The traditional PP bag segment continues to face declining demand, intensified by increasing competition and pricing pressures from regional manufacturers. In response, the Company is pursuing strategic initiatives aimed at expanding market share, diversifying its product portfolio, enhancing operational efficiency, and accelerating the mechanization of key processes. These measures are intended to strengthen our competitiveness and position DPL for sustainable long-term growth.

Although notable progress was made in improving systems, processes, and raw material sourcing during the year, challenges related to capacity underutilization and limited domestic market opportunities continue to affect the business. Nevertheless, management remains committed to identifying new growth avenues and improving operational performance.

Financially, DPL delivered a strong performance in 2025. Total revenue increased by 13% to Nu. 203.57 million compared with the previous year. This growth was primarily driven by improved production capacity and higher sales volumes in both domestic and export markets. Profit After Tax (PAT) rose significantly to Nu. 10.38 million, representing a substantial increase from Nu. 1.87 million in 2024. Production volume reached 13.73 million bags during the year, compared with 11.62 million bags in 2024, reflecting an increase of 18%.

Our people remain the foundation of our success. Throughout the year, DPL continued to invest in employee engagement and workplace initiatives designed to foster collaboration, unity, accountability, and motivation. These efforts have strengthened our organizational culture and contributed positively to productivity and overall performance.

On behalf of the Management, I extend my sincere appreciation to the Board of Directors and DHI for their continued guidance, confidence, and unwavering support throughout the year. Their strategic oversight has been instrumental in helping the Company navigate challenges and pursue opportunities. I would also like to express my heartfelt gratitude to our employees, whose dedication, resilience, and hard work have been central to our achievements.

Looking ahead, we remain cautiously optimistic about the future. While market conditions continue to evolve, we are confident that our strategic focus on innovation, diversification, operational excellence, and customer satisfaction will create new opportunities for growth and value creation. DPL remains committed to strengthening its market position, enhancing stakeholder value, and contributing meaningfully to Bhutan's industrial development.

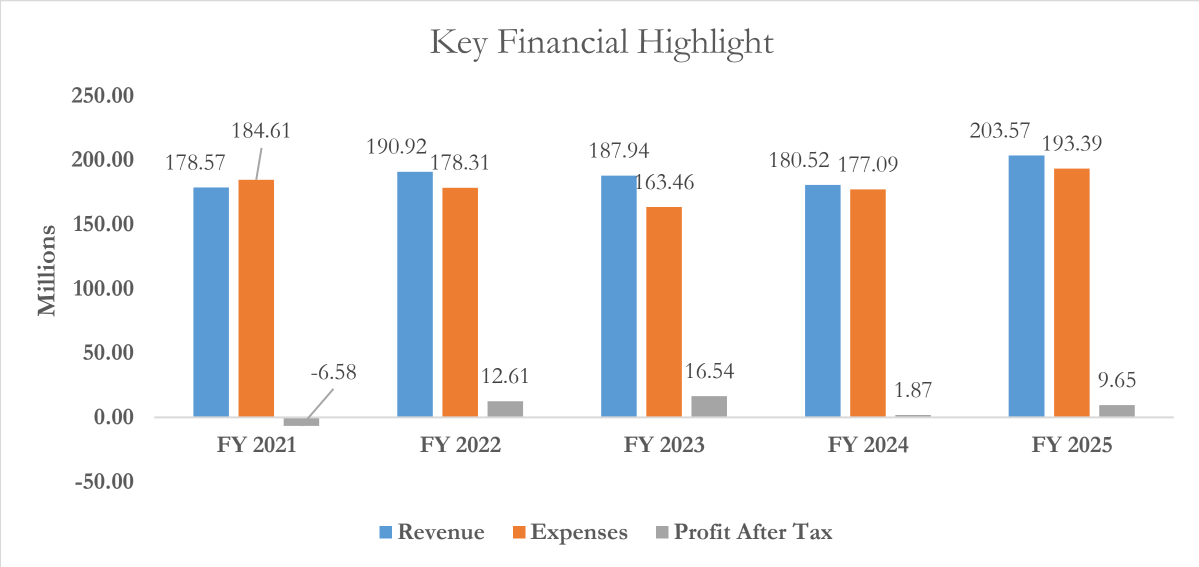
Thank you for your continued trust, support, and partnership as we move forward together.

Tashi Delek!

(Dhan Bdr Gurung)
Chief Executive Officer

TABLE OF CONTENTS

PAST FIVE YEARS FINANCIAL HIGHLIGHTS



COMPANY PROFILE

Dungsam Polymers Limited (DPL) manufactures Poly woven bags. 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 an Initial Public Offer (IPO). The company was listed in the Royal Security Exchange of Bhutan (RSEBL) on August 2, 2013. Subsequently, DPL became one of the DHI Controlled Companies 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, equivalent to one hundred thousand bags in a day. It was mandated that the requirements of PP bags for DCCL be met. Currently, 76.3% of the production is sold to Dungsam Cement Corporation Limited (DCCL) and 22.8% to other domestic markets and in the nearby states of India.

VISION

To be a leading provider of innovative, sustainable packaging solutions in Bhutan and North East Assam, delivering superior quality, strong customer satisfaction, and profitable growth across

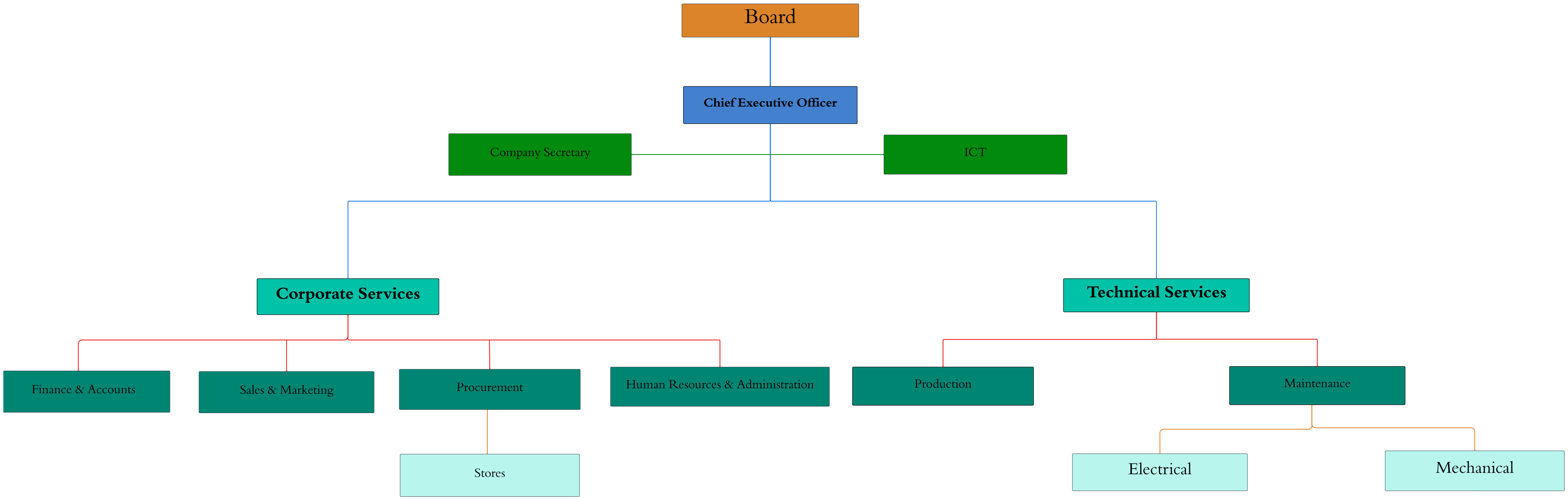
MISION

DPL delivers reliable, scalable, and cost-efficient packaging products that empower industries and contribute to the wealth of Bhutan.

DESTINATION STATEMENT

To scale into a Nu. 500 million revenue and establish market leadership in the packaging sector across Bhutan and Northeast India.

ORGANIZATIONAL CHART



MEET OUR LEADERS

BOARD DIRECTORS

MR. DECHEN CHOLING
Chairman, DCCL
Appointed on 3^{rd} January 2023

MR. THINLEY GYAMTSHO
Proprietor, T&K Construction Pvt Limited
Appointed on 11^{th} April 2019

MR. SONAM DARJAY
Researcher, Center for Research
Reappointed on 16^{th} April 2022

MR. THINLEY NAMGYEL
Senior Dungpa, Nganglam Dungkhag Administration
Appointed on 27^{th} March 2024

MR. PEMA R WANGCHUG
Associate Director, DHI
Appointed on 15^{th} October 2025

MR. DHAN BDR GURUNG
Chief Executive Officer, DPL
Appointed on 7^{th} December 2022

DIRECTORS' REPORT

Dear Shareholders,

On behalf of the Board and the Management of Dungsam Polymer Limited (DPL), I extend a warm welcome to all our valued shareholders to the 15th Annual General Meeting (AGM) of DPL.

The Board is pleased to present the company's performance for the financial year ended December 31, 2025.

Operational Highlights

In 2025, DPL produced a total of 13.73 million bags compared to 11.62 million in 2024, reflecting an increase of 18%. Total fabric production during the year is 1,216.61 MT compared to 1,124.40 MT in 2024, representing an increase of 8.20%.

DPL sold 13.95 million bags compared to 11.57 million in 2024, an increase by 21%. In addition, DPL sold 0.025 million Jumbo bags in domestic markets and 133.25 MT of fabric in export markets.

Despite having a substantially higher installed capacity, production was limited by constrained market demand. Nevertheless, the company achieved a considerable increase in both domestic and export sales compared to previous year.

Financial Highlights

1. Revenue

During the financial year 2025, the Company generated a total revenue of Nu. 203.57 million, compared to Nu.180.52 million in 2024, reflecting a growth of 13% over the previous year. The growth in revenue was mainly driven by enhanced production capacity reaching to 41.61% and increased sales to domestic and export markets. In addition, the jumbo bag sales had contributed an additional revenue Nu 9.87 million.

2. Expenditure

The total expenditure for the year is Nu. 193.38 million, representing an 9.25% increase from the previous year. The increase was primarily due to increase in consumption of raw materials for increased production.

3. Profit/ Loss Before Tax

The company recorded a profit before tax of Nu. 10.18 million in 2025, compared to Nu. 3.51 million in previous year. The profit after tax is Nu. 9.64 million in 2025.

Human Resource

The company has 99 regular employees and 40 daily wage workers. The number of casual workers varies from day to day depending on the requirement. Two employees resigned in 2025. Regardless of the financial situation, DPL continues to enhance knowledge and skills through short-term and inhouse trainings.

Corporate Governance

DPL complied with the 2016 Corporate Governance Code issued by Druk Holding and Investments (DHI) and all statutory requirements specified in the Companies Act of the Kingdom of Bhutan, 2016.

The Board, comprising of six Directors, convened five board meetings, five Board Audit Committee (BAC) meetings, and one Board Procurement Committee (BPC) meeting in 2025. All directives and resolutions of the Board and its Committees were duly implemented.

Corporate Social Responsibility

The company provided fabric materials and manpower assistance to the various important events organized by local government. The company also extended in-kind contributions valued at Nu. 0.100 million to Tsenkari Lhakhang and related beneficiaries. In addition, DPL supported the manpower for the construction of the Nganglam Middle Secondary School gate.

Statutory Audit

The statutory audit was conducted by M/s. Karma & Associates, Thimphu, as appointed by the Royal Audit Authority (RAA). The audit was carried out from February 2, 2026 to February 9, 2026.

We are pleased to report that the audit resulted in no qualified opinions, and no significant issues were raised.

The Royal Audit Authority conducted the audit from May 19, 2025 to June 2, 2025, covering the period from 2023 to 2024. There are no major observations.

Internal Audit

As per the statutory requirement, the Internal Audit was conducted from December 22 to December 30, 2025. The Internal Audit service was outsourced to the Internal Audit Unit of DCCL.

Key Challenges & Way Forward

While the Company has achieved profit for more than three consecutive years, sustaining this momentum remains a significant challenge. Strategic avenues to address this include expanding market share, diversifying the product portfolio, and mechanizing the finishing units. Domestic demand for current conventional types of PP bags is on a decline, compounded by competitive pressures from Indian markets. Additionally, the export sector faces margin compression, creating further operational challenges.

Despite notable improvements in systems and raw material sourcing, the Company continues to grapple with issues such as capacity underutilization and limited domestic market opportunities. Addressing these constraints will be critical to sustaining growth and operational efficiency in the coming years.

The Company possesses a daily production capacity of 100,000 bags at full capacity. The actual capacity utilization for the year is 41.60%, reflecting underutilization.

Way Forward

During summer, the extreme heat causes operational difficulties in the finishing unit; affecting valve-making, marking, and other tasks. To address these issues and improve workmanship, automatic Valvomatric machines have been installed.

Currently, the finishing unit depends largely on daily wage workers and semi-automatic processes, which leads to issues during demand. To improve productivity and automate the finishing unit, an automated online printing machine will be installed. This will enable the delivery of better and more finished products.

Acknowledgement

On behalf of the Board, Management, and employees of DPL, I extend my sincere gratitude to our shareholders for their unwavering support and guidance. We look forward to your continued support.

We also express our appreciation to the Royal Government of Bhutan, ministries, departments, and local agencies for their steadfast support.

The Board acknowledges the dedication and hard work demonstrated by DPL's management and employees in overcoming challenges.

Lastly, we extend our heartfelt thanks to our valued customers for their trust in our products and their loyalty.

Tashi Delek!

For and on behalf of the Board

(Dechen Choling)
Chairman

CORPORATE GOVERNANCE REPORT

Dungsam Polymers Limited (DPL) is committed to upholding high standards of Corporate Governance (CG) and ensuring compliance with relevant legislation, regulations, and the DHI Corporate Governance Codes to promote the long-term sustainability of the business. Additionally, DPL adheres to the provisions of the Companies Act of Bhutan 2016, as well as other statutory requirements set by the Royal Government of Bhutan.

a) Board Directors

The Board of Directors is responsible for overseeing and guiding the strategic direction and performance of Dungsam Polymers Limited (DPL). Comprising six members, including the Chief Executive Officer (CEO) and two representatives of the private shareholder(s), the Board ensures effective governance and alignment with shareholder interests. All appointments to the Board are formally approved at the Annual General Meeting (AGM), ensuring transparency and accountability in the decision-making process.

#	**Names of the Directors**	**Category**	**Profile**	**Term of the Board Director**	**Directorship in other DHI Companies**
1	Mr. Dechen Choling	Non-Executive	CEO, DCCL Nganglam	Second term	DCCL
2	Mr. Kunzang Namgay	Independent	Dungpa, Nganglam Dungkhag	Second term	None
3	Mr. Thinlay Gyamtsho	Non-Executive	Proprietor – T&K Construction	Second term	None
4	Mr. Pema Rinchhen Wangchug	Non-Executive	Associate Director, DHI	First term	None
5	Mr. Sonam Darjay	Non-Executive	The Center for Research Bhutan	Second term	None
6	Mr. Dhan Bdr Gurung	Executive	CEO, DPL	Second term	None

b) Board meetings

Seven board meetings were held in 2025, with the quorum duly met in accordance with the Companies Act of Bhutan 2016, as detailed below.

#	**Names of the Directors**	Board Meetings						
		69th	70th	71st	72nd	73rd	74th	75th
1	Mr. Dechen Choling	✓	✓	✓	✓	✓	✓	✓
2	Mr. Kunzang Namgay	✓	✓	✓	✓	✓	✓	✓
3	Mr. Thinlay Gyamtsho	✓	×	✓	✓	✓	✓	✓
4	Mr. Sonam Darjay	✓	✓	✓	✓	✓	✓	✓
5	Mr. Pema Rinchhen Wangchug	✓	✓	✓	✓	✓	✓	✓
6	Mr. Dhan Bdr Gurung	✓	✓	✓	✓	✓	✓	✓

c) Board Committees

In compliance with the Companies Act of Bhutan 2016 and the DHI Corporate Governance Code, DPL has established the following Board subcommittees:

- Board Audit Committee
- Board's HRC Committee
- Board Tender Committee
- Board NGC Committee

However, DPL did not convene Board HRC, Board Tender Committee and Board NGC meetings in 2025, as they were not deemed necessary.

1. Board Audit Committee Meetings

#	**Names of the Directors**	**Board Audit Committee Meetings (BACM)**				
		44 BAC	45 BAC	46 BAC	47 BAC	48 BAC
1	Mr. Sonam Darjay – Chairman	✓	✓	✓	✓	✓
2	Mr. Kunzang Namgay	✓	✓	✓	✓	✓
3	Mr. Pema R Wangchhug	✓	✓	✓	✓	x

2. Board HRC Committee Meeting

3. Board Tender Committee Meeting

d) Board Remuneration

The remuneration for Non-Executive Directors is provided in the form of Board sitting fees and travel allowances for attending Board meetings and Board sub-committee meetings. The Executive Director (Chief Executive Officer) receives a salary and other benefits as per the terms of their contract, in addition to sitting fees. Details of the Board remuneration are presented in the table below:

#	Particulars	Current Year	Previous Year
		2025	**2024**
1	CEO remuneration	1,406,780	1,338,593
2	Travelling Expenses (CEO)	120,683.33	75,500
3	Director sitting fees	543,750	464,220

e) Annual General Meeting

The 15th Annual General Meeting (AGM) was held on March 16, 2026, at the DHI Board Room, Thimphu. The meeting was attended by shareholders, Board Directors, and key representatives of DHI. It was presided over by the Board Chairman.

INDEPENDENT AUDIT REPORT

TO THE SHAREHOLDERS OF DUNGSAM POLYMERS LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Dungsam Polymers Limited (the Company), which comprise the statement of financial position as at **31st December 2025**, 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, 2025** and 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 our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Bhutan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

Key Audit Matters

The manual calculation of depreciation outside the SAP system, which creates a high risk of material misstatement due to human error and non-compliance. Since both the Bhutan Accounting Standards (BAS) and the Income Tax Act require different depreciation methods and rates, the reliance on offline spreadsheets rather than automated system controls necessitates significant audit judgment and reconciliation effort. Although the audit procedures including recomputation, asset register reviews, and manual reconciliations confirmed that the final figures of **Nu. 6,845,933.73** and their related disclosures are reasonable; the lack of a system-driven process remains a critical focus area to ensure the integrity of the financial statements.

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

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 to cease operations, or has no realistic alternative but to do so.

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

Karma & Associate Chartered Accountants

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

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

i. Identify and assess the risk 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 are sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the 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 the 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 the 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 a material uncertainty exists related to events or conditions that may cast significant doubt on Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

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

a) We have obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit;
b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the 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 are in agreement with the books of accounts and returns.
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 Karma and Associates.

Chartered Accountants

(Chimmi Dorji - FCCA)

Managing Partner

Firm Reg. No: BH-04

Place: Thimphu

Date: 23/04/2026

Karma & Associate
Chartered Accountants

REPORT ON MINIMUM AUDIT EXAMINATION REQUIREMENTS

Appendix I

Annexure referred to in our audit report of even date on Minimum Audit Examination and Reporting Requirements (to the extent applicable)

General

In our opinion and according to information and explanations given to us, we report that:

1. The Companies has adhered to the Corporate Governance Guidelines and Regulation as applicable to them.

2. The Governing Board of the Company has pursued a prudent and sound financial management practice in managing the affairs of the Company.

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

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

5. Adequate records as specified under section 228 of the Companies Act of Bhutan 2016 have been maintained.

6. Applicable mandatory obligations social or otherwise are being fulfilled.

7. The amount of tax is computed correctly and reflected in the financial statements.

Matters pertaining to a manufacturing, mining or processing company:

1. The Company has generally maintained Property, Plant & Equipment (PPE) Register showing full particulars including quantitative details and location of PPE is available. Physical verification of PPE was done during the year internally.

2. None of the fixed assets of the Company have been revalued during the year under audit.

3. The procedures of physical verification of stocks followed by the management are adequate in relation to the size of the company and the nature of its business and the same is supported by a physical verification inventory report done by management on every half yearly basis.

4. The method of valuation of inventory for the company is adequate and commensurate with the size and nature of business.

5. On sample basis we have examined certain stocks and discrepancies were identified between physical verification of the stock and the book stock. (Highlighted in the MAR)

6. The Company is following an adequate system of recording the receipts, issues and consumption of material and store.

7. At the end of the accounting year, the Company has carried out a quantitative reconciliation in respect of all the major items of inventories.

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8. The obsolete, damaged, slow moving and surplus goods/ inventories has not been identified by the management in a physical inventory verification report done on every half yearly basis but not impacted on the financial statement.

9. Obsolete inventories has not been written off during the year 2025.

10. Appropriate approval of the Board/ appropriate authority has been obtained for writing off the amount of material loss/ discrepancies in the physical balances of inventories including finished goods, raw materials, and stores & amp; spares base on the power authorized by the Delegation of Power (DOP) of the Company.

11. The stocks have been valued based on the applicable Accounting Standards issued by the Accounting and Auditing Standard Board of Bhutan (AASBB). The basis of valuation is the same as in the preceding year.

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 companies, firms and other parties and/or to the companies under the same management.

14. Interest free advances given by the Company to outside parties and the employees have been generally adjusted/ recovered as per stipulation. Steps have been taken by the Company for recovery of the principal amounts, interest thereon (wherever applicable). Advances have been granted to officers/staff generally in keeping with the provisions of service rules. Excessive/frequent advances are granted and/or accumulation of large advances against any particular individual are generally avoided.

15. In our opinion and according to the information and explanations given to us in course of the audit, the Company has generally established reasonably adequate system of internal controls to ensure completeness, accuracy and reliability of accounting records, to carry out the business in an orderly and efficient manner, to safeguard the assets of the Company as well as to ensure adherence to the applicable rules/ regulations and systems and procedures.

16. An established system of authorization at appropriate levels is in place for the issue of stores and the allocation of materials and labour to jobs. The internal control system in operation, although requiring further strengthening, is generally aligned with the size of the company and the nature of its business.

17. In course of our audit we have observed that the Company, in general, has a system of obtaining competitive biddings/quotations from more than one party in respect of purchase of property, plant and equipment and other assets.

18. 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 of 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.

19. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices, we have neither come across any personal expenses (other than contractual and/or as per customary business practices), which have been charged to the Statement of Comprehensive Income nor have we been informed about such cases by the management.

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20. The operational condition of the inventories verified has not been ascertained and no provision for loss if any arising due to its condition has been provided in the books of accounts.

21. As informed to us, the system of ascertaining and identifying point of occurrence of breakage/damages of raw materials, packaging materials and finished products i.e. while in transit, during processing, during loading/unloading, in storage and during handling etc. is sound and that responsibility could be fixed and compensation sought from those responsible.

22. As explained to us, the Company has sound record for production of finished goods and adequate safeguards exist to prevent unauthorized or irregular movement of goods from the Company.

23. Based on the records maintained by the company and produced before us, the company is maintaining adequate records for sale and disposal of realizable by-products and scraps.

24. According to the records maintained by the company and produced to us, the Company has generally been regular in depositing rates and taxes, provident fund and other statutory dues with the appropriate authorities.

25. According to the information and explanations given to us and on the basis of our observation, there were no undisputed statutory dues were outstanding as on 31.12.2025

26. The Company has a system of allocation of man-hours to jobs/ contracts to commensurate with the size and nature of business of the Company.

27. In our opinion, there is a reasonable system of price fixation taking into account the cost of production and the market conditions as decided by the Sales Committee of the Company from time to time.

28. The Company has made credit sales during the year. The Company has formed a credit and collection policy. The Company does not have a policy of credit rating of customers as 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. In our opinion, the Company, in general, has a system of following up with debtors and other parties except in few cases for recovery of outstanding dues. However, there are still debtors unrecovered for more than 365 days, amounting **to Nu. 3,194,064.97** i.e. **RSA Pvt. Ltd. Nu. 5,162.50**, **Ashahak Ali Nu. 5,180.33**, **Mahabir Packagers Nu. 3,178,103.25** and **Bhutan Centennial Distillery Nu. 5,618.89**, refer MAR for detailed report.

31. In our opinion, and on the basis of information and explanations given to us, the management of liquid resources, particularly cash/bank etc. are, in general, reasonably adequate and excessive amounts are not lying idle in non-interest-bearing accounts.

32. According to the information and explanations given to us, and on the basis of available records and information, we are of the opinion that the financial activities carried out by the Company during the year are prima facie lawful and intra-vires to the Articles of Association of the Company.

33. We are given to understand that Capital investment decisions are made with prior approval of the Board and investments in new projects are made only after ascertaining the technical and economic feasibility of such new projects.

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34. The present system of budgeting, in our opinion, is generally reasonable through Fund Management Module in SAP System.

35. Standard costing system is being established and the variances analysis carried out on periodic intervals and corrective actions are taken if warranted.

36. The CEO of the company have been paid remuneration. The details of remuneration and other payments to the Managing Director/ CEO are disclosed in the accounts, is stated in Notes to accounts. Based on the review of the records relating to the performance of the Board meetings, we have not come across any cases of disclosure of interest where payments have been made in cash or in kind to any of the directors and their relatives (including spouse(s) and child/children) by Company directly or indirectly, other than those mentioned above, nor have we been informed any of such case by the management.

37. As represented to us, the directives of the Board have generally been complied with.

38. We are given to understand by the management that the officials of the Company are refrained from transmitting any sensitive information which are not publicly available, unauthorized to their relatives/friends/associates or close persons which will directly or indirectly benefit themselves.

39. According to the information and explanations given to us, the Company has a reasonable system of ascertaining cost of its goods to enable it to make proper pricing decisions.

40. On the basis of information and explanations given to us, proper agreements are executed and that the terms and conditions of leases are adequate and the same are applied if machinery/equipment are acquired on lease or leased out to others.

COMPUTERISED ACCOUNTING ENVIRONMENT

1. The Company has implemented "SAP", which seems to be fully stabilized to ensure effective internal control over operations but in our opinion a system audit should be carried out to ensure the same.

2. According to the information and explanation given to us, the Company has adequate safeguard measures of its data and back up facilities for its data and maintains the same at Thimphu.

3. The operational controls are found to be adequate to ensure correctness and validity of input data and output information subject to our Management Report.

4. The Company has implemented proper measures for prevention of unauthorized access over the computer installation and files.

5. The data migration system is effectively managed by the Company.

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Chartered Accountants

GENERAL

1. Going Concern Issues:

On review of the state of affairs as reflected by the Company's Statement of Financial accepted auditing standards, we have no reason to believe that the Company is not a going concern on the date of the Statement of Financial Position (i.e. 31st December 2025).

2. Ratio Analysis:

Included in a separate Annexure.

3. Compliances with the Companies Act of Bhutan, 2016

The company has generally complied with the requirements of the Companies Act of The Kingdom of Bhutan, 2016 concerning conducting of meetings, filing requirements, maintenance of records, issue of shares, raising of loans and all other matters specified in the said Act except as mentioned in the compliance checklist and management report signed by us on the even date.

4. Adherence to Laws, Rules and Regulations

The audit of the Company is governed by the Companies Act of Bhutan, 2016 and the scope of audit is limited to examination and review of the financial statements, as produced to us by the management.

In the course of audit, we have reviewed compliance to the Companies Act and its Articles of Association however, we are unable to state that the company has been complying with other applicable laws, rules and regulations, system, procedures and practices.

For Karma and Associates

Chartered Accountants

(Chimmi Dorji-FCCA)

Managing Partner

Firm Reg. no: BH-04

Place: Thimphu

Date: 23/04/2026

Karma & Associate
Chartered Accountants

FINANCIAL STATEMENTS

DUNGSAM POLYMERS LIMITED

STATEMENT OF FINANCIAL POSITION AS ON 31ST DECEMBER 2025

Particulars	Schedule	12/31/2025	12/31/2024
		Amount (Nu.)	Amount (Nu.)
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	1	87,939,211.43	85,510,480.21
Intangible Assets		307,768.65	352,265.18
Right of Use - Lease		276,679.07	287,746.23
Capital Work-In-Progress	2	109,600.00	109,600.00
Other Non-Current Assets	3	180,000.00	180,000.00
Total Non-Current Assets	**A**	**88,813,259.15**	**86,440,091.62**
Current Assets			
Cash and Cash Equivalents	4	9,017,794.87	7,491,806.02
Trade and Other Receivables	5	37,690,641.26	42,067,376.59
Inventories	6	20,390,294.18	18,743,601.75
Current Tax Assets	7	14,025,689.22	9,335,179.27
Other Current Assets	8	2,316,855.01	1,369,231.24
Total Current Assets	**B**	**83,441,274.54**	**79,007,194.87**
Total Assets (A+B)		**172,254,533.69**	**165,447,286.49**
EQUITY AND LIABILITIES			
Equity			
Share Capital	9	152,723,500.00	152,723,500.00
Securities Premium Account	10	26,348,001.00	26,348,001.00
Other Equity	11	630,026.00	630,026.00
Retained Earnings	12	(108,505,485.32)	(118,023,457.72)
Total Equity	**C**	**71,196,041.68**	**61,678,069.28**
LIABILITIES			
Non-Current Liabilities			
Non-Current Borrowings	13	23,710,735.47	26,463,058.16

Karma & Associate Chartered Accountants

Retirement Benefit Obligations	14	11,586,211.28	9,975,345.95
Deferred Tax Liability	15	7,880,563.86	11,403,817.16
Lease Liability	16(i)	357,089.94	356,617.09
Total Non-Current Liabilities	**D**	**43,534,600.55**	**48,198,838.36**
Current Liabilities			
Lease Liability	16(ii)	35,188.86	-
Trade and Other Payables	17	11,014,932.49	5,315,814.17
Current Borrowings	18	33,732,768.94	40,657,158.48
Other Current Liabilities	19	1,721,383.31	3,556,236.14
Provisions	20	2,187,395.66	1,268,737.86
Current Tax Liabilities (Net)	21	8,832,222.20	4,772,432.20
Total Current Liabilities	**E**	**57,523,891.46**	**55,570,378.85**
Total Liabilities (D+E)		**101,058,492.01**	**103,769,217.21**
Total Liabilities and Equity (C+D+E)		**172,254,533.69**	**165,447,286.49**

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

Chartered Accountants

Firm Reg. No: BH-04

(Chimmi Dorji-FCCA)

Managing Partner

Place: Thimphu

Date: 23/04/2026

FOR & ON BEHALF OF BOARD OF DIRECTORS

CHAIRMAN
Nganglam Pemagatshel
Dungsam Polymers Limited

(Mr. Dechen Choling)

Chairman

(Mr. D.B.Gurung)

Chief Executive Officer

Karma & Associate
Chartered Accountants

DUNGSAM POLYMERS LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER 2025

Particulars	Schedule	12/31/2025	12/31/2024
		Amount (Nu.)	**Amount (Nu.)**
Income			
Revenue from Operations	22	202,051,936.90	178,495,033.96
Other Income	23	1,515,056.25	2,023,544.72
Total Revenue		**203,566,993.15**	**180,518,578.68**
Expenses			
Consumption of Raw Material, Consumables and Changes in Inventory of Finished Goods	24	120,470,901.05	109,271,905.26
Operation and Maintenance Expenses	25	2,382,158.48	2,505,232.61
Employee Compensation & Benefit Expenses	26	51,315,812.91	46,751,876.00
Other Expenses	27	7,208,245.34	6,604,070.15
Depreciation and Amortisation	2	6,845,933.73	6,395,540.42
Finance Cost	28	5,742,736.43	5,172,880.00
Impairment Loss of Financial Asset	29	(580,666.99)	307,031.83
Total Expenditure		**193,385,120.95**	**177,008,536.27**
Profit/(Loss) Before Income Tax		**10,181,872.20**	**3,510,042.41**
Current Tax		4,059,790.00	2,155,376.00
Deferred Tax Income	30	(3,523,253.30)	(516,981.93)
Income Tax for Earlier year		-	-
		536,536.70	**1,638,394.07**
Profit/(Loss) After Income Tax		**9,645,335.50**	**1,871,648.34**
Other Comprehensive Income/(Loss)			
(i) Items that will not be reclassified to Profit or Loss			
- Actuarial Gain/(Loss) on post employment benefit obligations	C(8)	(127,363.10)	360,785.14
(ii) Income Tax relating to items that will not be reclassified		-	(108,235.54)

to Profit or Loss			
Net Other Comprehensive Income/(Loss)		**(127,363.10)**	**252,549.60**
Total Comprehensive Income/(Loss)		**9,517,972.40**	**2,124,197.94**
Basic and Diluted Earnings per Share	**C(19)**	**0.63**	**0.12**

For Karma & Associates

Chartered Accountants

Firm Reg. No: BH-04

(Chimmi Dorji-FCCA)

Managing Partner

Place: Thimphu

Date: 23/04/2026

Karma & Associate
Chartered Accountants

FOR & ON BEHALF OF BOARD OF DIRECTORS

CHAIRMAN
Nganglam
Pemagatshel
Dungsam Polymers Limited

(Mr. Dechen Choling)

Chairman

(Mr. D.B.Gurung)

Chief Executive Officer

DUNGSAM POLYMERS LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2025

(Figures in Ngultrum)

Number of shares authorized for each class of shares:

Authorized Share Capital	As at 31st December	
	2025	**2024**
30,000,000 Equity Shares of Nu. 10 each	300,000,000.00	300,000,000.00

Particulars	Attributable to owners of the parent						
	Ordinary Shares			Securities Premium	Retained earnings	Other Equity	Total
	No. of Shares (issued and fully paid up)	Par value	Total Value of Shares				
Balance as at January 1, 2024	**15,272,350.00**	**10.00**	**152,723,500.00**	**26,348,001.00**	**(119,517,313.84)**	**-**	**59,554,187.16**
Profit for the year	-	-	-	-	1,871,648.34	-	1,871,648.34
Impact of fair value of inter corporate loan	-	-	-	-	(630,026.00)	630,026.00	-
Excess Term Deposit adjusted	-	-	-	-	(315.82)	-	(315.82)
Other Comprehensive Income/(Loss) for the year	-	-	-	-	252,549.60	-	252,549.60
Balance as at December 31, 2024	**15,272,350.00**	**10.00**	**152,723,500.00**	**26,348,001.00**	**(118,023,457.72)**	**630,026.00**	**61,678,069.28**

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Chartered Accountants

Balance as at January 1, 2025	**15,272,350.00**	**10.00**	**152,723,500.00**	**26,348,001.00**	**(118,023,457.72)**	**630,026.00**	**61,678,069.28**
Profit for the year	-	-	-	-	9,645,335.50	-	9,645,335.50
Other Comprehensive Income/(Loss) for the year	-	-	-	-	(127,363.10)	-	(127,363.10)
Balance as at December 31, 2025	**15,272,350.00**	**10.00**	**152,723,500.00**	**26,348,001.00**	**(108,505,485.32)**	**630,026.00**	**71,196,041.68**

For Karma & Associates

Chartered Accountants

Firm Reg. No: BH-04

(Chimmi Dorji-FCCA)

Managing Partner

Place: Thimphu

Date: 23/04/2026

FOR & ON BEHALF OF BOARD OF DIRECTORS

(Mr. Dechen Choling)

Chairman

(Mr. D.B.Gurung)

Chief Executive Officer

DUNGSAM POLYMERS LIMITED

STATEMENT OF CASH FLOWS AS ON 31ST DECEMBER 2025

Particulars	12/31/2025 Amount (Nu.)	12/31/2024 Amount (Nu.)
A: CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit as per Profit and Loss Account	**10,181,872.20**	**3,510,042.41**
Adjusted for:		
Add: Depreciation	6,845,933.73	6,395,540.42
Add: Finance Cost	5,707,074.72	5,105,846.03
Add: Expected Credit Loss of Receivables	(580,666.99)	307,031.83
Add: Interest Expenses	35,661.71	67,033.97
Less: Adjustment in Retained Earnings for Excess term deposits	-	(315.82)
Operating Profit before Working Capital Changes	**22,189,875.37**	**15,385,178.84**
Adjusted for:		
(Increase)/Decrease in Trade and Other Receivables	4,957,402.32	(2,717,445.40)
(Increase)/Decrease in Inventories	(1,646,692.43)	4,110,734.92
(Increase)/Decrease in Current Tax Assets	(3,029,890.02)	(6,322,363.54)
(Increase)/Decrease in Other Current Assets	(947,623.77)	310,189.33
Increase/(Decrease) in Trade and Other Payables	5,699,118.32	(3,317,512.10)
Increase/(Decrease) in Other Current Liabilities	(1,834,852.83)	(499,218.09)
Increase/(Decrease) in Provision	918,657.80	(865,956.48)
Increase/(Decrease) in Retirement Benefit Obligations	1,483,502.23	1,264,662.16
Increase/(Decrease) in Lease Liability	472.85	115,025.64
Increase/(Decrease) in current Lease Liability	35,188.86	-
Cash generated from Operations	**5,635,283.33**	**(7,921,883.56)**
Less: Tax Paid	1,660,619.93	5,709,374.34
Less: Tax Impact on Other Comprehensive Income	-	(108,235.54)
Net Cash from Operating Activities (A)	**26,164,538.77**	**1,862,156.48**
B: CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets (Net)	(9,219,101.26)	(4,927,209.76)

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(Increase)/Decrease in Investment made in Fixed Deposits	-	72,457.84
Net Cash used in Investing Activities (B)	**(9,219,101.26)**	**(4,854,751.92)**
C: CASH FLOW FROM FINANCING ACTIVITIES:		
Increase/(Decrease) in Current Borrowings	1,075,610.46	20,319,942.25
Repayment of DHI ICL loan	(8,000,000.00)	-
Increased/(Decreased) in Non-Current Borrowings	(2,752,322.69)	(7,652,999.38)
Interest Expenses	(35,661.71)	(67,033.97)
Finance Cost	(5,707,074.72)	(5,105,846.03)
Net Cash from Financing Activities (C)	**(15,419,448.66)**	**7,494,062.87**
Net Increase/(Decrease) in Cash & Cash Equivalents (A+B+C)	1,525,988.85	4,501,467.43
Cash & Cash Equivalents at the beginning of the year	7,491,806.02	2,990,338.59
Cash & Cash Equivalents as on 31.12.2025	**9,017,794.87**	**7,491,806.02**

Cash and Cash Equivalents include cash in hand and bank balances in current accounts [Refer Schedule No.4 to the Accounts]. Figures in brackets indicate cash outflows.

For Karma & Associates

Chartered Accountants

Firm Reg. No: BH-04

(Chimmi Dorji-FCCA)

Managing Partner

Place: Thimphu

Date: 24/04/2026

FOR & ON BEHALF OF BOARD OF DIRECTORS

(Mr. Dechen Choling)

Chairman

(Mr. D.B.Gurung)

Chief Executive Officer

ACCOUNTING POLICIES & NOTES TO ACCOUNTS

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 it 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 neighbouring 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, 2025 and 31st December, 2024 as well as its earnings (Profit), comprehensive income (Profit), Cash Flows and Changes in Equity for the year ended 31st December, 2025 and 31st December, 2024. 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:

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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 anal 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 or internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its estimated recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the assets.

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

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

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

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risk has increased significantly, an amount equal to lifetime ECL is measured and recognized as loss allowance.

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

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

6. Depreciation:

As of the reporting date, the depreciation on Property, Plant and Equipment (PPE) is provided on straight-line method based on the useful life (taking Residual value to be Nil). The management has assessed the useful life which represents the expected utility of the assets to the company based on the vendor's recommendation. Actual results, however, may vary due to technical or commercial obsolescence, particularly with respect to manufacturing equipment. However, the management will review the useful life, depreciation methods and residual values of depreciable assets at each reporting date as required by BAS - 16.

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.

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

7. Intangible Assets:

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

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

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

8. Investment:

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

9. Financial Assets:

9.1 Initial Measurement

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

9.2 Classification and Subsequent Measurement

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

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

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

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

Financial Assets Measurement at Amortized Cost:

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

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

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

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

Financial Instruments Measured at Fair Value through Other Comprehensive Income:

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

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

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

Financial Instruments Measured at Fair Value through Profit & Loss:

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

9.3 Trade and Other Receivables

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

Trade Receivables are initially recognised at fair value. Subsequently, these assets are held at amortised cost, using the Effective Interest Rate (“EIR”) method net of any Expected Credit Losses (“ECL”). The EIR is the rate that discounts estimated future cash income through the expected life of financial instrument.

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

9.4 Impairment of Financial Assets

Karma & Associate Chartered Accountants

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

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

9.5 De-recognition of Financial Assets

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

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

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

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

10. Inventories and Parts and Supplier

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

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

11. Cash and Cash Equivalents

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

12. Financial Liabilities:

12.1 Initial recognition and measurement

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

12.2 Subsequent Measurement

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

Financial Liabilities at Fair Value through Profit or Loss

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

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

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

12.3 Borrowings

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

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

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

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

12.4 Trade and Other Payables

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

12.5 De-recognition

A financial liability is de-recognized when the obligation under the 1iability 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

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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. However, deferred tax assets and liabilities have been re-measured using the substantively enacted rate of **22% as per the new income tax Act of Bhutan 2025**, as this is the rate expected to apply when the respective temporary differences reverse.
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.

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

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

17. Land Lease

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

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

At the date of commencement of the lease, the Company recognizes a right-of-use asset ("ROU") and a corresponding lease liability for all lease arrangements in which it is a lessee, except for leases with a term of twelve months or less (short-term leases) and low value leases.

Certain lease arrangements include the options to extend or terminate the lease before the end of the lease term. ROU assets and lease liabilities includes these options when it is reasonably certain that they will be exercised. Right-of-use assets are depreciated from the commencement date on a straight-line basis over the shorter of the lease term and useful life of the underlying asset. Right of use assets are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable.

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

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

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

18. Retirement Benefits

BAS - 19 Employee Benefits and BAS - 26 Accounting and Reporting by' Retirement Benefit Plans are applicable for Financial Statements covering periods beginning on or after 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' sa1ary. 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(8) 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.

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20. Earnings per Share

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

21. Event after Balance Sheet

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

22. Comparative Information

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

C. Notes to Financial Statements

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

Under BFRS 13, all financial liabilities are required to be recognized as fair value. Accordingly, the Company has fair valued the loan under BFRS at the date of initial recognition. Difference between the fair value and transaction value of the financial liability was adjusted with shareholder's equity. Notwithstanding, an initial fair value made on ICL was adjusted with retained earnings in the FY 2017 which arouse equity difference between DHI and DPL at the times of adjustment. However, rectifications have been made which DPL restated difference Nu 630,026.00 in the FY 2024 as a credit to equity (Other equity) and for any loss to be recorded as distribution (Debit to equity).

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

Reconciliation of the number of shares outstanding:

Particulars	As at 31st December 2025		As at 31st December 2024	
	No. of Shares	Amount (Nu.)	No. of Shares	Amount (Nu.)
Ordinary Shares of Nu.10 each				
At beginning of the year	15,272,350	152,723,500.00	15,272,350	152,723,500.00
Allotted during the year	-	-	-	-
At closing of the year	15,272,350	152,723,500.00	15,272,350	152,723,500.00

3. Approximately 41.61% (P.Y.35.22%) (in terms of PP bag production) and approximately 54.02% (P.Y.49.92%) in terms of Fabric production of installed plant capacity has been utilized in the financial year 2025.

4. All Statutory Record and Books of Accounts are maintained at Registered Office at Nganglam, Pemagatshel, Bhutan.

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5. National Pension & Provident Fund (hereafter called as NPPF) has given a loan to the Company. The NPPF loan has been rescheduled and the amount of the said term loan shall be Nu. 125.89 million from the date re-scheduled 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.32.44 million is classified into current and non-current liabilities amounting to Nu.8.73 million and Nu.23.71 million respectively.

6. The company has an outstanding Working Capital Loan Secured against hypothecation of Stock/Materials and Book Debts as well as Second Charge on all the Fixed Assets of the Company amounting to Nu.25.00 million from Bank of Bhutan Limited.

7. **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 2025 and 2024 were Nu.3.00 million and Nu. 2.92 million respectively.

8. **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	31.12.2025	31.12.2024
DBO at the beginning of period	107106.67	117,516
Add: Current service cost	14,784.64	14,044.15
Add: Past service cost		
Add: Interest cost	7532.74	8659.57
Less: Benefits paid by the plan		
Less: Benefits paid by the employer	(13340.15)	(4110.16)
Actuarial (gain) or losses due to experience adjustment	6375.37	(29,002.89)
Actuarial (gain) or losses due to change in financial assumptions		
Actuarial (gain) or losses due to change in demographic assumptions		

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DBO at the end of period	**122,459.27**	**107,106.67**

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

Particulars	**31.12.2025**	**31.12.2024**
DBO at the beginning of period	9,042,036.13	8,078,835
Add: Current service cost	999,027.3	932424
Add: Past service cost		
Add: Interest cost	666956.82	595,775.70
Less: Benefits paid by the plan		
Less: Benefits paid by the employer	(298557_)	(270,318)
Actuarial (gain) or losses due to experience adjustment	86193.54	(294680.57)
Actuarial (gain) or losses due to change in financial assumptions		
Actuarial (gain) or losses due to change in demographic assumptions		
DBO at the end of period	**10,495,656.79**	**9,042,036.13**

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

Particulars	**31.12.2025**	**31.12.2024**
DBO at the beginning of period	413,101.38	383,441
Add: Current service cost	53,890.54	50,270.01
Add: Past service cost		
Add: Interest cost	29,850.40	27,644.21
Less: Benefits paid by the plan		
Less: Benefits paid by the employer	(30,192)	(29,703)
Actuarial (gain) or losses due to experience adjustment	17,397.29	(18550,84)
Actuarial (gain) or losses due to change in financial assumptions		
Actuarial (gain) or losses due to change in demographic assumptions		
DBO at the end of period	**484,047.61**	**413,101.38**

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

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Particulars	31.12.2025	31.12.204
DBO at the beginning of period	413,101.38	383,441
Add: Current service cost	53,890.54	50,270.01
Add: Past service cost		
Add: Interest cost	29,850.40	27,644.21
Less: Benefits paid by the plan		
Less: Benefits paid by the employer	(30,192)	(29,703)
Actuarial (gain) or losses due to experience adjustment	17397.29	(18,550.84)
Actuarial (gain) or losses due to change in financial assumptions		
Actuarial (gain) or losses due to change in demographic assumptions		
DBO at the end of period	**484,047.61**	**413,101.38**

Summary of Actuarial (Gain)/Loss on Defined Benefit Plan as per Actuarial Reports for the year ended 31.12.2025

Sl. No.	Particulars	Actuarial Gain/(Loss)	
		31/12/2025	31/12/2024
1	Carriage Charge	6,375.37	29,002.89
2	Gratuity	86,193.54	294,680.57
3	Repatriation Allowance	17,397.29	18,550.84
4	Transfer Grant	17,397.29	18,550.84
Total		**127,363.49**	**360,785.14**

Description of Risk Exposures

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

Liquidity Risk: This is the risk that the Company is not able to meet the short-term gratuity pay-outs. This may arise due to no availability of enough cash/cash equivalent to meet the liabilities or holding of illiquid assets not being sold in time.

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

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

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

9. 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.

10. There are no unused tax losses, and unused tax credits for which no deferred tax asset is recognized in the statement of financial position.

11. 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. 35,188.86 for 365 days during the year 2025 (10.771 acres is 469,184.76 square feet).

12. **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 in no levy of sales tax on Polypropylene Bags and Fabric.

13. 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. The Company has the practice of booking the TDS at the time of payment.

14. **Disclosures as required by BFRS - 8 "Operating Segments"**
    (a) Identification of Operating Segments:

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

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

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

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

(c) Geographical Information as at:

Sl. No.	Particulars	Year Ended 31.12.2025	Year Ended 31.12.2024
i.	**Segment revenue by location of Customers:**		
	Domestic	167,783,117.08	138,016,380.95
	Export	34,343,349.82	40,478,653.01
	Total	**202,126,466.90**	**178,495,033.96**
ii.	**Segment Assets by location:**		
	Domestic	88,949,260.66	86,260,091.62
	Total	**88,949,260.66**	**86,260,091.62**

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

15. **Capital Management**

i. Risk management

The company's objectives when managing capital are to:

- safeguard its ability to continue as a going concern so that it can continue to provide returns for the shareholders and benefits for other stakeholders.
- Maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Company is based on management's judgment of the appropriate balance of key elements to meet strategic and day-to-day needs. The Company manages its structure and makes adjustments

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in light of changes in economic conditions. The funding requirement is met through loan-term borrowings and short-term borrowings.

ii. Financial risk management:

The Company's activities expose it to credit risk, liquidity risk, and market risk (i.e., foreign currency risk, interest rate risk, and price risk).

This note explains the sources of risk to which the entity is exposed how the entity manages the risk and the impact of it in the financial statements.

Risk	Exposure arising from	Measurement	Management
Market risk – foreign exchange	Future commercial transactions and recognized financial liabilities not denominated in Bhutanese Ngultrum (Nu.)	Cash flow forecasting	Diversification of asset and liability
Market risk – interest rate risk	Long-term borrowings at variable rates	Sensitivity analysis	The companies loan contains fixed interest loans from the financial institutions
Credit risk	Cash and cash equivalents, trade receivables, and financial assets measured at amortized cost	Aging analysis	Diversification of customer base Monitoring and Reporting Payment Terms and Condition
Liquidity risk	Trade and other payables	Cash flow forecasts	Availability of committed facilities Diversification of funding sources

The Board provides oversight of the governance structure, control and management system and risk mitigation measures. DPL identifies risks that the Company might be exposed to and to implement the mitigating plans in keeping with the Risk Management. The first Risk Register was developed in 2019. The Risk Register is an evolving document that is being reviewed and updated on quarterly basis. It helps the Company in identifying and managing all risks and opportunities that can affect the achievement of the business objectives of DPL.

a. Market risk- Foreign currency risk:

The foreign currency (Indian Rupee) does not have exchange fluctuation risk since Bhutanese Ngultrum (BTN) is pegged with Indian Rupee (INR).

The company's exposure to foreign currency risk at the end of the reporting period expressed in Nu. as follows:

1. Nu vs INR:

Particulars	**31-Dec-25**	**31-Dec-24**
	INR	**INR**
Financial assets	46,888,436.13	49,739,182.61
Financial liabilities	68,458,436.90	72,436,030.81
Net exposure to foreign currency risk	**(21,570,000.77)**	**(22,696,848.20)**

b. Market risk- Interest rate risk:

The Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company as on 31/12/2025 and in FY 2023 was not exposed to the risk of changes in market interest rates because it does not have any floating rate borrowings nor does it have any floating interest-bearing financial assets.

Investment made by the Company bears fixed rate of interest. Interest income and interest expenses are therefore not subject to interest rate risk as defined in BFRS-7, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

c. Credit Risk:

The Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities primarily from trade and other receivables.

- ***Trade Receivables:***

The Company's trade receivables comprise majorly from the Dungsam Cement Corporation ltd and other Silicon factories. Trade receivables are non-interest bearing and are generally given for 45 days credit term for Domestic Non-Trade customer and 30 days for Export customer. Outstanding customer receivables are regularly monitored. The aging of trade receivables as on the balance sheet date is given below. The age analysis has been considered from the invoice date:

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Description	Current	31- 60 days	61-90 days	> 90 days	Total
Trade Receivables as on 31.12.2025	17,832,990.82	9728750	2479725	7,758,837.83	**37,800,303.65**
Less: Provision for Expected Credit Loss				(109,662.39)	**(109,662.39)**
Net Receivables as on 31.12.2025					**37,690,641.26**
Trade Receivables as on 31.12.2024	14,364,248.17	25,000.00	7,180,900.00	21,303,838.22	**42,873,986.39**
Less: Provision for Expected Credit Loss				(806,609.80)	**(806,609.80)**
Net Receivables as on 31.12.2024					**42,067,376.59**

The requirement for impairment is analysed at each reporting date. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. The Company does not hold collateral as security.

- ***Cash and cash equivalents and other financial assets:***

The Credit risk from balances with banks and financial institutions is managed by the Company's Finance & Investment Department. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counter party. For banks and financial institutions, only high rated banks/institutions are accepted.

Financial assets are considered to be of good quality and there is no significant credit risk.

d. Liquidity risk:

The Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Management monitors rolling forecasts of the Company's liquidity position and cash and cash equivalents on the basis of expected cash flows. This is generally performed in accordance with practice and limits set by the Company.

Maturities of financial liabilities:

The tables below analyse the Company's financial liabilities into relevant maturity groupings based on their contractual maturities for all financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows. The balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

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Contractual maturities of financial liabilities 31/12/2025	Up to 1 year	2-3 years	4-5 years	Total
Borrowings- Long Term	9,381,289.47	20,901,447.41	2,893,151.79	33,175,888.67
Interest payable – Borrowings	2,850,664.70	2,655,904.92	275,540.51	5,782,110.13
Borrowings – Short Term	25,000,000.00			25,000,000.00
Trade payable and other payables	11,014,932.49			11,014,932.49
Total financial liabilities	48,246,886.66	23,557,352.33	3,168,692.30	74,972,931.30

16. **Related Party Transactions:**

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

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

Sl	Key Management Personnel	Designation	Remarks
1.	Mr. Dechen Choling	CEO, DCCL – Chairman	Reappointed on 27.03.2024
2.	Mr. Dhan Bahadur Gurung	CEO, DPL	Appointed on 01.01.2023
3.	Mr. Sonam Darjay	Researcher, Centre for Research - Independent Director	
4.	Mr. Thinlay Gyamtsho	Proprietor, T&K Construction – Director	
5.	Mr. Kunzang Namgay	Dungpa, Nganglam Drungkha- Independent Director	Appointed on 27.03.2024
6.	Mr. Pema Rinchhen Wangchug	Associate Dirtector, DHI- Nominee Directors	Appointed on 27.03.2024
7.	Mr. Tashi Phuntsho	Company Secretary	

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

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6. State Trading Corporation of Bhutan Limited
7. Thimphu Tech Park Limited
8. Penden Cement Authority limited

Particulars	Balance as on 31.12.2025	Balance as on 31.12.2024
Bank of Bhutan		
Balance with BoBL	8,807,312.77	6,824,368.40
Interest Accrued on Intergroup Borrowing	0.00	0.00
Borrowings – Current	25,000,000.00	25,000,000.00
Borrowings - Non-Current	0.00	0.00
Interest on Overdraft Loan	2,050,959.08	1,068,675.57
Interest on Borrowings		
Bank Charges & Other Fees	324,100.16	295,489.97
Bhutan Power Corporation Limited		
Trade Payable	281,405.00	250,324.00
Electricity Charges paid	2,832,534.00	2,855,179.20
Security Deposit – Others	180,000.00	180,000.00
Bhutan Telecom Limited		
Trade Payable	72,536.83	72,536.83
Internet and Telephone Charges paid	870,441.96	883,061.96
Druk Holding & Investments		
Equity Shares held by DHI	78,519,036.00	78,519,036.00
Non-Trade Payable	10,107.45	0.00
Inter-Company Borrowings	0.00	8,184,849.31
Interest on borrowings-Intragroup	247,449.59	184,849.31
Inter Group Lease Rent	35,618.72	35,618.72
Inter Group Brand Management Fees	150,784.63	363,416.13

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Dungsam Cement Corporation Limited		
Trade Receivable	20,448,450.00	30,489,100.00
Sale of Packing Materials to DHI Group Companies	128,956,675.00	120,345,100.00
State Trading Corporation of Bhutan Limited		
Material sold by STCBL to DHI Group companies	1,113,025.20	0.00
Trade Payable	480,874.80	241,463.11
Intragroup deposits received	63,215.04	0.00
Thimphu Tech Park Limited		
Running & Maintenance of Others	504,825.72	645,512.04
Trade Payable	34,636.42	34,636.42
Penden Cement Authority Limited		
Trade Receivable	2,050,000.00	0.00
Non-Trade Payable	0.00	0.00
Sale of Packing Materials to DHI Group Companies	6,150,000.00	0.00

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

Particulars	**Current Year**	**Previous Year**
	2025	**2024**
Chief Executive Officer		
Salaries including LTC	1,255,512.00	1,189,257.00
Contribution to Provident Fund	83,268.00	81,336.00
Sitting Fees	68,000.00	68,000.00

Traveling Expenses	120,683.33	75,500.00
Non-Executive Directors		
Board Sitting Fees	473,250.00	288,000.00
Board Level Sub Committee Sitting Fees	70,500.00	108,220.00
Board Training Expenses	0.00	2,500.00
Travelling Expenses	0.00	83,461.20

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

17. Auditors Remuneration & Audit Expenses:

Particulars	**Current Year**	**Previous Year**
	2025	**2024**
Audit Fees	129,000.00	66,412.00
Audit Expenses	53,769.00	108,880.00
Total	**182,769.00**	**175,292.00**

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

18. Earnings per Share:

Particulars	**31/12/2025**	**31/12/2024**
Net Profit/(Loss) after tax available for equity shareholders (Nu.)	10,381,074.55	1,871,648.34
Weighted average number of Basic Equity shares of Nu.10 each outstanding during the year (No. of shares)	15,272,350	15,335,353
Weighted average number of Diluted Equity shares of Nu.10 each outstanding during the year (No. of shares)	15,272,350	15,335,353
Nominal Value of Shares	10.00	10.00
Basic Earnings per Share (Nu.) (a/b)	0.68	0.12
Diluted Earnings per Shares (Nu.) (a/c)	0.68	0.12

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

(i)	Contingent Liabilities	2025	2024
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	**2025**	**2024**
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

20. Trade and Other Receivables, Advance to Suppliers, Trade and Other Payables are subject to confirmation.
21. Previous year's figures have been rearranged and/or regrouped, wherever necessary.

22. Deferred Tax (Income)/Expenses

The impact of the new income tax act 2025 at tax rate of 22% to deferred tax expenses/(Income) and Deferred tax assets or liabilities has disclosed below.

Description	2025 (Nu.)	2024 (Nu.)
Current Income Tax:		
Current income tax charge (at 30%)	4,360,027.00	2,155,376.00
Adjustments in respect of current tax of prior periods	-	-
Deferred Tax:	**(3,523,253.30)**	**(516,981.93)**
Relating to origination and reversal of temporary differences	(657,593.72)	(516,981.93)
Effect of change in corporate tax rate (from 30% to 22%)	**(2,865,659.58)**	-
Total Income Tax Expense reported in P&L	**836,773.70**	**1,638,394.07**

The resulting impact of Nu. 3,523,253.30 has been recognized in the Statement of Profit or Loss account which deferred tax income has increased by Nu 2,865,659.70.

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Deferred Tax Item	Opening Balance	Recognized in P&L	Closing Balance (at 22%)

Opening Deferred Tax asset/ liability(liability)	11,403,817.16	(3,523,253.30)	**7,880,563.86**
Total	**11,403,817.16**	**(3,523,253.30)**	**7,880,563.86**

DUNGSAM POLYMERS LIMITED

Schedule 1 : Property, Plant & Equipment (PPE)

Particulars	GROSS BLOCK (At Cost)				DEPRECIATION				NET BLOCK	
	As on 31/12/2024	Addition	Sales	As on 31/12/2025	As on 31/12/2024	For the Period	Sales	As on 31/12/2025	Closing Balance as on 31/12/2025	Closing Balance as on 31/12/2024
Tangible Assets										
Civil Structure	77,015,364.03	167,088.75	0.00	77,182,452.78	31,790,831.96	2,749,937.25	0.00	34,540,769.21	42,641,683.57	45,224,532.07
Semi-Permanent Structures	237,873.81	0.00	0.00	237,873.81	175,573.51	33,981.97	0.00	209,555.48	28,318.33	62,300.30
Temporary Structures	283,477.37	0.00	0.00	283,477.37	283,477.37	0.00	0.00	283,477.37	0.00	0.00
Fire Fighting & Safety Equipments	62,073.90	0.00	0.00	62,073.90	60,035.53	2,034.37	0.00	62,069.90	4.00	2,038.37
Environment & OHS Assets	23,300.00	0.00	0.00	23,300.00	16,555.00	4,110.00	0.00	20,665.00	2,635.00	6,745.00
Furniture & Fixtures	767,643.45	140,014.71	0.00	907,658.16	583,322.78	45,285.72	0.00	628,608.50	279,049.66	184,320.67
Office Equipment	2,712,081.67	603,938.00	0.00	3,316,019.67	2,130,205.17	280,611.69	0.00	2,410,816.86	905,202.81	581,876.50
Vehicles	4,987,908.18	0.00	0.00	4,987,908.18	3,058,026.21	615,877.13	0.00	3,673,903.34	1,314,004.84	1,929,881.97
Tools & Plants	373,101.60	11,993.63	0.00	385,095.23	348,798.62	14,348.78	0.00	363,147.40	21,947.83	24,302.98
General Assets	367,180.36	0.00	0.00	367,180.36	306,996.78	22,032.74	0.00	329,029.52	38,150.84	60,183.58

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Machinery	76,551,476.23	8,262,243.60	0.00	84,813,719.83	39,494,407.71	2,890,738.25	0.00	42,385,145.96	42,428,573.87	37,057,068.52
Low Value Assets	1,702,659.11	33,822.57	0.00	1,736,481.68	1,325,428.86	131,412.14	0.00	1,456,841.00	279,640.68	377,230.25
Sub-Total (A)	**165,084,139.71**	**9,219,101.26**	**-**	**174,303,240.97**	**79,573,659.50**	**6,790,370.04**	**-**	**86,364,029.54**	**87,939,211.43**	**85,510,480.21**
Intangible Assets										
Software	10,008,709.93	0.00	0.00	10,008,709.93	9,656,444.75	44,496.53	0.00	9,700,941.28	307,768.65	352,265.18
Sub-Total (B)	**10,008,709.93**	**0.00**	**0.00**	**10,008,709.93**	**9,656,444.75**	**44,496.53**	**0.00**	**9,700,941.28**	**307,768.65**	**352,265.18**
Right of Use - Lease										
Land	332,014.87	0.00	0.00	332,014.87	44,268.64	11,067.16	0.00	55,335.80	276,679.07	287,746.23
Sub-Total (C)	**332,014.87**	**0.00**	**0.00**	**332,014.87**	**44,268.64**	**11,067.16**	**0.00**	**55,335.80**	**276,679.07**	**287,746.23**
Grand Total (A+B+C)	**175,424,864.51**	**9,219,101.26**	**-**	**184,643,965.77**	**89,274,372.89**	**6,845,933.73**	**-**	**96,120,306.62**	**88,523,659.15**	**86,150,491.62**

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DUNGSAM POLYMERS LIMITED SCHEDULES TO FINANCIAL STATEMENTS

Schedule 2 : Capital work in Progress (Figures in Ngultrum)

Particulars	31st December 2025	31st December 2024
Capital Work-In-Progress	109,600.00	109,600.00
Total	**109,600.00**	**109,600.00**

Schedule 3 : Other Non-Current Assets (Figures in Ngultrum)

Particulars	31st December 2025	31st December 2024
Security Deposits	180,000.00	180,000.00
Total	**180,000.00**	**180,000.00**

Schedule 4 : Cash and Cash Equivalents (Figures in Ngultrum)

Particulars	31st December 2025	31st December 2024
Cash in Hand	130,520.08	165,167.60
Cash at Bank	8,887,274.79	7,326,638.42
Total	**9,017,794.87**	**7,491,806.02**

Schedule 5 : Trade and Other Receivables (Figures in Ngultrum)

Particulars	31st December 2025	31st December 2024
Domestic Customers - Non Trade	5,100,725.04	94,780.60
Domestic Customers – Trade	29,432,010.01	39,418,533.64
Export Customers - Non Trade	(19,063.65)	(452.58)
Export Customers - Trade	3,286,632.25	3,361,124.73
Other Customers	0.00	-

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Receivable – Others	-	-
	37,800,303.65	42,873,986.39
Less: Provision for Expected Credit Loss of Receivables	109,662.39	806,609.80
Total	**37,690,641.26**	**42,067,376.59**

Schedule 6 : Inventories (Figures in Ngultrum)

Particulars	31st December 2025	31st December 2024
(Valued at lower of Cost and Net Realizable Value)		
Asset Materials	35,971.49	293,266.85
Consumables	3,384,526.56	1,919,196.16
Finished Products	2,037,915.44	4,835,059.77
Raw Materials	8,688,877.27	4,180,647.57
Semi-Finished Products	1,658,928.10	3,027,015.99
Spare Parts	4,584,075.32	4,488,415.41
Total	**20,390,294.18**	**18,743,601.75**

Schedule 7 : Current Tax Assets (Figures in Ngultrum)

Particulars	31st December 2025	31st December 2024
Tax Deducted at Source	14,025,689.22	9,335,179.27
Total	**14,025,689.22**	**9,335,179.27**

Schedule 8 : Other Current Assets (Figures in Ngultrum)

Particulars	31st December 2025	31st December 2024
Advance - Suppliers	2,194,224.69	1,241,144.74
Advances to Employee -Tour	-	2,000.00
Prepaid Expenses	122,630.32	126,086.50
Public Work Advances – Employees	-	-

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Total	**2,316,855.01**	**1,369,231.24**

Schedule 9: Share Capital **(Figures in Ngultrum)**

Particulars	31st December 2025	31st December 2024
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 2025	31st December 2024
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
Terms/Rights attached to Equity Shares The Company has only one class of ordinary shares ('Equity Shares') having a par value of Nu.10 each. Each holder of ordinary shares ('Equity Shareholders') is entitled to one vote per share. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in the proportion to their shareholdings.		
Total	**152,723,500.00**	**152,723,500.00**

Schedule 10: Securities Premium Account **(Figures in Ngultrum)**

Particulars	31st December 2025	31st December 2024
Securities Premium Account	26,348,001.00	26,348,001.00

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Total	**26,348,001.00**	**26,348,001.00**

Schedule 11: Other Equity

Particulars	**31st December 2025**	**31st December 2024**
Other Equity	630,026.00	630,026.00
Total	**630,026.00**	**630,026.00**

Schedule 12: Retained Earnings **(Figures in Ngultrum)**

Particulars	**31st December 2025**	**31st December 2024**
Retained Earnings	(118,023,457.72)	(120,147,655.66)
Add: Transferred from Income Statement	9,517,972.40	2,124,197.94
Total	**(108,505,485.32)**	**(118,023,457.72)**

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

Particulars	**31st December 2025**	**31st December 2024**
Secured Loan		
Term Loan		
Loan from National Pension & Provident Fund		
(Secured against hypothecation of Building Infrastructure, Plant & Machineries etc.)	23,710,735.47	26,463,058.16
Total	**23,710,735.47**	**26,463,058.16**

Schedule 14: Retirement Benefit Obligations **(Figures in Ngultrum)**

Particulars	**31st December 2025**	**31st December 2024**

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Provision for Gratuity	10,495,656.79	9,042,036.13
Provision for Carriage Charge	122,459.27	107,107.06
Provision for Repatriation Allowance	484,047.61	413,101.38
Provision for Transfer Grant	484,047.61	413,101.38
Total	**11,586,211.28**	**9,975,345.95**

Schedule 15: Deferred Tax Liabilities (Figures in Ngultrum)

Particulars	**31st December 2025**	**31st December 2024**
Timing Difference of Depreciation on PPE & Intangible Assets	7,880,563.86	11,403,817.16
Total	**7,880,563.86**	**11,403,817.16**

Schedule 16: Lease Liability (Figures in Ngultrum)

Particulars	**31st December 2025**	**31st December 2024**
(i) Non-current Portion	357,089.94	356,617.09
(ii) Current Portion	35,188.86	-
Total	**392,278.80**	**356,617.09**
Interest Expenses	35,618.72	35,661.71
Lease Payment	35,188.86	35,188.86

Schedule 17: Trade and Other Payables (Figures in Ngultrum)

Particulars	**31st December 2025**	**31st December 2024**
Inter Group Vendors	907,949.72	564,134.54
Related Party Vendors	34,636.42	34,636.42
Sundry Creditors - Foreign	9,882,213.63	4,395,778.81
Sundry Creditors - Local	190,132.72	321,264.40
Total	**11,014,932.49**	**5,315,814.17**

Schedule 18: Current Borrowings **(Figures in Ngultrum)**

Particulars	31st December 2025	31st December 2024
Loan from National Pension & Provident Fund	8,732,768.94	7,657,158.48
(Secured against hypothecation of Building Infrastructure, Plant & Machineries etc.)		
Working Capital Loan - BOBL	25,000,000.00	25,000,000.00
(Secured against hypothecation of Stock/Materials and Book Debts as well as Second Charge on all the Fixed Assets of the Company		
Unsecured Loan		
Inter-Group Borrowing from DHI	-	8,000,000.00
Total	**33,732,768.94**	**40,657,158.48**

Schedule 19: Other Current Liabilities **(Figures in Ngultrum)**

Particulars	31st December 2025	31st December 2024
Employee Vendors	-	8,000.00
Interest Accrued on Intergroup Borrowing	-	184,849.31
Loans-Employees	42,350.00	-
Outstanding Liabilities - Employees	1,350,836.31	-
Outstanding Liabilities - Right Shares	-	1,860,899.96
Salary Payable to Employees	328,203.00	1,496,203.87
Salary Tax Payable	-	6,283.00
TDS Payable	(6.00)	-
Total	**1,721,383.31**	**3,556,236.14**

Schedule 20: Provisions **(Figures in Ngultrum)**

Particulars	31st December 2025	31st December 2024
Provision for Performance based Variable Pay	1,000,787.19	-
Provision for Leave Encashment	1,186,608.47	1,268,737.86
Total	**2,187,395.66**	**1,268,737.86**

Schedule 21: Current Tax Liabilities (Net) **(Figures in Ngultrum)**

Particulars	31st December 2025	31st December 2024
Provision for Income Tax	9,238,921.66	5,179,131.66
Provision for Income Tax on OCI	(406,699.46)	(406,699.46)
Total	**8,832,222.20**	**4,772,432.20**

Schedules forming part of the Income Statement

Schedule 22: Revenue from Operations **(Figures in Ngultrum)**

Particulars	31st December 2025	31st December 2024
Revenue from Sale of Polymer Bags	179,254,268.76	153,816,219.59
Revenue from Sale of Fabric	12,929,450.14	24,708,334.37
Revenue from sale of Jumbo bag	9,871,866.00	
	202,055,584.90	178,524,553.96
Less: Commission	3,648.00	29,520.00
Total	**202,051,936.90**	**178,495,033.96**

Schedule 23: Other Income **(Figures in Ngultrum)**

Particulars	31st December 2025	31st December 2024
Income From Sale of Scraps	492,527.02	451,120.48

Liquidated Damages	18,340.08	25,443.24
Other Miscellaneous Income	535,143.71	1,080,748.44
Rental Income	471,257.83	462,829.40
(Loss)/gain due to Foreign Currency fluctuation	(2,212.39)	3,403.16
Total	**1,515,056.25**	**2,023,544.72**

Schedule 24: Consumption of Raw Material and Changes in Inventory of Finished Goods **(Figures in Ngultrum)**

Particulars	**31st December 2025**	**31st December 2024**
Consumption		
Raw Materials	105,810,203.30	99,470,697.66
Semi-Finished Products	245,425,439.61	224,624,085.32
Spare Parts	2,607,339.57	2,102,682.36
Consumables	7,887,288.07	5,513,852.68
Cost of Goods Manufacturing		
Semi-Finished Goods	(265,637,756.82)	(264,485,093.24)
Finished Goods	(140,589,079.26)	(119,479,920.07)
Scraps	(2,202,188.92)	(1,974,272.91)
Cost of Goods Sold		
Cost of Goods Sold - Semi Finished Good	15,896,821.41	32,334,337.10
Cost of Goods Sold - Finished Good	146,753,093.44	120,507,304.00
Price Difference - Material	4,519,740.65	10,658,232.36
Total	**120,470,901.05**	**109,271,905.26**

Schedule 25: Operational & Maintenance Expenses **(Figures in Ngultrum)**

Particulars	**31st December 2025**	**31st December 2024**
R & M of Plant & Machineries	169,195.13	517,657.00
R & M of Building & Civil Structure	91,586.46	151,076.45

R & M of Office Equipment	27,925.05	-
R & M Motor Vehicle	810,733.22	623,409.14
R & M of General Asset	-	348.79
R & M Low Value Asset	12,255.00	1,855.00
Information Technology Expenses	1,270,463.62	1,210,886.23
Total	**2,382,158.48**	**2,505,232.61**

Schedule 26 : Employee Compensation & Benefit Expenses **(Figures in Ngultrum)**

Particulars	**31st December 2025**	**31st December 2024**
Allowances	2,281,393.51	2,224,636.23
Basic Pay	20,015,895.15	19,519,566.60
Carriage Charges	22,317.38	22,703.72
Defined Benefit Plan Expenses	27,500.00	27,500.00
Fixed Allowance	10,700,972.36	10,515,176.10
GPA Insurance	94,643.00	97,031.00
Gratuity	1,665,984.12	1,528,199.70
Short Term Training In Country	81,720.00	110,144.00
Employment cost-Production Incentive	424,616.12	-
HRD - Short term Training Online - Course/registra	67,936.55	-
HRD - Short term Training In Country - DSA	174,500.00	-
Leave Encashment	1,186,608.47	1,280,905.00
Leave Travel Concession	1,343,673.57	1,330,093.90
Employment cost-PBVA Allowance	1,000,787.19	400,260.98
Medical Expenses	23,050.00	0.00
Overtime Allowance	1,643,074.67	1,553,191.29
Provident Fund-Matching Contribution	3,003,473.00	2,925,939.00
Repatriation Allowance	83,740.94	77,914.22
Shift Allowance	735,780.00	708,795.00
Staff Welfare/Engagement Expenses	322,108.00	270,898.04
Transfer Grant	83,740.94	77,914.22

Uniforms & Liveries	562,635.44	355,920.00
Wages	5,769,662.50	3,725,087.00
Total	**51,315,812.91**	**46,751,876.00**

Schedule 27 : Other Expenses **(Figures in Ngultrum)**

Particulars	31st December 2025	31st December 2024
Advertisement	24,080.00	73,974.00
Audit Expenses	53,769.00	108,880.00
Audit Fees	129,000.00	66,412.00
Bank Charges & Other Fees paid to BoBL	227,850.66	199,239.97
Board Meeting Expenses	6,957.50	84,030.00
Board Sitting Fees	473,250.00	356,000.00
Board Training Expenses	-	2,500.00
Brand & Management Fees to DHI	150,784.63	363,416.13
Consultancy Charges	220,569.00	229,875.00
Corporate Social Responsibility (CSR)	79,165.00	19,190.00
Premises Cost - Rental	45,606.03	-
Electricity Charges - Paid to DHI Group	3,064,449.00	2,855,179.20
Fees And Subscription	256,712.50	340,480.00
Fine & Penalties	1,091.91	15,422.76
Freight/Transportation Charges	435,895.00	-
General Insurance	434,159.50	479,610.38
Hospitality And Entertainment Expenses	10,490.00	-
Internet and Telephone Charges - Paid to DHI Group	409,200.00	408,700.00
License and Registration	4,000.00	12,480.00
Loading & Unloading Charges	246,943.22	238,944.20
Marketing And Sales Promotion Expenses	33,515.00	41,220.30
Miscellaneous Expenses	22,140.00	16,526.00
Motor Vehicle Hiring Expenses	34,500.00	32,000.00

Office Expenses	7,070.00	6,970.00
Postage & Courier Charges	1,790.00	2,450.00
Printing and Stationery	117,826.30	162,859.83
Board Expenses - Travel expenses	-	83,461.20
Rates and Taxes	10,417.18	10,417.18
Sub-Committee Sitting Fees	70,500.00	108,220.00
Travelling Expenses - In Country	301,280.00	221,912.00
Travelling Expenses - Ex Country	332,651.33	63,700.00
Loss/Retirement/Scraping of Asset	2,582.58	-
Total	**7,208,245.34**	**6,604,070.15**

Schedule 28: Finance Cost (Figures in Ngultrum)

Particulars	31st December 2025	31st December 2024
Interest on Borrowings -NPPF	3,408,666.05	3,852,321.15
Interest on Overdraft Loan - BOBL	2,050,959.08	1,068,675.57
Interest on Borrowings - Intergroup	247,449.59	184,849.31
Interest Expenses	35,661.71	67,033.97
Total	**5,742,736.43**	**5,172,880.00**

Schedule 29 : Impairment Loss of Financial Asset (Figures in Ngultrum)

Particulars	31st December 2025	31st December 2024
Expected Credit Loss of Receivables	(580,666.99)	307,031.83
Total	**(580,666.99)**	**307,031.83**

Schedule 30: Current Tax (Figures in Ngultrum)

Particulars	31st December 2025	31st December 2024
Current tax expenses for:		
Current year	4,059,790.00	2,155,376.00
Deferred tax Income	(3,523,253.30)	(516,981.93)
Total	**536,536.70**	**1,638,394.07**

Reconciliation of effective tax rate

The income tax expenses for the year can be reconciled to the accounting profit as follows

Particulars	31st December 2025	31st December 2024
Profit before tax	10,217,061.06	3,510,042.41
Tax rate	30%	30%
Income tax expense calculated at the effective rate	3,065,118.32	1,053,012.72
Income tax for non-deductible expenses as per the tax laws (Net)	(2,323,417.01)	585,381.67
Income tax for non-deductible expenses as per the tax laws	252,970.86	-
Other difference	(157,898.47)	-
Reconciled with tax expense as above	**836,773.70**	**1,638,394.39**
Movement in deferred tax liabilities		
Deferred tax liabilities for taxable temporary differences on:	7,880,563.86	11,403,817.16
Deferred tax liabilities	**7,880,563.86**	**11,403,817.16**

Karma & Associate
Chartered Accountants