PENDEN CEMENT AUTHORITY LIMITED

www.pendencement.bt

ANNUAL REPORT

2020

PENDEN CEMENT AUTHORITY LIMITED

Gomtu : Bhutan

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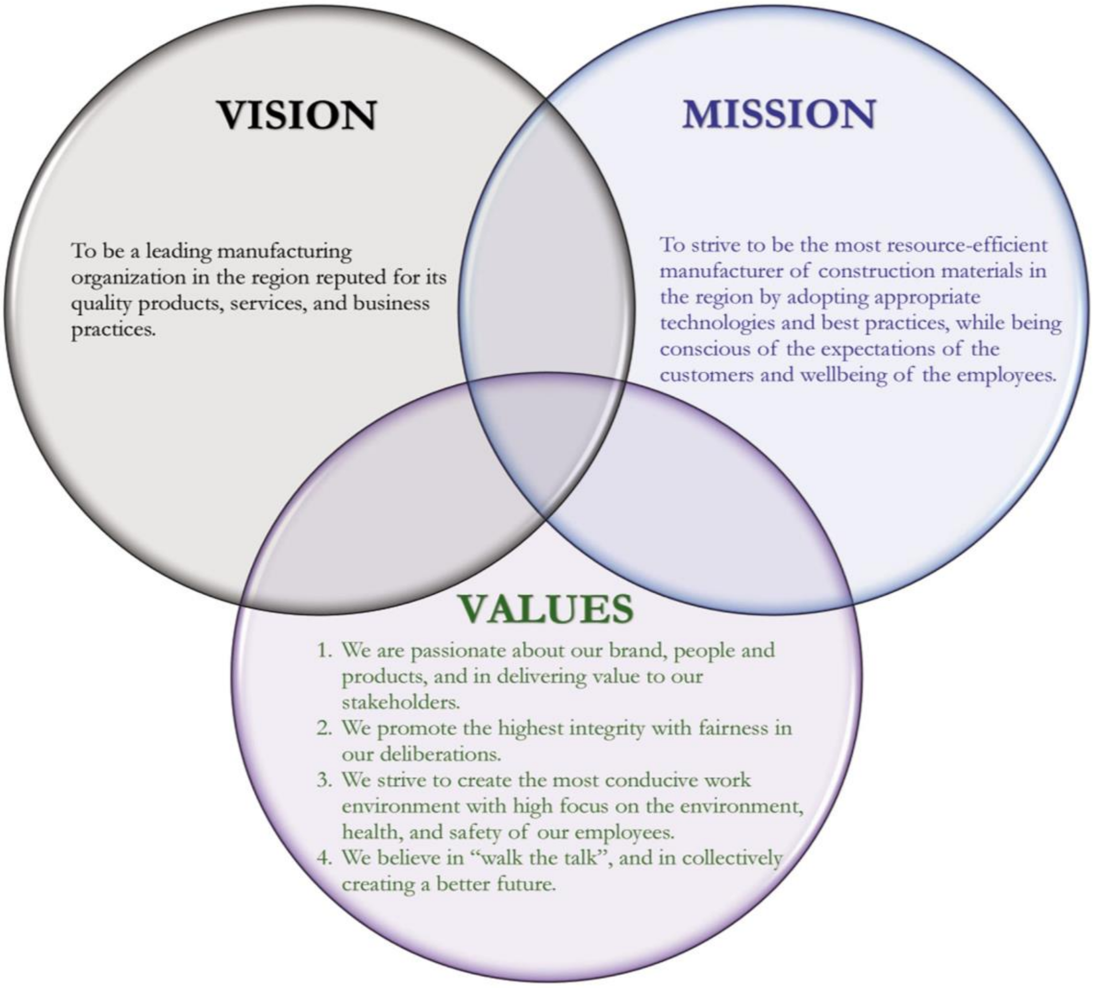
Company's Mission, Vision and Core values



Company Profile

Penden Cement Authority Limited (PCAL) is a Joint Sector Company incorporated under the Companies Act of the Kingdom of Bhutan. PCAL is a DHI Linked Company with about 40.33% shareholding.

PCAL was constituted as an undertaking of the Royal Government of Bhutan under the Royal Charter in 1974. In 1977, the process of setting-up of a 300 TPD plant began at Gomtu and commercial production started in 1981.

The plant was optimized to a clinker production capacity of 1000 TPD in the year 2002 by adopting the improved technology and control system with minimum investment. In 2004, with the concept of the introduction of blended cement by using industrial wastes such as slag and fly ash, the capacity of cement production was further enhanced to 1650 TPD.

For a period spanning over 38 years, PCAL has served as the foundation in steering the country during the crucial industrialization and developmental phase. Since its inception, PCAL has embarked on a journey to continuously move from strength to strength with constant impetus in research and development, focus on new mining opportunities and other diverse enterprising avenues for the betterment of the company.

As an ISO 9001:2015 certified Company, the main Quality Policy of the company is to comply with the requirements of customers to their satisfaction and continually improve the effectiveness of the Quality Management System. The Quality Objectives of PCAL are to enhance customers' satisfaction by supplying consistent quality of cement and affecting deliveries just in time.

Since its establishment, PCAL had been primarily in the business of manufacturing and selling cement. With the emergence of new challenges, particularly in the form of gradual depletion of limestone deposits, aging machinery and ever increasing market competition, both external and domestic, PCAL is constantly reviewing both the internal and external environments to re-position itself for growth and sustenance.

Company's Milestone

1965	Prospecting of Limestone initiated through the Geological Survey of India
1970	Feasibility Study of a 300 TPD cement plant at Pugli commenced
1974	Constitution of Penden Cement Authority Limited
1980	Setting up of 300 TPD cement plant commenced
1981	Commercial production commenced. Entered Indian Cement Market as levied (controlled) item controlled under essential commodities by Cement Control
1982	HRH Ashi Kesang Wangmo Wangchuck inaugurated PCAL on February 5
1983	Penden Cement achieved 107.9% capacity utilization in Clinker production
1985	Penden Cement takes over the management of Penden Collieries. 2 Virtual Shaft Kiln(VSKs) of 50 MTPD capacity each installed. Thus enhancing the installed clinker production to 400MT
1986	Penden Cement takes over Shumar Gypsum Mines from the Department of Industry. GOI declared Cement as a non-levied commodity under free sale
1987	Penden Cement was connected to the National Power Grid – Department of Power (DoP) supply on March 29, 1987
1988	Penden Cement initiated the project of planting trees within and the adjoining areas of its factory premises and mined out areas
1989	Penden Cement incorporated under the Companies Act of the Kingdom of Bhutan as a Joint Sector Corporate Body, Penden Cement Authority Limited
1991	Received DANIDA's assistance on reduction in air pollution, Occupational Health and Safety Management (OHSM) started
1992	Penden Collieries and Shumar Gypsum Mines was privatized. Established an Environment Cell to address the environmental issues and conduct monitoring of stack emission, ambient air quality, work environment air quality, and occupational safety and health aspects

1993	Optimized plant capacity to 400 TPD with reduction in air pollution under DANIDA's funding
1994	Approval accorded by the board for capacity augmentation of the plant to 800 TPD. Penden Rock Project at Setikhare started. Penden Dolomite Project at Sunargaon.
1995	Work on capacity augmentation started
1996	Plant Capacity Augmented to 800 TPD. Clinker Storage Silo was set up, having a capacity of 10000 MT. Adoption of the new concept of Programmable Logic Control (PLC) philosophy. Installation of glass fabric Bag House for Pollution Control
1998	PCAL conferred with "ARCH OF EUROPE AWARD" for Excellence and Quality. First PSC was ground in July 20, 1998
1999	Launched the production of Portland Slag Cement (PSC). Bureau of Indian Standard Product Certification Awarded for OPC43, OPC33 grades and PSC
2001	Project Work on Optimization from 800 TPD to 1000 TPD of Clinker production started
2001	The optimized Clinker production of 1000 TPD was achieved in May, 2002. Upgradation of Programmable Logic Control (PLC) platform to next higher operating platform i.e. from CORAS to WINCC Operating System. Installation of new Gas Analyzers and better raw meal and coal feed control system. Penden Cement started operating Uttare Limestone Mines
2003	PCAL awarded with ISO 9001: 2000 certification by Bureau of Indian Standard
2004	Cement production augmented to 1650 TPD with launching of Portland Pozzolana Cement (PPC) in the market. Cement Mill III was set up with a capacity of 22.5 TPH PSC and 30TPH OPC. Fly Ash Storage Silo was set up with a capacity of 750MT. New Packing Plant with 6 Spout Rotary Packer Machine was set up
2005	Product Certification for PPC (Portland Pozzolana Cement) was awarded by Bureau of Indian Standard. Old Packing Plant upgraded from stationary Spout Packer Machine to 6 Spout Rotary Packer Machine
2006	Completed 25 years of commercial production and Celebrated Silver Jubilee of the company on February 5, 2006

2007	Recognized as the first firm in obtaining "Private Forest Ownership Certificate" in the district toward protection and conservation of the environment. Circular Stacker Reclaimer having a storage capacity of 21,000MT was set up for blending and homogenization of limestone of varying quality.
2008	Initiated additional limestone deposit prospecting through the expertise of DGM in and around Samtse district and Gelephu.
2009	Separate Fly Ash dosing line introduced for Cement Mill III for production of PPC from this Mill
2010	PCAL awarded "THE PLATINUM TECHNOLOGY AWARD FOR QUALITY & BEST TRADE NAME" by OTHERWAYS INT'L RESEARCH & CONSULTANTS in Geneva, Switzerland.
2011	PCAL has also led and constructed the Clock Tower in the middle of Gomtu Town to commemorate the Royal Wedding during 2011 with joint funding from the Lhaki Group of Companies.
2012	High quality limestone is being investigated in Dorokha and Denchukha areas located about 22-km crowfly distance north of Gomtu in an effort to prolong the life of your plant.
2013	In bringing growth and diversification through new product development, the company has developed new type of cement based on mineral dolomite and is branded as DoloCem. Strength, workability and durability related tests of this product are found positive and in conformity to Bureau of Indian Standards (BIS).
2014	A 9 feet brass make Jampayang (Manjushree) statue was constructed and successfully installed, in dedication to the 60th birth anniversary of HM the Fourth Druk Gyalpo, in collaboration with other industries and manufacturing companies, mining industries and local government authorities at the Queen's Park, Gomtu. The total expenditure incurred toward installation of the statue was Nu. 4,150,000.00.
2016	Penden cement Authority limited received the ESQR's (European Society for Quality Research) Award for best practices 2016 at ESQR's Convention in Brussels, on June 4, 2016. PPC Plus, Penden Premium brand cement was launched in the Export market in the month of February, 2016.
2017	Adopted and implemented all phases of Bhutanese Financial Reporting Standards (BFRS).

2018

PCAL upgraded to ISO 9001:2015 Quality Management Systems in the month of September 2018. Start of Restoration of Uttare Mines and Beema Bamboo plantation PPC Plus, Penden Premium brand cement was launched in the domestic market in the month of November 2018. Organizational development exercise was carried out. Technical audit of the plant was carried out by Siam Cement Group, Thailand. Detailed Project Report for the AAC blocks project carried out. Predictive maintenance programme was introduced.

2019

Carried out Limestone prospecting works at Danleng, Pangbang. Carried out re-assessment of limestone deposits at Pagli Mines, Kalapani Mines and Kharkhola area by DGM. The Performance Management System was introduced at the Department and Individual levels. Implementation of the OD exercise carried out. Introduction of heads of departments at the level of Directors. Implementation of the AAC blocks project carried out.

2020

The chief Executive Officer, Mr. Tenzin has been awarded/ recognized as the Cement Executive of the Year, Bhutan in the just announced International Cement Leaders Awards® 2020.

- Implementation of the AAC Block Project under progress
- Participation in the Chunaikhola Dolomite Project
- Approval and clearance for Daling limestone deposits under progress
- Feasibility study of Beema bamboo plantation for phase-2

Note: Business and initiatives impacted due to the Covid-19 pandemic, lockdowns and border closure.

Board of Directors

SN	Name/Designation	Status
1	Dasho Dr. Sonam Tenzin, Chairman, PCAL, Thimphu	Chairman
2	Mr. Pema Dorji, Brigadier, RBG, Thimphu	Director
3	Mr. Sonam Wangyel, Dzongdag, Samtse Dzongkhag Administration	Director
4	Lopen Passang, Secretary General, Central Monastic Body, Thimphu	Director
5	Mr. Tshering Tashi, Her Majesty's Secretariat, Thimphu	Director
6	Mr. Thinley Namgyel, Thimphu	Director
7	Ms. Leki Wangmo, Investment Director, National Pension & Provident Fund, Thimphu	Director
8	Mr. Kinga Lotey, Head- HR & Administration Unit, DHI, Thimphu	Director
9	Mr. Tenzin, CEO, PCAL	Director

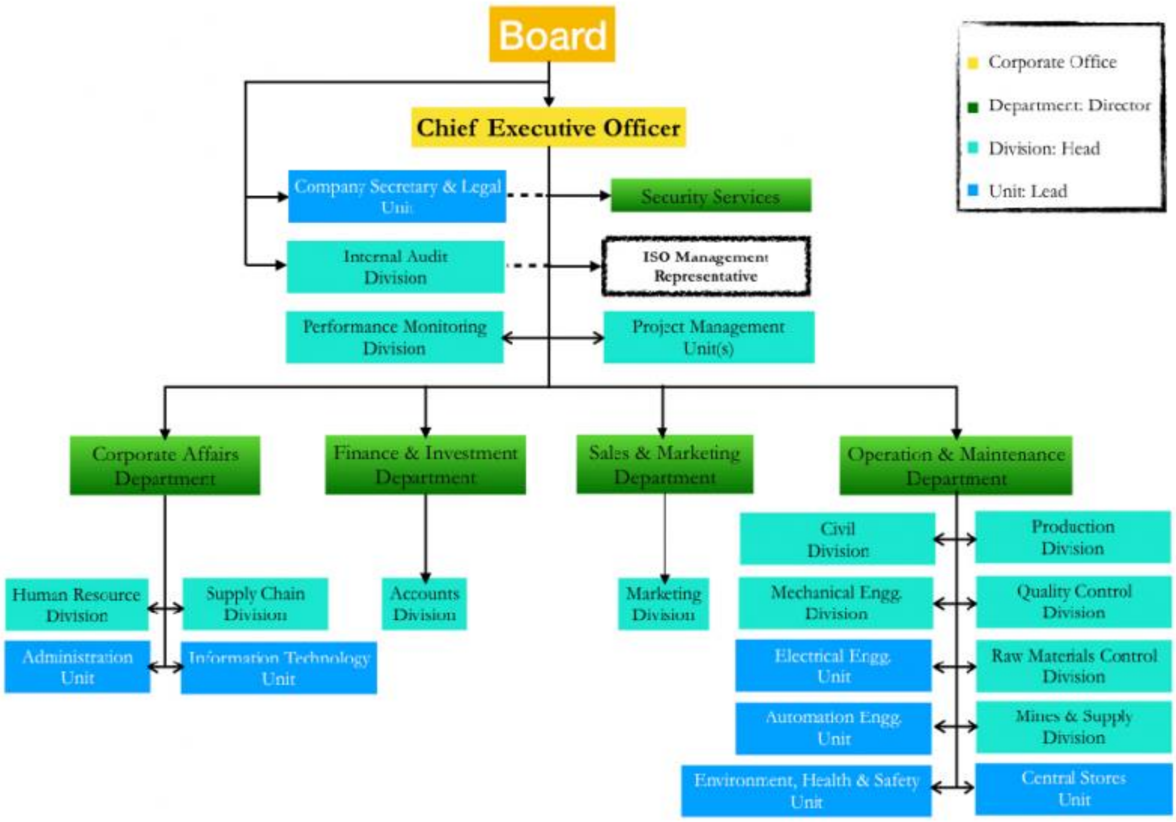
Shareholders

SN	Name of Shareholders	% of Shares
1	Central Monk Body	7.81%
2	Other Monasteries	7.20%
3	Yum Rani Choying Wangmo's Trust Fund	5.38%
4	Royal Family Members	0.91%
5	His Majesty's Kidu Fund & Sunchob Fund	11.03%
6	Druk Holding and Investment	40.33%
7	Bank of Bhutan Limited	0.11%
8	National Pension and Provident Fund	6.34%
9	Bhutan National Bank Limited	1.79%
10	Royal Insurance Corporation of Bhutan	0.54%
11	Education Stuff Welfare Scheme	0.26%
12	Bhutan Development Bank Limited	0.11%
13	Bhutan Trust Fund for Environmental Conversation	0.52%
14	Army Welfare Project	0.13%
15	Gokha Kidu Soelra Fund(RBG)	0.88%
16	Royal Golf Club	0.03%
17	Royal Bhutan Army	0.36%
18	Royal Body Guard	0.22%
19	Royal Bhutan Police	0.15%
20	Other Individual Shareholders	15.90%
TOTAL NUMBER OF SHARES		**100%**

Board Meetings Held in 2020

SN	Name of Shareholders	% of Shares
1	Annual General Meeting	1
2	Board Meetings	5
3	Board Sub-Committee Meeting	2
4	Board Audit Committee Meeting	3

Organogram


Board
Chief Executive Officer
Corporate Office
Department: Director
Division: Head
Unit: Lead
Company Secretary & Legal Unit
Security Services
Internal Audit Division
ISO Management Representative
Performance Monitoring Division
Project Management Unit(s)
Corporate Affairs Department
Finance & Investment Department
Sales & Marketing Department
Operation & Maintenance Department
Human Resource Division
Supply Chain Division
Administration Unit
Information Technology Unit
Accounts Division
Marketing Division
Civil Division
Production Division
Mechanical Engg. Division
Quality Control Division
Electrical Engg. Unit
Raw Materials Control Division
Automation Engg. Unit
Mines & Supply Division
Environment, Health & Safety Unit
Central Stores Unit

Directors' Report

To,

The Shareholders

Penden Cement Authority Limited

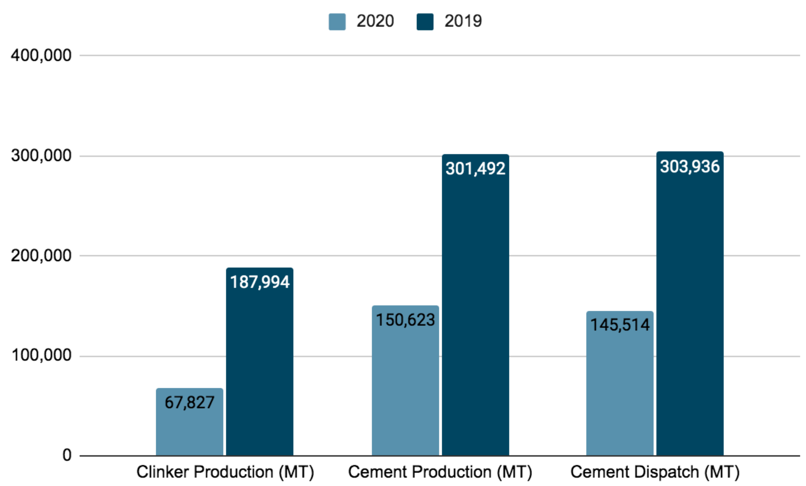
I, on behalf of the Board of Directors of Penden Cement Authority Limited take the pleasure to report the annual performance of the company along with the audited financial statements for the year 2020.

As we all know, 2020 was an extraordinary year for the entire world due to the COVID-19 pandemic. However, we the Bhutanese are blessed with the selfless and exemplary leadership of His Majesty the King Jigme Khesar Namgyel Wangchuck for leading yet again with exemplified love and compassion by protecting the Bhutanese from the virus. Therefore at the outset, I would like to express our deepest respect and gratitude to His Majesty the King. I would also like to express my sincere gratitude and appreciation to all the frontliners who have worked very hard to contain the transmission of the virus in the country.

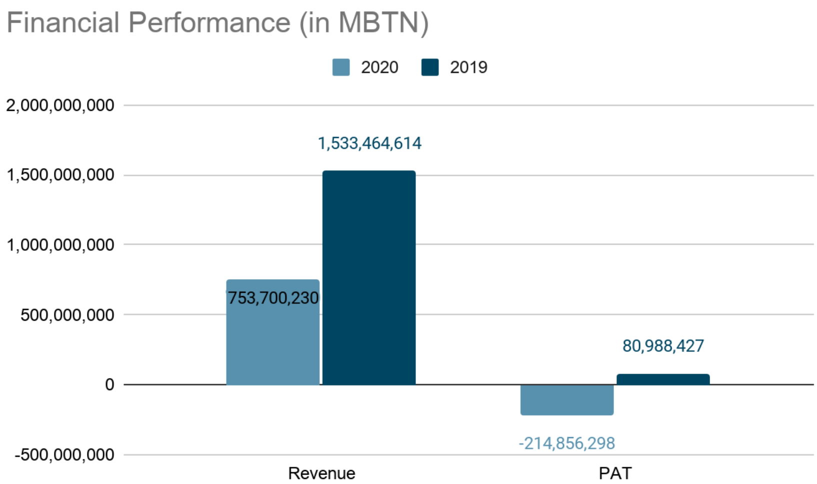
I am pleased to report to our Shareholders that the management has done a commendable job trying hard to keep the business afloat amid the pandemic and other challenges faced by the company particularly the depleting captive limestone mines, ageing plant and issues with sourcing of raw materials. Though the company is located right at the international border that is porous and vulnerable to the virus transmission, all the employees and their family members remain safe so far from the virus. I am also pleased to report that despite the challenges faced by the company, not even a single employee was laid off due to the pandemic except for the 45 Indian expatriates who could not attend to work due to the international border closure. The company continued to pay upto three months' wages to support themselves and their families. Even with the location of the company and the COVID-19 protocols, the Board was able to provide timely guidance and support to the management.

Like many other businesses, the pandemic had a huge impact on the annual performance of the company. In terms of clinker production, the company has lost about 115 days directly attributable to the COVID-19 pandemic and the two nationwide lockdowns. The shortage of raw materials particularly coal resulted in a total loss of 54 days and maintenance accounted for 65 days. Since the entire supply chain was disrupted due to the pandemic, the shortage of raw materials and maintenance are also collateral damages of the pandemic. For cement production and dispatch, a total of 159 days was lost due to the pandemic. Shortage of raw materials such as fly ash and others resulted in 43 days loss, silo full of 28 days and maintenance of 19 days. Here again, the shortages of raw materials and silo full were impacted due to the pandemic too. The detailed impact of the COVID-19 pandemic is presented later in the report.

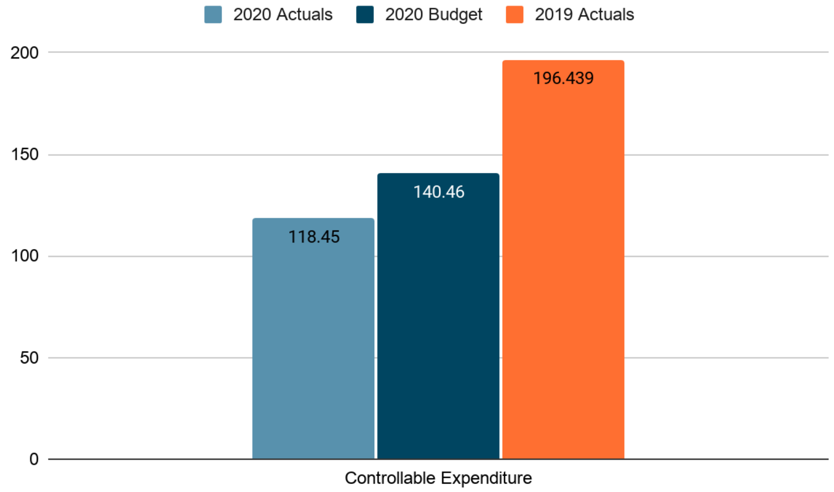
Based on the audited financial statement for the year ended 31st December 2020, the overall clinker production achieved was 67,827 MT, which is 63% less as compared to 2019 and the cement production achieved was 150,623 MT, which is 50% less compared to previous year. Sales of cement achieved was 145,514 MT, which is 52% less compared to last year.



In terms of financial achievements, the company has incurred huge loss in the year 2020 mainly due to the COVID-19 pandemic that disrupted the entire supply chain, production and sales. The total revenue earned was Nu.753.700 million. However, the overall expenditure incurred was Nu.974.905 million. Thereby, the profit after tax was a loss of Nu.214.856 million. The total comprehensive income was a loss of Nu.223.806 million after adding the re-measurements of post-employment benefit obligations. While the revenue dropped by about 51% as compared to 2019, the corresponding drop in expenditure is only about 32%. This is mainly due to the fixed overheads such as the employee cost and depreciation, increasing cost of raw materials, and postretirement benefit obligations.



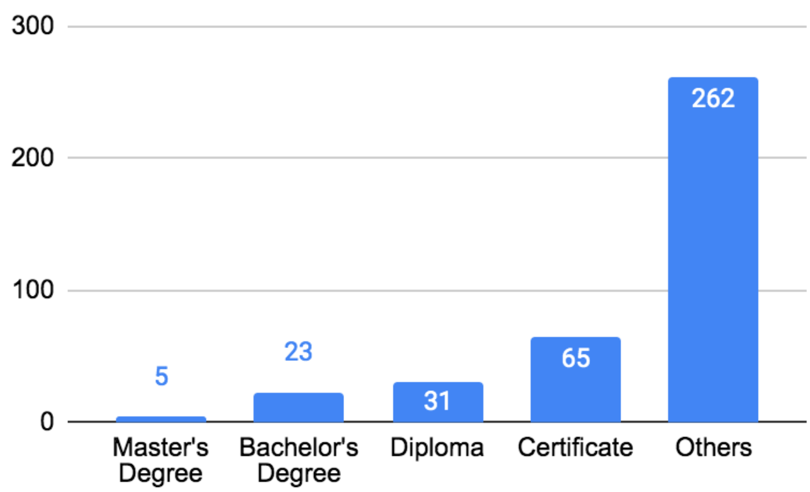
I am pleased to report that though the company has incurred loss in 2020, the controllable expenditure was optimized to the essentials only. As directed by the Shareholders in its 34th Annual General Meeting and on the subsequent notice from the DHI, a Business Contingency Plan (BCP) was prepared. The BCP was reviewed by the Board on a regular basis where risks identification and mitigation measures, austerity measures and worst-case scenario measures were put in place. In compliance with the BCP, the Budget 2020 was revised to ensure expenditures limited for essential items only. Since June 2020, employees were not paid with the corporate/contract allowance, technical allowance, production allowance and overtime was compensated with leave, LTC was deferred, and all games and sports facilities were also suspended to contain the expenditure.



Despite the challenges imposed by the COVID-19 pandemic, PCAL ensured minimal dispatch of cement in both the domestic and export market. The ex-factory price of cement was not revised amid COVID-19 to protect our valued customers. There were no complaints received from valued customers on the quality product and services. Plant operations were carried out during the lockdowns and the employees worked under self-containment mode. The employees and contractors for the AAC Eco-blocks also worked under self-containment mode to construct the AAC block plant. Bhutanese loading and unloading teams were engaged and were trained on the job to meet the shortage of workforce in these areas which were earlier outsourced to third parties.

HUMAN RESOURCES

Today, PCAL has 620 employees. After the closure of the international border due to the pandemic, the company is today manned by 100% Bhutanese. The employees comprise 395 regulars, 2 contracts and 223 non-regulars. The quality of its human resources is of paramount importance and more so when PCAL is now taking up new diversification projects. In order to attract potential managers and as a retention strategy and also to support the management, directors were recruited to fill in the positions of the heads of the departments. To strengthen the human resources in the operation and maintenance of the plant, the company has recruited qualified supervisors and will be recruiting engineers and skilled technicians in 2021.



The management continues to introduce best corporate practices and culture such as regular management meetings, town hall meetings, management retreats, and employee's feedback systems so that employees are able to participate in the important discussions pertaining to the company. A performance management system was also introduced that considers key performance indicators and targets from the 10 years strategic roadmap enabling employees to earn higher incentives and bonus in return. In order to expedite capacity building and attract potential ideas amongst the employees, a best business ideas scheme (BBIS) was also introduced. Annual newsletters are also introduced for employees to participate in the literary activities and help employees be informed on the events and activities of the company. New tools and methods are being introduced such as the predictive maintenance system and upgradation of the enterprise resource planning (ERP) system to improve business process and efficiency. Employee welfare fund scheme was also introduced to support employees during difficult times at the time of death of an employee or their dependents. The employees and their families are given free access to games and sports managed by the company. Regular health checkups and personal protective equipment are issued to ensure their safety and wellbeing at all times. For this a separate unit is established that takes care of the environment, health and safety of the employees. The management has also introduced graceful exit as a culture to thank employees on superannuation from the company. Employees salary revision was also under discussion prior to the pandemic to attract and retain skilled and qualified employees, and also to maintain a salary structure that is comparable to those paid by other similar companies operating in Bhutan. For the long term the effective human resources is being improved through organization development exercises, and the human resources master plan thus creating a dynamic human resource system.

STRATEGIC MILESTONES

I am very pleased to report that despite the challenges and the financial loss, the Board and the management managed to take up several initiatives and achieve several important milestones for the company. Few notable achievements are as furnished below:

a) Exploration of Limestone

As reported earlier, the Uttare limestone mines were prematurely closed and the Pugli limestone mines is deteriorating in terms of quality and quantity. For several years, the Board and management has carried out several explorations throughout the country to obtain new limestone deposits. Calc-tuffa is also being mined on a seasonal basis to enrich the limestone. However, the company has not been able to produce quality inhouse clinker and has been procuring an external clinker to mix with the inhouse clinker to produce cement for several years.

I am pleased to report that the situation has changed now. The management has identified a private supplier for supply of high grade limestone (marble quality) from Paro to enrich the inhouse limestone. The mix of this high grade limestone has enabled the company to produce quality clinker. This is a breakthrough for the company and besides meeting quality standards and lowering production costs, the company will have some time to explore captive limestone mines.

For the long-term, the company is continuously exploring potential limestone deposits and have now reached as far as Zhemgang Dzongkhag. The exploration of limestone has led to the Daling and Bomchang limestone deposits in Nangla Gewog under Zhemgang Dzongkhag. The limestone deposit in this region is estimated to be 16.78 million tonnes. So far the pre-feasibility studies have been completed in accordance with the approvals accorded by the Department of Geology and Mines, MoEA. The sectoral approvals such as the public clearance, Gewog clearance, Dzongkhag Tshogdu (DT) and preliminary NECS approvals have been obtained. The forestry clearance is under process. In order to expedite the sourcing of cement grade limestone from Daling and Bomchang, the company has now obtained approval for surface collection of Daling limestone. The surface deposit is estimated at 0.33 million tonnes. Due to this, the company will be able to source cement grade limestone from Daling in 2021 and mix with Pugli limestone to achieve desired quality and prevent purchase of external clinker besides prolonging the life of the Pugli limestone mines. The approval for the main Daling limestone mines is also under good progress which is expected to provide a sustainable future for the company.

I am also very pleased to report that the management has initiated the re-exploration of the Haurikhola limestone deposit, which is about 10 km East of Pugli limestone mines. The Geology Survey of India (GSI) in their report has mentioned a potential deposit estimated at 2.7 million tonnes. The surface samples indicate cement grade limestone. During the preliminary re-assessment and exploration of limestone in the vicinity, the Department of Geology and Mines (DGM) had indicated potential reserves and recommended further exploration. The Haurikhola limestone deposit was initially leased to Bhutan Carbide and Chemicals Ltd. (BCCL), Pasakha, Phuntsholing by the DGM from the year 2005 to 2016. BCCL had to prematurely close the mines due to lack of public clearance and less chemical grade limestone for their use. In close consultation with DGM, a preliminary assessment shall be carried out to determine the reserves including the public clearance and costs of relocating the high voltage transmission towers that are erected over the deposits. If found feasible, a detailed feasibility study shall be carried out.

This is to report that the Penden limestone mines deposit was reassessed with the previous geological reports by Development Consultant Pvt. Ltd (DCPL), Kolkata, India in 2002. The same deposit was reassessed by several firms (GSI, CCI, ACC & Holtec Engineers Pvt. Ltd.) in the past since the inception of the mines in 1976 with different reserves estimates. The difference and variation in the estimation may be due to its intricate nature of deposits. However the deposit has depicted the positive figures against the projected quantity so far. For instance, the highest estimation projected by Associated Cement Companies Ltd., India (ACC) in 1993 was 6.1393 million tonnes considering all the marginal grade limestone of at the cut-off grade of 38% CaO but the actual extracted quantity records to 8.6 million tonnes. The DCPL in 2002 estimated a proven reserve of 5.23 million tonnes at a cut of grade 40% CaO and prepared a mine plan accordingly. Thereafter, we have extracted 4.765 million tonnes. Thus, the residual reserves as per this report is only 0.465 million tonnes. However, the same report contains the different residual figures as per its slice plan which is about 2.766 million tonnes and is yet to be mined. The variation in the geological reserves and the actual quantity is often encountered in the mining operation. Currently, the Pugli limestone reserves is being reassessed to confirm the residual deposits.

a. Penden AAC Eco-block Project

The company has embarked into new business like the Penden AAC Eco-block project as a business unit. The project is estimated at Nu.292.60 million. The plant installed capacity is 300 CUM/day that will be fully automated to produce quality sand based blocks. The turnkey project was scheduled to be completed by June 2020 but delayed due to the COVID-19 pandemic. The pandemic impacted in terms of manufacturing the plant and equipment, its import and in bringing the expatriates for the construction and erection works. The mandatory 21 days quarantine deterred expatriates from coming into the country. The management has managed to obtain approval for the expatriates and in recent days, expatriates are also brought in without the quarantine for emergency works under the bubble mode protocols. Now, the works are under good progress and the project is expected to be commissioned by May 2021. Our employees have been involved with the project since the beginning for better coordination and for transfer of know how. The human resources required for the operation and maintenance of the new plant is being arranged from the existing pool of employees. We have also started sourcing the raw materials, and already initiated promotional activities and marketing.

PCAL PENDEN AAC ECO-BLOCKS

b. *Sourcing of Coal*

Coal is a major fuel used for production of clinker. About 18.5% coal is required to produce a ton of clinker. The company was sourcing 100% coal from SDEBCCL, Samdrup Jongkhar due to quality and lower cost. However, the coal mines that were operated by SDEBCCL closed down in December 2019 after expiry of their lease period. In the beginning of 2020, when the company started sourcing coal from India, the Government of India imposed a ban on the export of coal to other countries including Bhutan. As soon as the company was able to source coal through informal channels from India, the international border was closed on 22nd March 2020 due to the COVID-19 pandemic. This led to an acute shortage of quality coal.

In order to resolve the issue of shortage of quality coal, the management has taken up with Coal India Ltd with support from MoEA. The management is also sourcing coal from SMCL where it is mixed with imported high quality coal to reduce costs and improve quality. The management also explored direct import of coal from South African and USA via Kolkata ports to reduce cost compared to buying from Indian traders. An approval for foreign currency account was taken up with MoEA and RMA but it was not approved. The current coal stock is about 10,000 MT and to avoid a shortage of quality coal, a minimum of three months inventory level is also being maintained.

c. *Plant Availability*

The cement plant has been aging resulting in lower reliability mainly due to the lack of maintenance strategies. In recent times, the management has put in place a maintenance strategy, renovation and modernization plans to improve the plant availability and efficiency. The upgrade of the man machine interface in the central control room is budgeted in 2021. The grate cooler upgradation is also being taken up in 2021 along with installation of the new EOT crane. CCTV monitoring will be put in place to monitor critical processes. Technical audits and predictive maintenance tools are being taken up to reduce plant breakdowns. With the interventions such as the technical assessment of the plant by SCG, Thailand, modernization of the plant automation, strengthening of the operation and maintenance team and introduction of new tools and methods, the plant reliability has gone up and will continue to improve. The management has also introduced the weekly care and maintenance of the plant to ensure proper housekeeping of the plant, minimize dust emission and reduce plant breakdowns.

d. *Land Utilization*

As on date, PCAL owns 450 acres of land on which mines, plants and other establishments are located. In order to ensure effective management and utilization of the land owned by PCAL, the management has taken the initiative to identify potential areas for improvement and business opportunities. For example, the AAC Block Project is being implemented on a 2.97 acres plot adjacent to the cement plant. Beema bamboo plantation phase II will consider about 12,600 saplings in 21 acres of land that have remained idle so far. Further, the Pendenling town is also located on PCAL's land. About 2.44 acres of land falls under PCAL thram which was leased out to 29 individuals in early 1990s to cater necessities and for dwellers. Most of the lease agreements were renewed in 2010-2012 for 20-30 years. Now, the Board and the management has decided that PCAL should study for scope to diversify the land into business opportunities and the company to provide a proposal for township development by looking into investment and income opportunities for the company.

OTHER ACHIEVEMENTS

a. *Beema bamboo plantation*

Today, the company has already invested in the reclamation of the Uttare mines with the Beema bamboo plantation. The 10,500 saplings of Beema bamboo plantation were successfully completed and I am pleased to report that the plants are growing slow but well enough given the soil conditions in the decommissioned mining area. In 2021, the Board has accorded approval to invest in 12,500 saplings of Beema bamboo plantation in 21 acres of land owned by the company. This initiative will help the company supplement coal in the long-term besides providing opportunities for diversifications in other products. The Beema bamboo has several applications including carbon sequestration that will enable it to offset the carbon generated from cement manufacturing.

b. *Alternative Fuel*

Coal is one of the most expensive fuels used in the cement industry. Our annual coal requirement is about 55,000 MT. As submitted above, coal is a very scarce resource. In order to minimize the consumption of coal, the management has initiated study of alternative fuel to supplement coal. A pilot project for alternative fuel is planned in 2021. The company will also approach NECS for technical and financial assistance if available. For the long term, the company is also investing in Beema bamboo to supplement coal in the long term.

c. *Chunaikhola Dolomite Project*

In 2020, PCAL also participated in the Chunaikhola Dolomite project in Pugli, Samtse as was apprised to the Shareholders, in its 34th Annual General Meeting. Unfortunately the auction got cancelled and the dolomite business was given to SMCL for the time being. However, this effort provided the much needed know-how and experience for PCAL management and employees, which will help to participate in future opportunities.

d. *Upgradation of ERP/AXPERT system*

The company has upgraded its ERP/AXPERT system to 10x that can be accessed from anywhere with an internet connection. The system can also be accessed through the smartphone. The upgradation will enhance internal controls, improve efficiency, transparency and accountability in the business processes. The upgrade is also targeted to reduce consumption of papers and printing materials. The company is fully geared towards going 100% online from 2021.

e. *Penden eCare*

PCAL launched the Penden eCare during the 38th Foundation Day on 5th February 2020. The Penden eCare is aimed at playing a part in ensuring environmental care (eCare) both within the company as well as at the community and the national level. The Penden eCare is managed by ladies from the management team with support of other volunteers. During the pandemic situation, the Penden eCare has taken several initiatives such as waste management, drinking water supply, making of shields and face masks for the frontliners, advocacy on contact tracing, organic vegetable gardening, distribution of library references to the children in the community, etc.

f. Corporate Communication

In order to enhance brand identity and maintain communication with internal and external audiences, the company has upgraded its enterprise resource planning that is accessible from anywhere with an internet connection on a computer or mobile so that decisions can be made instantly. The company has also launched a new website, introduced an intranet email for the employees that allows effective internal communication. Penden Cement and Penden AAC Eco-block are now launched on the Facebook pages to help advertise the products and services. The Board, management and employees are also connected at each level through the social media that enables instant communication and sharing of information. The company has also launched its annual newsletter to encourage employees to participate in literary activities and inform employees about the events and activities of the company. Regular town hall meetings are also held to disseminate information on important policy matters, and sharing of plans and activities.

g. Leadership

His Majesty visited Phuntshopelri Gewog on 17th April 2020 and 7th March 2021. During the Royal visits, His Majesty gave audience to the Phuntshopelri Gewog task force and was impressed upon the good work done by the task force in managing the pandemic so well. His Majesty personally thanked the task force. During the Royal audience, His Majesty emphasized on the need to revive the economy at the earliest. While Bhutanese are capable, His Majesty expressed concerns on the need to improve the system, improve quality works, work ethics, and to seek opportunities to take the country forward.

Since the beginning of the COVID-19 pandemic, a task force has been constituted to manage the pandemic in Phuntshopelri Gewog which is basically an industrial hub. The Gewog shares its porous border with India and therefore is classified as a high risk zone for COVID-19 by the RGoB. The Phuntshopelri Gewog task force comprises the heads of the companies and agencies in Gomtu and Pugli. I am pleased to report that our chief executive officer has been assigned as the incident commander of the Phuntshopelri Gewog task force since the beginning of the pandemic. Under his leadership, the Gewog has managed to keep the community safe from the virus so far. Such contributions at the community and national level will enable PCAL to lead and build a strong reputation that will last for many years to come.

Towards the end of 2020, the incumbent CEO also received an award for the Cement Executive of the year 2020, Asia as announced by the Internal Cement Leaders Award 2020 on 7th December 2020 along with 24 award winning leaders from various Asian countries.

KEY CHALLENGES

a. *COVID Pandemic*

There is a shortfall of cement production and sales in 2020 mainly due to disruption of supply chain, production and dispatch due to COVID-19 pandemic and health protocols. The two nationwide lockdowns and the stringent health protocols limited import of raw materials, production and sale. The construction industry in Bhutan and India was also badly affected resulting in reduced dispatch and sale of cement. The strict health and security protocols have also impacted both sourcing of raw materials and dispatch of cement. For example, the incoming vehicles are still limited from 7AM to 4PM; outgoing vehicles from 7AM to 6PM and import and export are not permitted during Sundays. Only ten trucks are allowed in a day for the domestic market via the Indian road with escort and switching of drivers at Sorchen also limited dispatch to the domestic market. For almost a year, the three depots remained idle as labourers and escorts were not available. The Company could not supply cement for the whole year to the Samdrup Jongkhar region. Now, supply of cement to Gelephu depot is done via Phuentsholing that is also twice a week and as there are no escort facilities available to Samdrup Jongkhar. Due to health risk associated with supply of cement to export and domestic market via Indian road the cost of transportation has manifolded and cement handling has shot up from Nu.5.60 per MT to Nu.310 per MT in Phuentsholing.

The management has been working closely with the task force for Phuntshopelri Gewog, Samtse Dzongkhag COVID-19 task force, Southern COVID-19 task force, MoEA, ABI and others since the beginning of the pandemic to develop standard operating procedures (SOPs) and approvals to operate and maintain the plant. The management and employees have managed to operate the plant even under the nationwide lockdowns to keep the plant in operation, earn some revenue and to engage the employees. At times, employees had to work in self-containment mode and were not permitted to go home for weeks. The management is continuously working with higher authorities to improve the import and export activities.

b. *Shortage of Coal*

As already reported above, the company faced acute shortage of quality coal after the closure of the SDEBCCL in December 2019. Today, only SMCL has coal mines in operation in Bhutan. However, SMCL coal has high ash content and therefore cannot be used directly. Still, the Government of India has not lifted the ban on the export of coal. The coal that is received from Indian sources is through the informal routes. In addition the pandemic has imposed a major challenge for sourcing quality coal. The company is sourcing quality coal from different sources such as Indian coal, South African coal and USA coal. The imported coals are routed through the Indian traders and therefore expensive. It would have been cheaper if the company could import coal directly but without a foreign currency account, it is not possible. Indian coal is limited in quantity. The management has also submitted a joint petition along with Lhaki Cement to MoEA for allocating coal captive mines to the cement industry. However, this proposal was not considered.

Today, the company is maintaining a minimum of three months inventory level of coal from various sources. In order to reduce costs and at the same time maintain quality, the company is sourcing SMCL coal and USA coal or equivalent that will be mixed in the ratio of 3:1. Other long term arrangements such as sourcing of coal from Coal India Ltd. is also being followed up through MoEA. The company is also investing in Beema bamboo and alternative fuel to supplement coal in the long term. A pilot project for alternative fuel is planned in 2021.

c. Limestone Deposit

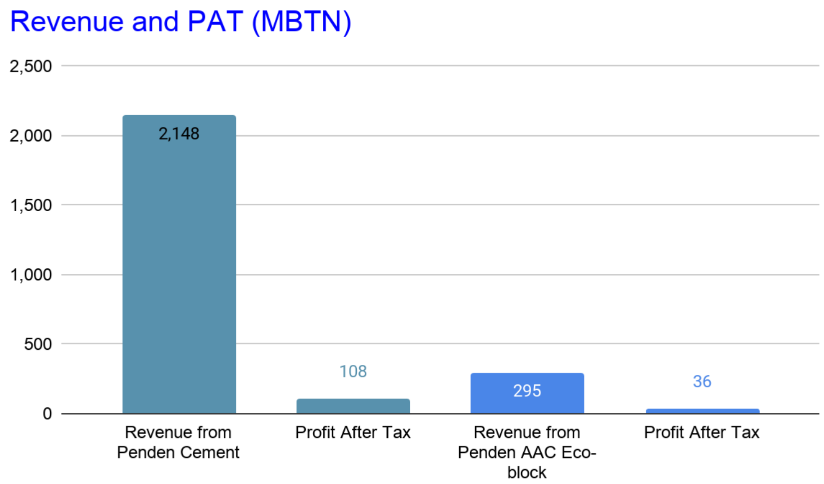
Overall, there has been a decrease in revenue and profit of the company in the last decade. This is mainly due to premature closure of Uttare mines which was initially estimated at 5.2 million tonnes of limestone deposit but gave about 1.8 million tonnes only. The Penden Mines located at Pugli has been degrading its quality of limestone reserves estimated at 0.465 million tonnes which led to sourcing of the quality clinker to produce cement. However, with the sourcing of high grade limestone from Paro and mixing with Pugli limestone, we are able to obtain the desired quality of clinker. In the meantime, the re-assessment of the Pugli limestone mines, re-exploration of Hourikhola limestone deposits, and the exploration of Daling and Bomchang limestone will ensure the long term sustainability of the company.

d. Ageing Plant

The cement plant has been aging resulting in lower reliability mainly due to the lack of maintenance strategies put in place. In recent times, the management has put in place a maintenance strategy, renovation and modernization plans to improve the plant availability and efficiency. The upgradation of the man machine interface in the central control room is budgeted for 2021. The grate cooler upgradation is also being taken up in 2021 along with installation of the new EOT crane. CCTV monitoring will be put in place to monitor critical processes. Technical audits and predictive maintenance tools are being taken up to reduce plant breakdowns. With the interventions such as the technical assessment of the plant by SCG, Thailand, modernization of the plant automation, strengthening of the operation and maintenance team and introduction of new tools and methods, the plant reliability has gone up and will continue to improve.

WAY FORWARD

I am very pleased to report that the Board and the management has considered the 10 years strategic roadmap of the company. Based on the strategic roadmap, the annual budget and targets are drawn and implemented. For example, the Board and management is targeting to achieve a revenue of Nu.2,148 million from the sale of cement for the year 2021. While the AAC Block Project is delayed by almost a year, the Penden AAC Eco-block is also expected to be launched in the market by mid of the year thus bringing in additional revenue for the company.



I am very pleased to report that due to the persistent efforts put in by the management and the employees, the production has picked up since December 2020. The in-house clinker is also of the desired quality and dispatch of cement is also picking up in both the export and domestic markets. The performance achievement since January 2021 is very encouraging and we expect to perform even better in the coming months. For example, the dispatch achieved for the month of January and February 2021 is 19,316.05 MT and 16,363.70 MT while the revenue earned is Nu.100.470 million and Nu. 85.352 million, respectively.

Further, with the sourcing of high grade limestone and exploration of limestone deposits, souring of quality coal, adopting best maintenance practices, good corporate governance, capacity building, and most importantly the considerations of the diversification projects, PCAL will not only regain its erstwhile glory but embark on a journey of new hope and destination.

STATUTORY AUDITOR REPORT

M/s T.K. Ghosh & Co., Kolkata was appointed as Statutory Auditors of PCAL with effect from 2018 by the Royal Audit Authority, as per the requirement of the Companies Act of Bhutan, 2016. Accordingly, M/s T.K. Ghosh & Co, Kolkata undertook the statutory audit of the accounts of the company for the year 2020 through electronic means due to the travel restrictions imposed by the COVID-19 pandemic. The auditing of accounts was carried out with effect from 25th January 2021 to 25th February 2021. The 2020 audit was carried out in accordance with the International Standards on Accounting (ISA) as adopted by the Accounting and Auditing Standard Board of Bhutan (AASBB) and general terms of reference for auditor and minimum audit reporting requirement prescribed by the Royal Audit Authority specified under chapter 10. schedule-255(e) to the Companies Act of Bhutan, 2016.

AUDITOR'S REPORT

I am pleased to report to our Shareholders that there are no qualifications, adverse or disclaimer of opinion to the Auditor's report for 2020. This is the second consecutive year that there are no qualifications to the Auditor's report. However, the auditors have drawn attention to the evaluation of the useful life of the assets by an independent third party under the Emphasis of Matter. This could not be carried out in 2020 due to the COVID-19 pandemic.

CORPORATE SOCIAL RESPONSIBILITY

Amid the COVID-19 pandemic, PCAL continues to play a significant role both at the local and national level through its corporate social responsibility initiatives. In 2020, the company contributed Nu.0.50 million towards His Majesty's Kidu Fund to combat COVID-19 pandemic. In Phuntshopelri Gewog, Samtse, a task force functions with the contributions made by the industries and the individuals. PCAL has contributed more than Nu.0.50 million towards the task force fund for Phuntshopelri Gewog. The employees of PCAL have separately contributed Nu.0.356 million towards the task force fund. PCAL has also provided its guesthouse as the only quarantine facility for Phuntshopelri Gewog and a cook for the facility kitchen. PCAL lady employees volunteered for the emergency operation centre help desk during the two nationwide lockdowns. In the beginning of border closure, 20 employee volunteers of PCAL were engaged in the border surveillance. The company supported the training of 45 employees under the accelerated De-suung training program. Now, these 45 Desuups are engaged in the border surveillance and implementation of health protocols.

ACKNOWLEDGEMENTS

The Board of PCAL also acknowledge and thank sincerely the support of the RGoB, DHI, MoEA, MoLHR, RAA, NEC, DGM, RBA, RBP and other stakeholders in Bhutan and India for helping PCAL fulfil its mandates.

The Board would also like to thank the chief executive officer, the PCAL management team and all employees for their dedicated service and contributions towards transforming the company. Further, the Board would like to urge the management of PCAL to continue to work towards achieving the huge tasks ahead as the company is going through a challenging phase. The Board shall continue to fully guide and support the management in its endeavour in achieving the vision, mission and goals of the company.

Tashi Delek

For and on behalf of the Board,

(Dr. Sonam Tenzin)
Chairman

Independent Auditor's Report

T. K. Ghose & Co.
Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PENDEN CEMENT AUTHORITY LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Penden Cement Authority Limited (The Company), which comprise the Statement of Financial Position as at December 31, 2020, the Statement of Comprehensive Income, the Statement of Cash Flow and the Statement of Changes in Equity for the year then ended, and Notes to the financial statements, including 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, 2020 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 this report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Bhutan and we have fulfilled our ethical requirements in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

Emphasis of Matter

We draw the attention of the shareholders in respect of the following:

1) Due to COVID 19 pandemic and related travel restrictions, we could not physically verify the fixed assets acquired & developed during the year, inventories and cash balance. We have relied on the physical verification report of the management which has stated as Nu.34,503,713, Nu.575,555,745 & Nu.18,560,747 respectively as at 31 December 2020.

T.K. GHOSE & CO. Regn. No.- 302002E Chartered Accountants

2) We draw attention to Note No. 45 of the financial statements, which describes the economic impact of the Company is facing due to the outbreak of Corona Virus Disease (COVID 19).

Our opinion is not modified in respect of these matters.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

For the audit of the financial statements we did not find any significant issue to be reported under K.A.M

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

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or 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.

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.

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Chartered Accountants

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

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 evidences that are sufficient and appropriate to provide a basis for our opinion. The risk of not detecting material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional 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 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 audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained upto the date of our audit report. However, future events or conditions may cause the Company to cease to continue as a Going concern; and
v. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

We describe these matters in our audit report unless law or regulations precludes public disclosures 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.

T.K. GHOSE & CO.
Regd. No.- 302002E
Chartered Accountants

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

Report on Other Legal and Regulatory Requirements

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

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

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

For T. K. Ghose & Co.
Chartered Accountants
Gaurav Basu
Gaurab Basu
Partner
M. No. 060518
Firm Registration No. 302002E
UDIN: 21060518AAAAEA5317

T.K.GHOSE & CO. Regn.No.- 302002E Chartered Accountants

Date: 04/03/2021

Place: Kolkata

APPENDIX I

REPORT ON MINIMUM AUDIT EXAMINATION REQUIREMENT

1. The Company has generally maintained Property, Plant & Equipment (PPE) Register showing full particulars including quantitative details and situation of PPE. *However, physical verification of fixed assets by an external firm was not conducted.*
2. *None of the fixed assets of the Company have been revalued during the year under audit.*
3. The stock of inventories has been physically verified by the management once during the year.

   Considering the value of the inventory we feel once a year verification is not reasonable and the frequency should increase to once a half year.

   The management has followed adequate procedures for the physical verification of stocks in relation to the size of the Company and nature of its business.

   The company has identified discrepancies during the course of physical verifications and passed necessary entries in the books of accounts.

4. The method of valuation of inventory for the company is adequate and commensurate with the size and nature of business. The basis of valuation is the same as in the preceding year.

5. *Due to the ongoing COVID 19 pandemic our audit was conducted in online mode, hence physical verification of the inventory could not be conducted.*

6. The Company is following a reasonable system of recording the receipts, issues and consumption of material and store. The issue of material and stores to respective departments can be tracked from the system.

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.

8. The obsolete, damaged, slow moving and surplus goods/ inventories has been identified by the management. Where the value of such items are significant, adequate provision has been raised.

9. Obsolete inventories amounting to Nu.5,748,533.84 has been written off during the year 2020.

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Chartered Accountants

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 & spares base on the power authorised 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 Company has not taken secured/ unsecured loans from companies, firms or other parties and/or from the companies under the same management.

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. Reasonable steps have been taken by the Company for recovery of the principal amounts, interest thereon (wherever applicable) *subject to our observations in Management Audit Report*.

    Advances have been granted to officers/staff generally in keeping with the provisions of service rules *subject to our observations in Management Audit Report*. Excessive/frequent advances are granted and/or accumulation of large advances against any particular individual are generally avoided *subject to our observations in Management Audit Report*.

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. A reasonable system of authorisation at the proper level is there for the issue of stores and allocation of materials and labour to job. The system of internal control prevalent is commensurate with the size of the company and nature of its business.

17. In the 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. As explained to us, the Company has not entered into any transactions for purchase of goods, property, plant and equipment and sale of services with parties in which one or more directors/ any other parties in which such directors are interested.

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Regn. No.- 302002E
Chartered Accountants

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.

20. According to the information and explanations given to us and also as examined by us, there was no cases, where any items of inventory, which are unserviceable or damaged/ obsolete.

21. As informed to us, the Company, has a reasonable system of ascertaining and identifying point of occurrence of breakage and damages of raw material, packing material and finished goods and no such incidence have been identified.

22. As explained to us, the Company has reasonable 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 reasonable 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 *subject to our Management Audit Report.*

25. According to the information and explanations given to us and so far it appears from the examination of the books, there were no undisputed amounts payable in respect of rates and taxes, provident fund, and other statutory dues as at date of the Statement of Financial Position.

26. The Company has a reasonable 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 does not have a policy of credit rating of customers. As per the information given to us, credit sales are restricted to Institutional Customers only.

29. The company has a process of regular evaluation of the commission agent on regular basis based on the industry norms/ market condition.

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Regd. No.-
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Chartered Accountants

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. As explained to us, age wise analysis of debtors is regularly carried out and follow up actions undertaken.

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.

34. The present system of budgeting, in our opinion, is generally reasonable.

35. Standard costing system is being established and variance analysis is being carried out by the company at regular intervals.

36. The Directors have not been paid any remuneration other than sitting fees. The details of remuneration and other payments to the Managing Director/ CEO are disclosed in the accounts, is stated in Note 42. 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. However, pricing of its goods is largely market driven.

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Chartered Accountants

40. On the basis of checking of relevant records, we are of the opinion that the Company has not entered any agreements in respect of machinery/ equipment etc., taken on lease by it from others, other than those acquired in normal course of the business.

COMPUTERISED ACCOUNTING ENVIRONMENT

1. The Company has implemented "AXPERT", which in our opinion is fully stabilized to ensure effective internal control over operations.
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 at a location in Thimphu.
3. The Company is maintaining appropriate backup facilities and disaster recovery measure at a location in Thimphu.
4. The operational controls are found to be adequate to ensure correctness and validity of input data and output information subject to our Management Report.
5. The Company has implemented proper measures for prevention of unauthorized access over the computer installation and files.
6. The data migration system is effectively managed by the Company.

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 2020).

2. Ratio Analysis:

Included in a separate Annexure.

3. Compliances with the Companies Act of Bhutan, 2016

We have verified compliance with the Companies Act of Bhutan, 2016 by the Company during the course of our audit and our observations in this regard are given below:-

i. The Company has filed annual return as required by Section 267 of the Act.

ii. The Company has held annual general meeting as required by Section 177 of the Act.

T.K. GHOSE & CO.
Regn No.- 302002E
Chartered Accountants

iii. The Company is following the accrual basis of accounting as required under Section 235(b) of the Act.

iv. Following statutory registers have been maintained by the Company depicting certain prescribed particulars as required to be disclosed under the Act.

a) Register of Directors

b) Register of charges [Section 228(c)]

c) Register of Intercorporate Loans/ Investments

d) Register of Buy Back of Shares

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 and as explained to us, the Company has been complying with appropriate laws, rules and regulations, systems, procedures and practices.

For T. K. Ghose& Co.
Chartered Accountants

T.K. GHOSE & CO. Regn.No.- 302002E Chartered Accountants

Gaurab Basu
Partner
M. No. 060518
Firm Registration No. 302002E

Date: 04/03/2021

Place: Kolkata

Comprehensive Income Statement

PENDEN CEMENT AUTHORITY LIMITED
AUDITED COMPREHENSIVE INCOME STATEMENT
for the period ended 31st December 2020

Amt in Nu

Particulars	Notes	31st December 2020	31st Deccember 2019
Income			
Revenue from operations	28	733,862,965	1,499,966,788
Other income	29	19,837,265	33,497,826
Total Revenue		**753,700,230**	**1,533,464,614**
Expenditure			
Decrease /(Increase) of stock	30	(3,002,286)	(84,410,768)
Raw materials consumed	31	155,753,437	324,698,643
Cost of clinker purchased		187,767,718	334,947,334
Packing materials consumed		29,608,575	64,855,484
Stores and spares consumed		41,581,601	56,871,021
Consumption of coal		164,072,620	269,226,517
Power		54,947,512	91,322,596
Repairs and maintenance	32	13,098,554	31,925,359
Employee cost	33	214,243,399	220,905,006
Depreciation		77,270,629	78,476,531
Other expenses	34	39,563,497	49,165,731
Total expenses		**974,905,257**	**1,437,983,453**
Profit from operations		**(221,205,027)**	**95,481,161**
Finance costs	35	3,285,256	1,356,897
Finance income	36	18,548,149	23,832,619
Profit before tax		**(205,942,135)**	**117,956,882**
Income tax Expense:			
Current tax			35,444,919
Deferred tax(Asset/Liability)		(8,914,168)	(1,523,537)
Profit after tax		(214,856,303)	**80,988,426**
Other comprehensive income			
Remeasurements of post-employment benefit obligations		(8,949,897)	(10,073,251)
Income tax relating to above items		-	
Net other comprehensive income		(8,949,897)	(10,073,251)
Total comprehensive income		**(223,806,200)**	**70,915,175**
Eaning per share			
- Basic and Diluted earnings per share		(6.58)	2.09

The above income statement should be read in conjunction with the accompanying notes

For T.K Ghose & Co.
Chartered Accountants
Firm Registration No. 302002E

T. K. GHOSE & CO. Regn. No. 302002E Chartered Accountants

Gaurab Basu
Partner
Membership No: 060518
Place : Kolkata
Date : 04/03/2021

For and on behalf of the Board of Directors

Chairman

Chief Executive Officer

Director

Director (FID)

Place : Thimphu
Date :

Statement of Financial Position

PENDEN CEMENT AUTHORITY LIMITED
AUDITED STATEMENT OF FINANCIAL POSITION
as on 31st December 2020

(Amount in Nu.)

Particulars	Notes	31st December 2020	31st December 2019 (Restated)
ASSETS			
Non-current assets-			
Property, plant and equipment	4(a)	554,076,204	624,045,637
Assets Held for Sale	4(b)	4,468,675	
Intangible assets	5	2,710,797	3,497,150
Investment property		1	1
Capital work in progress	6	28,171,284	12,522,562
Investments	7	85,874,460	100,410,000
Loans & Advances	8	13,599,856	21,798,145
Other non current assets	9	18,808,325	15,682,191
Trade & Other Receivable	10	3,089,527	3,088,609
Total non-current assets		**710,799,130**	**781,044,295**
Current assets-			
Inventories	11	575,555,745	485,222,542
Investments	12	109,650,000	149,901,585
Current tax assets	13	63,177	27,781,190
Trade and other receivables	14	741,081	871,577
Loans & Advances	15	170,474,114	90,447,059
Cash & Bank	16	93,110,394	57,379,814
Other current assets	17	4,426,374	7,041,402
Total current assets		**954,020,888**	**818,645,169**
Total assets		**1,664,820,018**	**1,599,689,465**
EQUITY & LIABILITIES			
Equity share capital	18	340,000,700	340,000,700
General Reserve	19	438,723,914	438,723,914
Retained earnings	19	139,343,011	363,149,211
Total equity		**918,067,625**	**1,141,873,825**
Non-current liabilities			
Long term provisions	20	7,336,597	6,477,337
Deferred tax liability	21	125,480,131	116,565,963
Employee benefit obligation	22	152,176,745	136,033,884
Other liabilities non current	23	284,905,407	3,519,045
Total non-current liabilities		**569,898,879**	**262,596,229**
Current liabilities			
Trade and other payables	24	141,767,504	121,443,170
Other curent liabilities	25	8,955,577	7,594,815
Current tax liabilities	26	3,603	35,444,919
Employee benefit obligation	27	26,126,831	30,736,507
Total current liabilities		**176,853,514**	**195,219,411**
Total		**1,664,820,018**	**1,599,689,465**

The above statement of financial position should be read in conjunction with the accompanying notes

For T.K Ghose & Co.
Chartered Accountants
Firm Registration No. 302002E

Gaurab Basu
Partner
Membership No: 060518

T. K. GHOSE & CO. Regn. No. 302002E Chartered Accountants

Place : Kolkata
Date : 04/03/2021

For and on behalf of the Board of Directors

Chairman

Chief Executive Officer

Director

Director (FID)

Place : Thimphu
Date :

Statement of Cash Flow

PENDEN CEMENT AUTHORITY LIMITED
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31st DECEMBER, 2020

(Amount in Nu.)

Particulars	31st December 2020	31st December 2019
A. Cash Flow from operating activities:		
Net Profit / (Loss) [Aggregate of Comprehensive Income and Other Comprehensive Income] before taxation	(214,892,032)	107,883,631
Adjustment to reconcile net income(loss) to net cash from operating activities:		
- Depreciation and Amortization	77,270,629	78,476,531
- (Gain)/Loss on Sale/Disposal of Property, Plant and Equipment/Assets written off	7,871,472	1,258,720
- Finance Charges	3,285,256	1,356,897
- Mining Cost	1,704,070	1,699,804
- Finance Income	(18,548,149)	(23,832,619)
Operating profit before working capital changes	**(143,308,753)**	**166,842,965**
Adjustments for Changes in		
- Inventories	(90,333,203)	(53,591,094)
- Current Investments	40,251,585	94,207,696
- Trade & Other Receivables	130,496	387,046
- Short Term Loans & Advances	(80,027,055)	(76,293,834)
- Other Current Asset	910,958	(265,801)
- Other Non Current Assets		763,515
- Trade and Other Payables	20,324,334	(35,249,972)
- Other Current Liabilities	1,360,762	(9,000,002)
- Provisions	859,260	755,718
- Other non- current Liablities	281,386,362	(1,059,128)
- Employee Benefit Obligation	11,533,185	20,622,339
Cash Generation from Operations	**186,396,683**	**(58,723,518)**
Less: Income Tax Paid (including CIT for previous years)	**7,723,303**	**50,519,779**
Net Cash Generation from operating Activities (A)	**35,364,627**	**57,599,668**
B. Cashflow From Investing Activities:		
Finance Income	18,548,149	23,832,619
Changes in Trade & Other Receivables	(918)	
Changes in Loans & Advances	8,198,289	(5,276,353)
Purchase of Property, Plant and Equipment	(18,854,991)	(55,885,722)
Purchase of Intangible Assets	-	(1,583,115)
Proceeds from Sale of Property, Plant and Equipment	-	1,503,781
Changes In Capital Work-in-Progress	(15,648,722)	(5,586,560)
Changes in Other Non-Current Assets	(3,126,134)	(1,815,878)
Changes in Long Term Investments	14,535,540	186,851,424
Net Cash deployed in Investing Activities (B)	**3,651,211**	**142,040,196**
C- Cashflow From Financing Activities:		
Finance Charges	(3,285,256)	(1,356,897)
Dividend Paid		(204,000,420)
Net Cash Generation from Financing Activities (C)	**(3,285,256)**	**(205,357,317)**
Net Increase/(decrease) in Cash & Cash Equivalents (A+B+C)	**35,730,581**	**(5,717,453)**
Cash & Cash Equivalents at the beginning of the year	57,379,814	63,097,267
Cash & Cash Equivalents at the end of the year	**93,110,394**	**57,379,814**
Cash & Cash Equivalents include		
Cash in hand	124,284	258,183
Cheques in hand	18,436,463	26,320,048
Balances with Banks	74,549,647	30,801,583
Cash & Cash Equivalents Reported	**93,110,394**	**57,379,814**

Notes:

(1)The above cash flow statement has been prepared under the Indirect Method in accordance with BAS- 7 on "Statement of Cash Flows".

(2) Cash and Cash Equivalents exclude Bank Balances(Fixed Deposits) not available for immediate use

The accompanying notes form an integral part of this Statement of Cash Flows.

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

For T.K.Ghose & Co.
Chartered Accountants
Firm Registration No. 302002E

Gaurav Basu

Gaurab Basu
Partner
Membership No. 060518
Place: Kolkata
Date: 04/03/2021

T. K. GHOSE & CO.
Regn. No. 302002E
Chartered Accountants

For and on behalf of the Board of Directors

Chairman **Chief Executive Officer**

Director **Director (FID)**

Place: Thimphu
Date:

PENDEN CEMENT AUTHORITY LIMITED

Statement of Changes in Equity

(Amount in Nu.)

Particulars	Share Capital	Reserve Fund	Exchange Fluctuation Reserve	Retained Earnings	Other Comprehensive Income / (loss)	Total
As at January 1, 2019	340,000,700	525,671,181	-	426,894,214	(1,811,900)	1,290,754,195
Profit for the year 2019	-	-	-	80,988,426	-	80,988,426
Other Comprehensive income	-	-	-	-	(10,073,251)	(10,073,251)
Dividend Paid during the year	-	(86,947,267)	-	(117,053,153)	-	(204,000,420)
Additional CIT paid	-	-	-	(15,795,125)		(15,795,125)
As at December 31, 2019 (Restated)	340,000,700	438,723,914		375,034,362	(11,885,151)	1,141,873,825
As at January 1. 2020	340,000,700	438,723,914	-	375,034,362	(11,885,151)	1,141,873,825
Profit for the year 2020	-	-		(214,856,303)	-	(214,856,303)
Other Comprehensive income				-	(8,949,897)	(8,949,897)
As at December 31, 2020	340,000,700	438,723,914	-	160,178,059	(20,835,048)	918,067,625

* Retained Earnings comprise profits from previous year. Dividend has not been declared for the year 2019.

For T.K Ghose & Co.
Chartered Accountants
Firm Registration No. 302002E

Gaurab Basu
Partner
Membership No 060518
Place : Kolkata
Date : 04/03/2021

T. K. GHOSE & CO. Regn. No. 302002E Chartered Accountants

For and on behalf of the Board Director

Chairman

Chief Executive Officer

Director

Director (FID)

Place : Thimphu
Date :

Notes to the Financial Statements

Note:4(a) Property, Plant and Equipment

Particulars	Land	Office godown and Residential building	Factory Buildings	Roads and culverts	Plant & Machinery	water supply	Generator
Gross Block							
At 1st Jan 2019	10,785,238.00	130,126,092.89	141,814,851.40	168,856,025.22	908,148,886.51	24,090,703.63	3,665,885.00
Additions 2019	-	8,875,839.51	12,895,359.00	3,131,085.32	9,070,092.01	-	-
disposals 2019		-	-	-	(9,887,571.90)	-	-
At 31st December 2019	10,785,238.00	139,001,932.40	154,710,210.40	171,987,110.54	907,331,406.62	24,090,703.63	3,665,885.00
Additions 2020	-	1,338,781.80	2,882,668.85	-	500,700.85	-	-
Sale/Disposals/Woff 2020	-	(1,084,468.59)	(2,005,463.84)	(4,115,252.57)	(34,401,905.88)	(462,393.65)	-
Assets held for disposal 2020					(14,078,309.24)		
At 31st Decemeber 2020	10,785,238.00	139,256,245.61	155,587,415.41	167,871,857.97	859,351,892.35	23,628,309.98	3,665,885.00
Accumulated depreciation							
Accunulated derpraciation as at 1st Jan 2019	-	52,287,037.13	42,651,362.96	68,118,848.36	627,849,049.29	10,188,994.58	3,665,884.00
depreciation for the year 2019	-	3,761,695.48	3,764,060.82	7,225,469.93	44,926,480.81	1,080,857.71	-
disposal	-	-	-	-	(8,307,611.80)	-	-
Accunulated derpraciation as at Dec 31, 2019	-	56,048,732.61	46,415,423.78	75,344,318.30	664,467,918.30	11,269,852.29	3,665,884.00
depreciation for the year 2020	-	3,830,536.38	3,992,404.05	7,417,664.03	43,118,597.83	1,080,857.71	-
sale/Disposal/Woff	-	(898,857.77)	(2,005,463.84)	(2,800,376.56)	(29,393,905.88)	(397,845.24)	-
Depreciation on Sale/Disposal in 2020					(11,326,805.26)		
Accumulated depreciation as at 31st Dec 2020	-	58,980,411.22	48,402,363.99	79,961,605.78	666,865,804.99	11,952,864.76	3,665,884.00
Net Block							
At 31st Dec 2019	10,785,238.00	82,953,199.79	108,294,786.62	96,642,792.24	242,863,488.32	12,820,851.34	1.00
At 31st December 2020	10,785,238.00	80,275,834.39	107,185,051.42	87,910,252.19	192,486,087.36	11,675,445.22	1.00

Particulars	Laborartory Equipments	other Equipment	Electrical Installation	Furniture Fixtures & other equipments	IT Equipments	Vehicles	Telephone Installation	Instrumentation (electrical)	Components/ Parts	Total
Gross Block										
At 1st Jan 2019	6,448,762.81	18,888,585.74	74,163,839.55	31,707,755.21	29,987,162.85	32,476,116.05	10,130,323.78	15,118,140.10	13,981,731.44	1,620,390,100.18
Additions 2019	-	572,529.50	1,492,919.82	1,564,872.00	1,181,029.00	5,198,587.00	-	-	11,903,408.99	55,885,722.15
disposals 2019	-	-	-	(105,962.88)	-	(2,153,045.14)	-	-	-	(12,146,579.92)
At 31st December 2019	6,448,762.81	19,461,115.24	75,656,759.37	33,166,664.33	31,168,191.85	35,521,657.91	10,130,323.78	15,118,140.10	25,885,140.43	1,664,129,242.41
Additions 2020	-	62,215.00	51,975.00	14,970.00	231,672.00	4,167,200.00	-	135,534.00	9,469,273.55	18,854,991.05
Sale/Disposals/Woff 2020	(3,147,876.59)	(3,249,633.07)	(2,292,131.55)	(8,313,335.58)	(10,812,854.95)	(3,048,477.77)	(3,572,158.10)	(41,474.00)	-	(76,547,426.14)
Assets held for disposal 2020						(8,372,803.00)				(22,451,112.24)
At 31st Decemeber 2020	3,300,886.22	16,273,697.17	73,416,602.82	24,868,298.75	20,587,008.90	28,267,577.14	6,558,165.68	15,212,200.10	35,354,413.98	1,583,985,695.08
Accumulated depreciation										-
Accunulated derpraciation as at 1st Jan 2019	4,984,206.33	12,177,361.60	58,963,759.45	22,895,665.85	20,494,356.37	19,822,109.15	9,467,820.56	12,264,057.03	5,930,905.19	971,761,417.84
depreciation for the year 2019	209,951.23	1,116,637.06	3,052,137.27	2,384,591.83	2,248,418.78	2,689,747.74	340,972.14	1,504,109.69	3,401,137.26	77,706,267.74
disposal	-	-	-	(105,962.88)	-	(970,503.15)	-	-		(9,384,077.83)
Accunulated derpraciation as at Dec 31, 2019	5,194,157.55	13,293,998.66	62,015,896.72	25,174,294.79	22,742,775.15	21,541,353.74	9,808,792.70	13,768,166.72	9,332,042.45	1,040,083,607.76
depreciation for the year 2020	208,433.74	1,003,209.54	2,736,563.97	2,201,074.59	2,223,577.22	2,277,522.71	192,365.06	1,213,720.68	4,987,747.83	76,484,275.36
sale/Disposal/Woff	(3,147,652.45)	(3,234,446.63)	(2,291,949.68)	(8,291,983.16)	(9,551,363.37)	(3,048,477.77)	(3,572,158.10)	(41,474.00)	-	(68,675,954.45)
Depreciation on Sale/Disposal in 2020						(6,655,632.00)				(17,982,437.26)
Accumulated depreciation as at 31st Dec 2020	2,254,938.85	11,062,761.57	62,460,511.01	19,083,386.22	15,414,989.00	14,114,766.68	6,428,999.66	14,940,413.40	14,319,790.28	1,029,909,491.40
Net Block										-
At 31st Dec 2019	1,254,605.26	6,167,116.58	13,640,862.65	7,992,369.54	8,425,416.70	13,980,304.17	321,531.08	1,349,973.38	16,553,097.98	624,045,634.65
At 31st December 2020	1,045,947.37	5,210,935.60	10,956,091.81	5,784,912.53	5,172,019.90	14,152,810.46	129,166.02	271,786.70	21,034,623.70	554,076,203.68

5 Intangible Assets

Gross Block	Amount
At 1st Jan 2019	6,280,424.47
Additions 2019	1,583,114.78
At 31st December 2019	7,863,539.25
Additions 2020	-
At 31st Decemeber 2020	7,863,539.25
Accumulated depreciation	
as at Jan 1, 2019	3,596,125.91
depreciation for the year 2019	770,263.29
Accunulated derpraciation as at Dec 31, 2019	4,366,389.20
depreciation for the year 2020	786,353.93
Accumulated depreciation as at 31st Dec 2020	5,152,743.12
Net Block	
At 31st Dec 2019	3,497,150.05
At 31st December 2020	2,710,796.13
CHECK	2,710,796.13

4(b) Assets Held for Sale

Assets	Gross Value	Accumulated Dep 2	Net value 2020
Plant & Machinery	14,078,309.24	11,326,805.26	2,751,503.98
Vehicles	8,372,803.00	6,655,632.00	1,717,171.00
Total	22,451,112.24	17,982,437.26	4,468,674.98

T.K. GHOSE & CO. Regd. No.- 302002E Chartered Accountants

PENDEN CEMENT AUTHORITY LTD. GOMTU, BHUTAN

PENDEN CEMENT AUTHORITY LIMITED
NOTE FORMING PART OF FINANCIAL STATEMENT

6. Capital work in progress

Particulars	31-Dec-20	31st Dec 2019 (Restated)
Building Under Construction	13,365,674	8,142,861
Capital Stock	14,805,611	4,379,701
Total	**28,171,284**	**12,522,562**

7. Investments - Non Current

Particulars	31-Dec-20	31st Dec 2019 (Restated)
Long Term Investments- Valued at cost		
Gratuity Fixed deposit with Bank	85,000,000	75,000,000
Interest fixed deposits	874,460	25,410,000
Total	**85,874,460**	**100,410,000**

8. Loans & Advances - Non Current

Particulars	31-Dec-20	31st Dec 2019 (Restated)
Loans to Employees	13,599,856	19,863,615
Advances	-	1,934,529
Total	**13,599,856**	**21,798,144**

9. Other Non-current assets

Particulars	31-Dec-20	31st Dec 2019 (Restated)
Environment Restoration Bond	17,452,112	15,450,708
Deposits - Miscellaneous	1,356,214	231,483
Total	**18,808,325**	**15,682,191**

10. Trade & Other Receivables - Non Current

Particulars	31-Dec-20	31st Dec 2019 (Restated)
Advance given:-		
- Considered doubtful	1,964,505	396,514
- Considered good	-	
Less: Provision for doubtful Advances	(1,964,504)	(396,514)
Unamortized mining cost	3,089,527	3,088,610
Total	**3,089,527**	**3,088,610**

T.K. GHOSE & CO. Regd. No.- 302002E Chartered Accountants

PENDEN CEMENT AUTHORITY LTD. GOMTU, BHUTAN

PENDEN CEMENT AUTHORITY LIMITED
NOTE FORMING PART OF FINANCIAL STATEMENT

11. Inventories

Particulars	31-Dec-20	31st Dec 2019 (Restated)
Valued at lower of Cost and Net Realizable Value		
Limestone, Gypsum and Other Raw Materials	143,670,405	105,427,791
Coal	93,914,696	39,094,052
Stores and Spares	120,155,509	124,554,646
Raw Materials in kiln prior to clinker stage under process	-	-
Clinker stock	177,262,596	201,897,554
Inventory in Cement Mills under process	4,920,828	-
Cement stock	35,631,711	14,248,499
Less: Provision on Stores and Spares	-	-
Total	**575,555,745**	**485,222,542**

12. Investments - Current

Particulars	31-Dec-20	31st Dec 2019 (Restated)
Gratuity Fixed deposit with Bank	75,000,000	106,240,556
Interest Accrued on Fixed Deposit	34,650,000	43,661,029
Total	**109,650,000**	**149,901,585**

13. Current Tax Assets

Particulars	31-Dec-20	31st Dec 2019 (Restated)
Advance Tax Paid	-	26,543,774
Tax Deducted at Source	63,177	1,237,416
Total	**63,177**	**27,781,190**

14. Trade & Other Receivables - Current

Particulars	31-Dec-20	31st Dec 2019 (Restated)
Outstanding for a period exceeding six months:	-	
- Considered good		
- Considered doubtful	-	
Lease rent Receivable	37,585	173,510
House Rent Receivable	703,496	698,067
Total	**741,081**	**871,577**

15. Loans & Advances - Current

Particulars	31-Dec-20	31st Dec 2019 (Restated)
(Unsecured and considered good unless otherwise stated)		
Advance to Suppliers & Contractors	166,052,584	82,928,581
Loans to Employees	3,399,964	6,272,721
Advance to employees	1,021,567	1,245,757
Total	**170,474,114**	**90,447,059**

T.K.GHOSE & CO. Regd.No.- 302002E Chartered Accountants

PENDEN CEMENT AUTHORITY LTD. GOMTU, BHUTAN

PENDEN CEMENT AUTHORITY LIMITED
NOTE FORMING PART OF FINANCIAL STATEMENT

16. Cash & Bank

Particulars	31-Dec-20	31st Dec 2019 (Restated)
Cash in Hand	124,284	258,183
Cheques in Hand	18,436,463	26,320,048
Balances with Banks		
- On Current Accounts	11,812,171	29,566,481
- On Unpaid Dividend Accounts	1,216,792	1,235,102
- On Current Account (AAC blocks Project)	61,520,684	-
Total	**93,110,394**	**57,379,814**

17. Other Current Assets

Particulars	31-Dec-20	31st Dec 2019 (Restated)
Total	**4,426,374**	**7,041,402**

18. Equity share capital

Particulars	31-Dec-20	31st Dec 2019 (Restated)
Authorized Capital: 100,000,000 Equity shares 10 Ngultrums each	100,000,000	100,000,000
34,000,070 Equity Shares of 10 Ngultrums each fully paid up (of the above 1,000,000 shares in the year 1994, and 1,133,337 shares in the year 2008 are allotted as fully paid up Bonus shares by way of Capitalization of General Reserve)	340,000,700	340,000,700
	340,000,700.00	340,000,700.00

19 Retained Earnings

Particulars	31-Dec-20	31st Dec 2019 (Restated)
General Reserve	438,723,914	438,723,914
Retained earnings	139,343,010	363,149,211
Total	578,066,924	1,481,874,525

20. Long Term Provisions

Particulars	31-Dec-20	31st Dec 2019 (Restated)
Provision for decommissioning liability	7,336,597	6,477,337
Total	**7,336,597**	**6,477,337**

T.K. GHOSE & CO. Regn. No.- 302002E Chartered Accountants

PENDEN CEMENT AUTHORITY LTD. GOMTU, BHUTAN

PENDEN CEMENT AUTHORITY LIMITED
NOTE FORMING PART OF FINANCIAL STATEMENT

21. Deferred Tax Liability

Particulars	31-Dec-20	31st Dec 2019 (Restated)
Deferred Tax (Assets)/Liabilities	125,480,131	116,565,963
Total	**125,480,131**	**116,565,963**

22. Employee Benefit Obligation Non-Current

Particulars	31-Dec-20	31st Dec 2019 (Restated)
Gratuity Payable	150,835,893	136,033,884
Leave Encashment & other Liability	1,340,852	-
Total	**152,176,745**	**136,033,884**

23. Other Liabilities - Non Current

Particulars	31-Dec-20	31st Dec 2019 (Restated)
Loan from NPPF	282,408,180	-
Security Deposits	2,497,227	3,519,045
Total	**284,905,407**	**3,519,045**

24. Trade & Other Payables

Particulars	31-Dec-20	31st Dec 2019 (Restated)
For Supplier	61,302,120	33,186,884
For Services	-	-
Provision For Expenses	1,066,778	1,814,915
Salary Payable	11,655,395	1,397,867
Other Payable to Employees	117,608	271,195
Security Deposits	48,455,645	47,459,734
Unclaimed Dividend	4,079,673	4,096,983
Interest Payable	2,426,902	376,362
Commission Payable	12,663,383	32,839,230
Total	**141,767,504**	**121,443,170**

25. Other Current Liabilities

Particulars	31-Dec-20	31st Dec 2019 (Restated)
Advance from Customers	5,617,566	1,798,011
Advance from Others	1,555,900	880,609
Payable to Government Authorities	1,782,111	4,916,195
Total	**8,955,577**	**7,594,815**

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PENDEN CEMENT AUTHORITY LTD. GOMTU, BHUTAN

PENDEN CEMENT AUTHORITY LIMITED
NOTE FORMING PART OF FINANCIAL STATEMENT

26. Current Tax Liabilities

Particulars	31-Dec-20	31st Dec 2019 (Restated)
Income tax liability	3,603	35,444,919
Total	**3,603**	**35,444,919**

27. Employee Benefit Obligation - Current

Particulars	31-Dec-20	31st Dec 2019 (Restated)
Provision for Gratuity	16,000,000	12,029,556
Provision for un-availed leave	10,126,831	18,706,951
Total	**26,126,831**	**30,736,507**

28. Revenue from Operations

Particulars	31-Dec-20	31st Dec 2019 (Restated)
SALES	-	
- Sale of Cement	610,537,981	711,020,861
- Sale from Depots		
- Gelephu	28,872,600	86,274,760
- Samdrup Jongkhar	9,325,760	39,758,412
- Phuentsholing	85,126,625	662,912,755
Total	**733,862,965**	**1,499,966,788**

29. Other Income

Particulars	31-Dec-20	31st Dec 2019 (Restated)
Sale of Scrape & Others	11,526,708	20,356,134
House Rent (Net)	7,256,788	6,829,519
Liability no longer required written back	350,672	307,178
Lease Rent Received	703,097	1,430,885
Prior Period Adjustment	-	4,342,560
Cement Issued for own consumption	-	231,550
Total	**19,837,265**	**33,497,826**

PENDEN CEMENT AUTHORITY LIMITED
NOTE FORMING PART OF FINANCIAL STATEMENT

30. Decrease/(Increase) in Stock

Particulars	31-Dec-20	31st Dec 2019 (Restated)
Closing Stock :		
- Clinker	178,595,802	201,897,522
- Finished Goods (Cement)	40,552,539	14,248,500
	219,148,341	**216,146,022**
Less : Opening Stock :		
- Clinker	201,897,556	113,912,768
- Finished Goods (Cement)	14,248,500	17,822,486
	216,146,056	**131,735,254**
(Increase)/Decrease of Stock	**3,002,286**	**(84,410,768)**

31. Raw Material Consumed

Particulars	31-Dec-20	31st Dec 2019 (Restated)
- Limestone	76,031,633	149,634,541
- Calc Tufa	1,688,096	8,432,967
- Sandstone	41,086	(46,883)
- Iron Ore	474,324	(5,923,436)
- Gypsum	21,436,673	45,858,443
- Fly ash	49,815,759	119,401,219.00
- Slag	6,265,867	7,341,791
Total	**155,753,437**	**324,698,642**

32. Repairs & Maintenance

Particulars	31-Dec-20	31st Dec 2019 (Restated)
Buildings and Roads	6,832,616	15,600,030
Plant and Machinery	4,444,927	14,873,628
Others	1,821,011	1,451,701
Total	**13,098,554**	**31,925,359**

33. Employee Cost

Particulars	31-Dec-20	31st Dec 2019 (Restated)
Salaries, Wages, Ex-Gratia and other allowances	167,379,162	181,601,416
Leave encashment	8,804,800	5,018,149
Post-Employment Benefit	22,897,420	17,903,277
Contribution to Provident Fund	11,231,263	10,880,446
Staff Welfare	3,930,754	5,501,718
Total	**214,243,399**	**220,905,006**

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PENDEN CEMENT AUTHORITY LTD. GOMTU, BHUTAN

PENDEN CEMENT AUTHORITY LIMITED
NOTE FORMING PART OF FINANCIAL STATEMENT

34. Other Expenses

Particulars	31-Dec-20	31st Dec 2019 (Restated)
Travelling, Conveyance and Running Expenses of Vehicles	2,353,290	7,039,697
Printing and Stationery	796,380	2,494,213
Postage, Telephone and Telegrams	1,001,816	960,127
Insurance Charges	6,398,787	5,623,651
Laboratory Expenses	2,291,224	6,458,103
BIS fees	1,921,989	1,258,720
Audit Fees	193,674	177,061
Freight and Transportation	2,133,529	2,890,100
Entertainment Expenses	771,806	1,857,472
Training Expenses	7,425	4,838,904
Advertisement Expenses	506,533	838,975
Bhutan Sales Tax Paid	38,317	137,270
Other Administrative Expenses	911,249	2,676,504
Consultancy & Professional Charges	221,136	6,045,961
Horticulture Expenses	2,400	84,875
Mining cost	1,704,070	1,699,804
Donation	10,000	137,725
Directors' & Invitees Sitting Fees	519,500	540,000
Board Meeting Expenses	154,173	507,127
Sales Promotion Expenses	-	1,183,063
Rates & Taxes	419,134	302,311
Depot Expenses	176,244	381,762
Corporate Social Expenses	3,374,012	979,706
National Day Celebration	16,705	-
Write Off Account	7,871,472	52,600
Hiring of Equipment’s	20,100	-
Provision for Obsolete Stores & Spares	5,748,534	-
Total	**39,563,497**	**49,165,731**

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PENDEN CEMENT AUTHORITY LTD. GOMTU, BHUTAN

PENDEN CEMENT AUTHORITY LIMITED
NOTE FORMING PART OF FINANCIAL STATEMENT

35. Finance Cost

Particulars	31-Dec-20	31st Dec 2019 (Restated)
Other interest cost	2,914,129	755,718
Bank Charges paid	371,127	601,179
Total	**3,285,256**	**1,356,897**

36. Finance Income

Particulars	31-Dec-20	31st Dec 2019 (Restated)
Interest on Fixed Deposits and others	16,553,563	22,068,741
Other Interest Income (IFRS)	1,994,586	1,763,878
Total	**18,548,149**	**23,832,619**

38. Fair Value Measurements

Financial instruments by category

Particulars	31st December 2020			31st December 2019
	FVPL	FVOCI	Amortised cost	Amortised cost
Financial assets				
Investments in fixed deposits			85,000,000	75,000,000
Loans to Employees			16,999,821	19,863,615
Trade Receivables				
Deposit miscelleaneous			1,356,214	231,483
Environment Restoration Bond			17,452,112	15,450,708
House Rent Receivable			703,496	698,068
Leas Rent Receivables			37,585	173,510
Interest Accrued on Fixed Deposit			35,524,460	69,071,029
Fixed deposit with Bank			75,000,000	106,240,556
Cash in Hand			124,284	258,183
Cheques in Hand			18,436,463	26,320,048
Balances with Banks			13,028,963	30,801,583
Total financial assets			**263,663,397**	**344,108,783**
Financial liabilities				
Trade payables for Goods and Services			61,302,120	33,186,884
Trade payables for Contractors			-	-
Provision for expenses			1,066,778	1,814,915
Salary Payable			11,655,395	10,518,917
Interest Payable			2,426,902	376,362
Commission Payable			12,663,383	32,839,230
Security Deposits			48,455,645	47,459,734
Others (Including payable to employees)			117,608	271,195
Unclaimed Dividend			4,079,673	4,096,983
Total financialliabilities			**141,767,503**	**130,564,220**

T.K.GHOSE & CO. Regd.No.- 302002E Chartered Accountants

PENDEN CEMENT AUTHORITY LTD. GOMTU, BHUTAN

38. Capital Management

(a) Risk management

The company's objectives when managing capital are to:

• safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and

• maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Company is based on management's judgement of the appropriate balance of key elements in order to meet its strategic and day-to-day needs. The Company manages its capital structure and makes adjustments in light of changes in economic conditions. The funding requirement is met through the equity, given by the shareholder.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company's policy is to maintain a stable and strong capital structure with a focus on total equity so as to maintain investor, creditors and market confidence and to sustain future development and growth of its business. The Company will take appropriate steps in order to maintain, or if necessary adjust, its capital structure.

(b) Dividend paid & Proposed

Particulars	31st December	31st December
(i) Equity shares		
Final dividend for the year ended 31 Dec 2020 of Nu. NIL (31 Dec 2019 – Nu. NIL) per fully paid share	-	204,000,420
(ii) Dividends not recognised at the end of the reporting period		
In addition to the above dividends, since year end the directors have recommended the payment of a final dividend of Nu. 6 per fully paid equity share (31 Dec 2018 – Nu. 6). This proposed dividend is subject to the approval of shareholders in the ensuing annual general meeting.	-	-

40. 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 which the entity is exposed to and how the entity manages the risk and the impact of it in the financial statements.

Risk	Exposure arising from	Measurement	Management
Credit risk	Cash and cash equivalents, trade receivables, financial assets measured at amortised cost	Aging analysis	Diversification of customer base
Liquidity risk	Trade and other payables	Cash flow forecasts	Availability of committed facilities
Market risk – foreign exchange	Future commercial transactions and recognised financial liabilities not denominated i	Cash flow forecasting Sensitivity analysis	Currently the Company export goods to India

(A) Credit risk

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 trade and other receivables.

i) Trade receivables

The Company's trade receivables comprises from various parties. Trade receivables are non-interest bearing and are generally on 30 days to 60 days credit term. Outstanding customer receivables are regularly monitored. The ageing of trade receivables as of balance sheet date is given below. The age analysis have been considered from the due date:

Particulars	Less than one	More than one	More than 3	Total
Trade & other receivable as on 31 December 2019		-	396,514	396,514
Less: Provision for doubtful debts	-	-	(396,514)	(396,514)
Trade receivable as on 31 December 2019 (Net)	**-**	**-**	**-**	**-**

Particulars	Less than one	More than one	More than 3	Total
Trade receivable as on 31 December 2020 (Gross)		-	1,964,505	1,964,505
Less: Provision for doubtful debts	-	-	1,964,504	1,964,504
Trade receivable as on 31 December 2020 (Net)	**-**	**-**	**-**	**-**

The requirement for impairment is analysed at each reporting date. Refer note 13 for details on the impairment of trade receivables.
The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 36.

ii) Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Company's Finance & Investment De
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.

39. 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 which the entity is exposed to and how the entity manages the risk and the impact of it in the financial statements.

Risk	Exposure arising from	Measurement	Management
Credit risk	Cash and cash equivalents, trade receivables, financial assets measured at amortised cost	Aging analysis	Diversification of customer base
Liquidity risk	Trade and other payables	Cash flow forecasts	Availability of committed facilities
Market risk – foreign exchange	Future commercial transactions and recognised financial liabilities not denominated in	Cash flow forecasting Sensitivity analysis	Currently the Company export goods to India

(A) Credit risk

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 trade and other receivables.

i) Trade receivables

The Company's trade receivables comprises from various parties. Trade receivables are non-interest bearing and are generally on 30 days to 60 days credit term. Outstanding customer receivables are regularly monitored. The ageing of trade receivables as of balance sheet date is given below. The age analysis have been considered from the due date:

Particulars	Less than one	More than one	More than 3	Total
Trade & other receivable as on 31 December 2019		-	396,514	396,514
Less: Provision for doubtful debts	-	-	(396,514)	(396,514)
Trade receivable as on 31 December 2019 (Net)	**-**	**-**	**-**	**-**

Particulars	Less than one	More than one	More than 3	Total
Trade receivable as on 31 December 2020 (Gross)		-	1,964,505	1,964,505
Less: Provision for doubtful debts	-	-	1,964,504	1,964,504
Trade receivable as on 31 December 2020 (Net)	**-**	**-**	**-**	**-**

The requirement for impairment is analysed at each reporting date. Refer note 13 for details on the impairment of trade receivables.
The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 36.

ii) Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Company's Finance & Investment Department. 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.

PENDEN CEMENT AUTHORITY LTD. GOMTU, BHUTAN

T.K.GHOSE & CO. Regn.No.- 302002E Chartered Accountants

40. Tax Expense

Particular	31st December 2020	31st December 2019
Components of income tax expense		
Income tax expenses		
Current tax		
Current tax on profit for the year	-	35,444,919
Total current tax expenses	**-**	**35,444,919**
Deferred tax		
(Decrease)/increase in deferred tax liabilities	8,914,168	1,523,537
Total deferred tax expenses	8,914,168	**1,523,537**
Income tax expenses	**8,914,168**	**36,968,456**

PENDEN CEMENT AUTHORITY LIMITED

1. Disclosure as per IAS 19, 'Employees Benefit' as regards defined benefit scheme (Gratuity)

A	Change in Defined Benefit Obligation (D	31-Dec-20	31-Dec-19
1	DBO at end of prior period	148,063,440	127,953,990
2	Current service cost	11,575,339	7,957,863
3	Interest cost on the DBO	11,322,081	9,945,414
4	Curtailment (credit)/ cost	-	-
5	Settlement (credit)/ cost	-	-
6	Past service cost - plan amendments	-	-
7	Acquisitions (credit)/ cost	-	-
8	Actuarial (gain)/loss - experience	8,949,897	10,073,251
9	Actuarial (gain)/loss - demographic assumpt	-	-
10	Actuarial (gain)/loss - financial assumptions		-
11	Benefits paid directly by the Company	(13,074,864)	(7,272,618)
12	Benefits paid from plan assets		
13	**DBO at end of current period**	**166,835,893**	**148,657,900**

B	Statement of Profit & Loss	31-Dec-20	31-Dec-19
1	Current service cost	11,575,339	7,957,863
2	Past service cost - plan amendments	-	-
3	Curtailment cost / (credit)	-	-
4	Settlement cost / (credit)	-	-
5	Service cost	11,575,339	7,957,863
6	Net interest on net defined benefit liability /	11,322,081	9,945,414
7	Immediate recognition of (gains)/losses – other long term employee benefit plans		
8	**Cost recognized in P&L**	**22,897,420**	**17,903,277**

C	Defined Benefit Cost	31-Dec-20	31-Dec-19
1	Service cost	22,897,420	17,903,277
2	Net interest on net defined benefit liability / (asset)		-
3	Actuarial (gains)/ losses recognized in OCI	8,949,897	10,073,251
4	Immediate recognition of (gains)/losses – other long term employe		-
5	**Defined Benefit Cost**	**31,847,317**	**27,976,528**

D	Development of Net Financial Position	31-Dec-20	31-Dec-19
1	Defined Benefit Obligation (DBO)**	166,835,893	148,657,900
2	Fair Value of Plan Assets (FVA)	-	-
3	Funded Status (Surplus/(Deficit))	(166,835,893)	(148,657,900)
4	**Net Defined Benefit Liability**	**(166,835,893)**	**(148,657,900)**

E	Reconciliation of Net Balance Sheet Posi	31-Dec-20	31-Dec-19
1	Net defined benefit asset/ (liability) at end c	(148,063,440)	(127,953,990)
2	Service cost	(11,575,339)	(7,957,863)
3	Net interest on net defined benefit liability/	(11,322,081)	(9,945,414)
4	Amount recognized in OCI	(8,949,897)	(10,073,251)
7	Benefit paid directly by the Company	(13,074,864)	(7,272,618)
	Net defined benefit liability at end of cur	**(192,985,621)**	**(163,203,136)**

F	Other Comprehensive Income (OCI)	31-Dec-20	31-Dec-19
1	Actuarial (gain)/loss due to liability experien	8,949,897	10,073,251
2	Actuarial (gain)/loss due to liability assumption changes		-
3	Actuarial (gain)/loss arising during period	8,949,897	10,073,251
4	Return on plan assets (greater)/less than discount rate		-
5	Actuarial (gains)/ losses recognized in OCI	8,949,897	10,073,251
6	Adjustment for limit on net asset		
	Actuarial (Gain) or Loss Recognized via	**8,949,897**	**10,073,251**

T.K. GHOSE & CO. Regd No.-302002E Chartered Accountants

PENDEN CEMENT AUTHORITY LTD. GOMTU, BHUTAN

42. Related Party Transactions

Disclosure of Related Party transactions:

Sl no.	Name of Related party	Nature of Transaction	For the Year Ended 31st Dec 2020	For the Year Ended 31st Dec 2019
1	Tenzin (CEO)	a. Salary & Allowances	1,802,088	1,749,600
		b. Other benefits	337,680	174,242
		c. Provident fund contribution	110,128	106,920
		e. Sitting fees	67,500	72,000
		Total	**2,317,396**	**2,102,762**
2	Druk holding and Investment Limited	a. Dividend	-	82,264,440
3	Royal Insurance Corporation of Bhutan Ltd	a. Dividend	-	1,098,900
		b. Insurance Premium	6,398,787	-
4	Dungsam Cement	Clinker purchase	-	21,267,618
5	Dungsam Polymers Ltd	PP bag purchase	7,535,418	15,264,958
6	Bhutan Telecom	Telephone & Internet bill	860,618	845,441
7	Bhutan Power Corporation Ltd	Electricity bill & Power supply line to Penden Mines	54,947,513	91,322,596
8	Bank of Bhutan Ltd	Bank charges	371,127	396,899
		Dividend	-	227,700
9	State Trading Corporation Ltd	Purchase of explosives & ICT products & Repairing charges	165,430	1,993,298
10	State Mining Corporation Ltd	Purchase of Coal	14,421,006	23,617,270
		Purchase of Gypsum	15,577,430	-
11	Wood Craft Corporation Ltd	Purchase of furniture	14,970	1,023,912

Sitting Fees paid to other board of directors of the company is NU. 387,000/- & Nu 409,500/- for 2020 & 2019 respectively. As the liabilities for gratuity is provided on actuarial basis for the Company as a whole, the amounts pertaining to KMP are not included above

43. Other Notes to Accounts

i. Following expenditure relating to Limestone/Calc-Tufa raising from all Mines are transferred to respective Consumption / Stock Accounts:

Particulars	31st December 2020 (Nu.)	31st December 2019 (Nu.)
- Salaries, Wages, Ex-gratia & Other Allowances & Benefits	30,497,541	34,921,655
- Stores and Spares consumed including maintenance charges and other direct expenses	3,567,332	6,555,343
- Contractors' Payment	16,458,651	17,722,466
Repairs to Plant and Machinery include:		
- Salaries and wages of own employees engaged in maintenance Department	22,489,826	22,921,711
- Other Expenses	1,474,059	8,047,013
Total	**74,487,409**	**90,168,188**

ii. Contingent Liability

S. no.	Nature of Contingent Liability	Amount in Nu. 2020	Amount in Nu. 2019
1	Bank Guarantee	2,180,424	2,012,400
	Total	**2,180,424**	**2,012,400**

iii. Capital Commitments

S. No.	Nature of Capital	Amount in Nu. 2020	Amount in Nu. 2019
1	Towards Civil works	15,063,970	7,245,504
2	Towards Plant and Machinery	7,999,503	12,771,465
	Total	**23,063,473**	**20,016,969**

iv. As per the term stipulated in the Mining Lease Agreement, relating to the Security for Mine Reclamation and Environmental Restoration in the Mine, a sum of Nu. 13,724,449 till FY 2020 (Till P.Y. Nu. 13,712,449) has been deposited into the joint account opened with Ministry of Trade and Industry. The company is following a policy of booking the expenses on reclamation and restoration at the time actual work done.

v. The corporate Income Tax assessment has been completed upto the accounting year 2019. During FY 2020 the Department of Revenue and Customs, Royal Government of Bhutan have raised an additional demand charge of Nu. 5,362,620.90 based on the revised computation.

vi. The Company has purchased Land at Gelephu in the year 2011 for Nu. 5,188,108.00 which was freezed by Anti Corruption Commission. Presently, the ACC has forwarded the case to Office of Attorney General after completion of investigation.

vii. In the opinion of the management, the value of assets other than fixed assets and investments, on realization in the ordinary course of business, will not be less than the value at which these are stated in the Statement of Financial Position.

44. Operating Segments

The Company operates only in Cement and has only one segment. Further for internal reporting purposes they consider entire business as one segment only i.e. cement and performance is reviewed accordingly. Hence the company is having only single segment i.e. Cement.The Management considers the business from a geographic and product perspective. From geographic perspective management considers the performance in Bhutan (domicile of company) and India. From the Product Perspective management considers the revenue generated from the various types of Cement viz. PPC, PSC, OPC & PDC. These products are not considered for segment reporting being the similar nature, production processes, Customers & distribution channel.

Entity – wide Information:

Revenue from external customers by country, based on the destination of customers:

Sno.	Country	2020		2019	
		Quantity(MT)	Value (Nu.)	Quantity(MT)	Value (Nu.)
1	Bhutan	57,886	319,308,197	154,949	868,628,880
2	India	87,628	449,812,729	148,987	752,876,192
	Total	**145,514**	**769,120,926**	**303,936**	**1,621,505,072**

The Company has no single customer from whom it derives more than 10% of total revenue.

The Board of Directors has not propose any dividend in respect of financial year ended December 31, 2020 as on date. However, the same shall be finalized by members in the

The above statement of financial position should be read in conjunction with the accompanying notes

For T.K.Ghose & Co.
Chartered Accountants
Firm Registration No. 302002E

Gaurab Basu
Partner
Membership No. 060518
Place : Kolkata
Date : 04/03/2021

T. K. GHOSE & CO. Regn. No. 302002E Chartered Accountants

For and on behalf of the Board of Directors

Chairman

Chief Executive Officer

Director
Place : Thimphu
Date :

Director (FID)

PENDEN CEMENT AUTHORITY LTD. GOMTU, BHUTAN

45. Note on Impact of COVID-19 in the Balance Sheet:

The outbreak of Corona Virus Disease (COVID-19) have severally impacted and triggered significant disruptions to business worldwide, leading to an economic slowdown. Significant disruptions primalіry includes interruptions in production, supply chain disruptions, unavailability of personnel, closure of offices/facilies decline in demand, liquidity and working capital issues, etc. The company has to the best of its abilities consider impact of COVID-19 while preparing these financial statements and accordingly reviewed the possible effects:

a.) There is no material uncertainty on the ability of the Company to continue as a going concern.

b.) There is no material adjustment required to be done in the carrying amounts of the assets and liabilities as on 31st December, 2020.

c.) There is no material event/circumtances happened due to COVID-19 as on the date of approval of these financial statements that require specific adjustments/disclosures in these financial statements. However, the company shall continue to closely monitor any material changes arising of future economic conditions and its impact on the business.

T. K. GHOSE & CO. Regn. No. 302002E Chartered Accountants

PENDEN CEMENT AUTHORITY LTD. GOMTU, BHUTAN

PENDEN CEMENT AUTHORITY LIMITED

SCHEDULES FORMING PART OF FINANCIAL POSITION &COMPREHENSIVE INCOME STATEMENT

INFORMATION AS REQUIRED UNDER PART II OF THE COMPANIES ACT OF THE KINGDOM OF BHUTAN, 2016

A.	Particulars	Unit	2020		2019	
	Production					
	Clinker	MT	67,826.87		162,765.35	
	Cement:					
	Ordinary Portland Cement	MT			-	
	Pozzolona Portland Cement	MT	145,943.00		299,362.00	
	Pozzolona Portland Cement(PLUS)	MT			-	
	Portland Slag Cement	MT	4,698.00		2,130.00	
	Total Cement Production	MT		**150,641.00**	-	**301,492.00**
	Purchased Cement					

	Particulars		2020		2019	
			Quantity (MT)	Value (Nu.)	Quantity (MT)	Value (Nu.)
B.	**Sales:**					
	Own Produced Cement		145,514	769,120,926	303,936	1,499,966,788
	Purchased Cement Sold					
C.	**Raw Materials Consumed:**					
	Limestone		97,781	53,789,190	299,536	149,529,030
	Calc-Tufa				-	-
	Calc -Tufa atplant		3,009	1,688,096	15,108	8,403,608
	Gypsum		6,753	21,368,352	14,475	45,796,649
	Sandstone		1,407	41,086	1,764	51,515
	Iron Ore		279	474,327	383	652,137
	Slag		2,358	6,265,867	2,688	7,330,962
	Fly Ash		24,784	49,132,030	58,216	122,640,721
	Dolomite Chips					
	Coal		16,131	164,300,475	31,720	269,182,677
D.	**Purchases:**					
	Clinker		40,907	187,201,545	65,998	334,979,692

	Particulars		2020		2019	
			Quantity (MT)	Value (Nu.)	Quantity (MT)	Value (Nu.)
E.	**Raw Material Stock:**					
	Limestone at Pugli Mine		189,343	63,204,428	171,911	47,053,784
	Gypsum		763	2,415,386	566	1,791,910
	Sandstone		3,317	96,844	4,724	137,930
	Fly Ash		581	1,152,109	-	-
	Limestone at Plant		70,556	38,812,239	61,036	28,443,796
	Iron Ore		6,143	10,457,963	6,422	10,932,287
	Limestone at Uttarey Mine					
	Slag (wet)		4,091	10,869,342	2,593	7,081,200
	Calc Tufa stock at Plant		7,035	3,946,672	7,784	4,329,586
	Clinker		1,676	7,669,493	173	876,426
	Coal		9,221	93,914,696	4,607	39,094,052
F.	**Commission to Agents:**					
	Bhutan Agents		57,866	13,578,072	158,039	30,510,348
	Indian Stockiest		87,628	12,021,395	134,490	31,238,337
			145,494	**25,599,467**	**292,529**	**61,748,685**

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Chartered Accountants

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G.	Particulars in respect of Opening and Closing Stock:					
			As at 1 January 2020		As at 1 January 2019	
			Quantity (MT)	Value (Nu.)	Quantity (MT)	Value (Nu.)
	Opening Stock:					
	- Cement		1,615	7,401,314	4,059	16,592,745
	- Clinker		45,423	200,188,059	27,651	112,311,849
	- Clinker in process		1,309	1,709,518	1,441	1,600,919
	- Cement in process		1,786	6,847,186	340	1,229,741
	Closing Stock:		As at 31 December 2020		As at 31 December 2019	
	- Cement *		6,741	35,631,711	1,615	7,401,314
	- Clinker		36,080	178,595,802	45,423	200,188,059
	- Clinker in process		-	-	1,309	1,709,518
	- Cement in process		931	4,920,832	1,786	6,847,186
	* Net of short/(excess) adjusted					

For T.K Ghose & Co.
Chartered Accountants
Firm Registration No. 302002E

Gaurav Basu

Gaurab Basu
Partner
Membership No 060518
Place : Kolkata
Date : 04/03/2021

T. K. GHOSE & CO.
Regn. No. 302002E
Chartered Accountants

For and on behalf of the Board Director

Chairman

Chief Executive Officer

Director
Place : Thimphu
Date :

Director (FID)

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RATIO ANALYSIS

RATIO	2020	2019
PROFITABILITY RATIO Net Profit Ratio	(0.293)	0.054
Return on Assets	(0.386)	0.129
Return on Equity	(0.234)	0.071
OPERATIONAL EFFICIENCY RATIO Capital Turnover	0.799	1.314
Fixed Assets Turnover Ratio	1.318	2.390
LIQUIDITY RATIO Current Ratio	5.394	4.193
Liquid Ratio	2.140	1.708
Operating and Maintenance Expenses	1.275	0.926
Employee Remuneration to Sales Ratio	0.292	0.147

Notes to Financial Statements

1. General information

Penden Cement Authority Limited (PCAL) was constituted as an undertaking of the Royal Government of Bhutan under the Royal Charter, in 1974. The Company was incorporated on 27th December 1990 under the Companies Act of the Kingdom of Bhutan, 1989.The registered office of the Company is located at Gomtu, Bhutan.

PCAL started its commercial production of cement in January 1981 when the first truck load emerged out of the Packing Plant. The plant was further optimized in the year 2002 to 1000 TPD of clinker production by upgrading the technology and control system. In 2004 with the addition of Cement Mill, Fly ash dosing and Electronic Packing Plant, the plant capacity now stands 1,650 TPD of cement production.

2. Summary of Restatement of Financial Statement 2019

2.1 The statement of change in Equity of 2019 has been presented incorrectly in the year 2019. However, there is no financial impact of the same. The statement of change in equity of 2019 has been restated correctly in the year 2020 as follows:

Statement of change in Equity 2019

Particulars	2019	
	Actual	Restated
General Reserve	436,242,	438,723,
Retained	365,630,	363,149,
Total	**801,873,**	**801,873,**

2.2 The value appearing in the financial statement of 2019 & 2020 has been rounded off wherever required.

3. Summary of Significant Accounting Policies

3.1 Basis of preparation

i. Compliance with Bhutanese Financial Reporting Standards (BFRS)

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

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 functional currency of preparation is the Bhutanese Ngultrum.

3.2 Property, Plant and Equipments

PPE is initially recognized at cost. The company follows a cost model for Property, plant and equipment and are stated at cost less accumulated depreciation and where applicable accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Only those costs are recognized as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the entity and the cost can be measured reliably.

The Property, plant and equipment are derecognized when no future economic benefits are expected from its use or on disposal.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net within “other income / other expenses” in Statement of profit or loss.

Subsequent Costs

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other costs incurred for the running and maintenance of property, plant and equipment are expensed off in the year in which they are incurred. Spare parts and servicing equipment are normally treated as inventory and expensed as consumed. However, major spare parts and stand-by equipment are treated as property, plant and equipment when they are expected to be used for more than one year.

3.3 Depreciation

Company provides depreciation on property, plant and equipment on a straight-line method over the useful lives of the assets.

Asset		Useful life
Office godown and Residential building	•	30 - 40 years
Factory Buildings	•	30 - 40 years
Roads and culverts	•	5 - 30 years
Plant & Machinery	•	2 – 20 years
Water supply	•	5 – 30 years
Laboratory Equipments	•	5 – 20 years
Other Equipment	•	5 – 20 years
Electrical Installation	•	5 – 30 years
Furniture Fixtures & other equipments	•	7 – 10 years
Vehicles	•	7 – 10 years
Telephone Installation	•	5 – 20 years
Instrumentation (electrical)	•	5 – 20 years
Components of Plant & Machinery	•	2 – 10 years

The depreciation for the property, plant and equipment purchased/constructed during the year is pro-rated on the basis of actual number of calendar days from the date asset are available for use.

3.4 Investment property

Investment properties are land which are held for rental yields and are not occupied by the Company. An investment property is initially measured at its cost and the company has also chosen the cost model for measurement of Investment Property after initial recognition at cost.

3.5 Leases

At the inception of a lease, the lease arrangement is classified as either a finance lease or an operating lease, based on the substance of the lease arrangement.

Company as a lessee
Assets on operating lease are not recognized as part of company's asset. Payments made for operating leases are recognized in profit or loss on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern of the user's benefit

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income.

Lease Income

Lease income from operating lease is recognized in income on a basis which is more representative of the time pattern.

3.6 Impairment - Non-Current Assets

The Company assesses on a forward looking basis the expected credit losses associated with its assets carried at amortized cost and FVOCI debt instruments. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 39 details how the Company determines whether there has been a significant increase in credit risk.

For trade receivables only, the Company applies the simplified approach permitted by IFRS 9 Financial Instruments, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

3.7 Investments and other financial assets

i. ***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.

ii. ***Classification and subsequent measurement***

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

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

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

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Financial assets measured at amortized cost:

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

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

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

After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are 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 asset is held within a business model whose objective is to hold assets for collecting contractual cash flows and
b. Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or cost that are an integral part of the EIR. The EIR amortization is include 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 & employee loans, etc.

Financial instruments measured at fair value through other comprehensive income.

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

Financial instruments measured at fair value through profit and loss

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

iii. <u>Impairment of financial assets</u>

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. Note 39 details how the Company determines whether there has been a significant increase in credit risk.

For trade receivables only, the Company applies the simplified approach permitted by IFRS 9 Financial Instruments, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

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iv. Derecognition of financial assets

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

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

v. Income recognition

Interest income: Interest income from debt instruments 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.

Dividend income: Dividends are recognized in profit or loss only when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Company, and the amount of the dividend can be measured reliably.

3.8 Financial liability

i. *Initial recognition and measurement*

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

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

Borrowings

Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down.

In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

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

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.

iii. Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition 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).

3.9 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.

3.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank balances and deposits, other short-term highly liquid investments with original maturities of three months or less and that are readily convertible to known amount of cash and cash equivalent and which are subject to an insignificant risk of changes in value.

3.11 Inventories

An inventory broadly consists of raw material, stores and spares, work in progress and finished goods.

Basis of valuation:

a) Raw Materials: (at annual weighted average cost)

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Cost is determined as follows:-

- Limestone at Mines: All direct expenses such as Salaries, Wages, Contribution to Provident Fund, Ex-gratia and all other allowances and Consumption of Stores and Spares,
- Limestone at Plant: Cost at Mines, Royalty, Mineral Rent and Transportation cost by road.

- Bought-out Materials: At landed cost.

b) Stores and Spares: At monthly weighted average cost.

c) Coal: At monthly weighted average cost.

d) Work in Progress (Clinker) Net realizable value (lower of cost & net realizable value).

e) Work in Progress: Raw Materials in kiln prior to clinker stage under process and Inventory in Cement Mills under process are arrived on an estimated quantity of stock under process on a standard cost valuation.

3.12 Employee benefit liabilities

Employee benefits are accrued in the period in which the associated services are rendered by employees of the company as detailed below:

a. Defined Contribution Plan (Pension and Provident Fund)

As required by National Pension & Provident Fund, both the employee and employer make monthly contributions to the provident fund, which is a Defined Contribution Plan, equal to a specified percentage of employee's basic salary. The company has no further obligations under the plan beyond its monthly contributions. The company does not have any legal or constructive obligation to pay further contributions if the Fund does not have sufficient assets to pay all of the employee's entitlements. Obligation for contributions to the plan is recognized as an employee benefit expense in profit or loss when the contribution to the Fund becomes due.

b. Defined Benefit Plans (Gratuity)

The liability or asset recognized in the balance sheet in respect of defined benefit gratuity plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit and loss.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service cost.

c. Short Term Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. All employee benefits payable wholly within twelve months of rendering the service are classified as short term employee benefits and they are recognized in the period in which the employee renders the related service. The Company recognizes the undiscounted amount of short term employee benefits expected to be paid in exchange for services rendered as a liability (accrued expense) after deducting any amount already paid.

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d. Earned Leave Encashment

The employees of the company are entitled for earned leave. The employees can carry forward a portion of the unutilized earned leave subject to the limit set as per PCAL service manual and utilize it in future periods or compensated in cash during retirement or termination of employment for the unutilized accrued earned leave based on the salary at the time . The company's net obligation in respect of the earned leave is calculated by estimating the amount of future benefits that the employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The calculation is performed annually by a qualified actuary and amount of obligation is provided in profit or loss. The plan is unfunded.

3.13 Provisions

Provisions are recognized if, as a result of a past event, the entity has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic resources will be required to settle the obligation. Provisions are measured at the management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost. A provision for onerous contracts is recognized when the expected benefits to be derived by the entity from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

3.14 Revenue Recognition

Revenue is measured at the amount the entity expects to be entitled in exchange for transferring promised goods or services to a customer, and represents amounts receivable for goods supplied, stated net of discounts, returns and taxes and royalty collected on behalf of government.

Sale of goods: The Company recognizes revenue when the entity satisfies a performance obligation identified in the contract by transferring a promised good or service (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 to which the asset relates.

3.15 Mines Development expenses

Direct expenditure incurred for development of mines if exceeding Nu. 3 million are to be amortized over a period of 3 years from the date of commencement of operation of such mines.

3.16 Research and Development

Revenue expenditure on research and development is charged to Profit and Loss Account. Capital expenditure on assets for research and development is shown as additions to Property, Plant & Equipment.

3.17 Claims

Claims for liquidated damages against the suppliers/contractors are taken as income or adjusted with property, plant and equipment when these are probable for recovery as per the contractual terms.

3.18 Income Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes (Tax Base).

Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss.

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Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the tax authority on the taxable entity, further they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in subsidiary, associate and joint venture where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

3.19 Contingent Liabilities and Contingent Assets

Contingent liabilities is not recognized but disclosed for all possible obligations that arises from past events and whose existence will be confirmed only by the occurrence or nonoccurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets is also not recognized but disclosed for all possible assets that arises from past events and whose existence will be confirmed only by the occurrence or nonoccurrence of one or more uncertain future events not wholly within the control of the entity.

3.20 Operating Segment

IFRS 8 'Operating Segments' requires a disclosure of operating results segment wise for the entity, whose debt or equity instruments are traded in public market or in the process of listing its securities in public market. Since the company's equity listed in public market, the standard is applicable to the company. The Company operates only in Cement and has only one segment. Further for internal reporting purposes they consider entire business as one segment only i.e. cement and performance is reviewed accordingly. Hence the company is having only single segment i.e. Cement. Refer note 44 for segment information presented.

3.21 Earnings per share ('EPS')

a. Basic earnings per share

Basic earnings per share are calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares

b. Diluted earnings per share

Diluted earnings per share adjust the figures used in the determination of basic earnings per share to take into account:

- The after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3.22 Critical accounting estimates and assumptions

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts in the financial statements. Although the Company regularly assesses these estimates, actual results could differ materially from these estimates. Changes in estimates are recorded in the year in which they become known.

Actual results may differ from management's estimates if these results differ from historical experience or other assumptions do not turn out to be substantially accurate, even if such assumptions were reasonable when made. The said estimates are based on the facts and events, that existed as at the date of statement of financial position, or that occurred after that date but provide additional evidence about conditions existing as at the statement of financial position date.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying values of assets and liabilities within the next financial year cover.

a) **Retirement benefit obligations**

The costs of retirement benefits and present value of the retirement benefit obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation and its long-term nature, retirement benefit obligations are sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

b) **Provision for doubtful debts**

As at each Statement of Financial Position date, the Company assesses recoverability of trade receivables. Provision for doubtful debts is recognized based on the historical experience of collectability of debts. The Company estimates the portion of its outstanding receivables that cannot be collected based on ageing schedules at an increasing percentage of each aging category. Actual doubtful debts could differ from these estimates.

c) **Estimated useful life of Property , Plant and Equipment (PPE):**

Determination of the estimated useful life of PPE and the assessment as to which components of the cost may be capitalized. Useful life of PPE is based on the life as prescribed by the group accounting policy of DHI companies. Assumptions also need to be made, when the Company assesses, whether an asset may be capitalized and which components of the cost of the asset may be capitalized.

3.23 The Company has adopted IFRS 9 and IFRS 15 from 1 January 2015.

3.24 Government Grants

Grants from Government and Government agencies are recognized when there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

Grants related to income are recognized in the Statement of profit or loss on a systematic basis over the periods in which the entity recognizes expenses and the related costs for which the grants are intended. The unallocated portion of such grant is presented as part of deferred income in the Statement of Financial Position.

Grants related to assets which are recognized at a nominal value in the Statement of Financial Position.

A government grant received or that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs shall be recognized in Statement of profit or loss in the year it is received or becomes receivable.

3.25 Foreign currency translation

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates referred to as the "functional currency". The functional currency and presentation currency of the Company is Bhutanese Ngultrum.

Transactions and balances

Transactions in foreign currency are initially recognized in the financial statements in functional currency using exchange rates prevailing on the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated to the relevant functional currency at the exchange rates prevailing at the reporting date. Foreign exchange gains and losses are generally recognized in profit or loss. Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other income or other expenses.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary assets and liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction.

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4. Current versus non-current classification

The Company presents assets and liabilities in the Balance Sheet based on current/non-current classification.
An asset is classified as current when it is:
1) Expected to be realized or intended to be sold or consumed in normal operating cycle;
2) Held primarily for the purpose of trading;
3) Expected to be realized within twelve months after the reporting period, or
4) Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.
All other assets are classified as non-current.

A liability is classified as current when:
1) It is expected to be settled in normal operating cycle;
2) It is held primarily for the purpose of trading;
3) It is due to be settled within twelve months after the reporting period, or
4) There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

COMPLIANCE CALANDAR

Sl. No.	Activity	Section		Remarks
1	*33.1. Submission of Annual Return*	267		
a)	Companies listed with Royal Securities Exchange of Bhutan Limited		On or before 31st May	For the year ended on 31/12/2019 on 27th May, 2020
b)	All unlisted companies includes: i) Duly filled form as per Annual Return Form ii) Balance sheet iii) Profit & Loss Account iv) Cash flow statement v) Auditor's report vi) Directors' report.		On or before 31st July	
2	*33.2. Annual General Meeting*	177		
a) b) c)	Listed Companies Unlisted Companies Government Companies		On or before 30th April On or before 30th June Same timing	Annual General Meeting was held on 16th April, 2020
3	**Notice Calling General Meetings**	185	21 days before the AGM	On 11th February, 2020
4	**Payment of Dividend**	204	Within 30 days of declaration in AGM	No dividend declared for year 2019.
5	**Presentation of B/S, P&L A/c and Cash Flow Statement at every AGM**	244		By BoD and the management
6	**Filing of Documents with Register**	267		On 27th May, 2020
7	*33.3. Appointment of auditor* GCC & GC Reappointment Removal	251	AGM Notify the Registrar within 15 days from passing the resolution	Appointed by the RAA for a period of 3 years
	Resignation	260-262	Convene the EGM within 14 days to discuss resignation.	
8	**Consent to act as directors**	140	Within 30 days of appointment or reappointment with the registrar	Yes
9	**Board Meetings** 1st BM 2nd BM 3rd BM 4th BM	146 & 149	3 months after last BM 3 months after last BM 3 months after last BM 3 months after last BM	20.01.2020 07.04.2020 16.05.2020 31.07.2020 02.11.2020
			Quorum: 2/3 of total directors or 2 directors whichever is higher.	Quorum maintained
10	**Appointment of CEO**	210	Every 5 years	CEO was appointed at the extra ordinary general meeting held at 25th July, 2018
11	**Power of Regulatory Authority to accord approval**	412	Approval of Regulatory Authority	Prescribing forms, Payments of fees, generally for the purpose of this Act.
12	**Appointment of Company Secretary**	213	As per prescribed by MTI	Yes

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			Listed companies+ Companies with more than Nu. 100,000,0000 as paid up capital	
13	**Statutory Record and Inspection**	**228**	All times	Yes

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COMPLIANCE CHECKLIST

Check List for Compliance to Provision of the Companies Act of Bhutan, 2016

No.	Ss.	INCORPORATION OF A COMPANY & SECURITIES	YES	NO	NA	REMARKS
1	28	Changes to Articles/Approval			✓	
2	47	Change of name/Approval			✓	
3	123	Increase or consolidation of share capital			✓	
4	124	Reduction of share capital			✓	
5	82	License Copy and Share Certificate filing			✓	
6	107	Public offer of shares & Debentures-ROC Approval			✓	
		MANAGEMENT & ADMINISTRATION				
7	217	Registered Office of Company	✓			Penden Cement Authority Limited.
		(Postal Address & Contact Number)				Phuntsho Perli, Samtse, Bhutan Phone No. +975 – 5371013/14
8	221	Publication of name by Company	✓			PCAL
		(Letter Head, Seals and Sign Board)	✓			
9	241	Financial Year of Companies as of 31st Dec	✓			Calendar Year from 1st January, 2020 to 31st December, 2020
	242	Extension up to 15 months - ROC approval			✓	
	243	Extension up to 18 months - Authority's approval			✓	
10	245	Financial Statements to follow BAS	✓			
11	267	Annual Return Submission On/before 31st May for listed; others 31st July	✓			Annual Return Submitted on 27th May, 2020
12	177	Annual General Meeting (Minutes)	✓			34th AGM held on 16th April, 2020
13	180	Extraordinary General Meeting (Minutes)		✓		
14	185	Notice for calling general meeting	✓			Notice for 34th AGM was issued on 11th February, 2020 Notice for 190th BM was issued on 17th January, 2020 Notice for 191st BM was issued on 13th February, 2020 Notice for 192nd BM was

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						issued on 13th May, 2020 Notice for 193rd BM was issued on 13th July, 2020 Notice for 194th BM was issued on 29th October, 2020
15	187	listed Co. - written as well as in media	✓			Notice was provided for all the BM & AGM
		Public Co/Private Co. - Written Notice	✓			
16	190	Chairman of meeting (CEO cannot chair)	✓			Dasho (Dr.) Sonam Tenzin was the chairman of 34th AGM & 190th, 191st, 192nd, 193rd, & 194th Board Meeting
17	192	Representation of corporations at meetings (appointed by Board Directors)	✓			
18	193	Ordinary and special resolutions (Minutes)			✓	
19	195	Minutes of Annual General Meeting and Board Meetings (maintained ss.195-198)	✓			
20	199	Declaration and payment of dividend (199-209)	✓			No Dividend for 2019
21	232	Books of account to be kept by company (location & time)	✓			At Gomtu for the period from 01/01/2020 to 31/12/2020
22		Board's report (signed by Chairman)	✓			
23	252	Appointment and removal of Auditors	✓			Auditor is appointed by RAA for a period of 3 years
		Need to re-appoint annually (251-259)			✓	
24	260	Resignation of Auditors from office (Annual Resignation)			✓	
25	266	Auditing standards (Audit using Auditing Standards issued by AASBB)	✓			
26	133	Number of directors	✓			9 Directors
27	134	One third of all Public Companies shall be independent			✓	
28	138	(Minimum No. & retirement on rotation)	✓			
29	139	Additional directors			✓	
30	140	Consent to act as directors	✓			
31	141	Certain persons not to be appointed as Directors			✓	

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32	142	Resignation by a director		✓		
33	143	Removal of directors			✓	
34	146	Board meetings (4 Meetings for Public Cos & 2 Meetings for Pvt.)	✓			5 board meetings were held in the year 2020 (190th to 194th) & 1annual general meeting (34th) were held in the year 2020
35	152	General powers of the board	✓			As per the Companies Act, 2016
36	156	Restriction on powers of Board			✓	As per the Companies Act, 2016
37	210	Appointment of Chief Executive Officer (Max 5 years terms& 2 consecutive terms only)	✓			Appointed in the 180th Board Meeting held on 20th June, 2018
38	213	Company Secretary required in all Public Companies	✓			
39	414	Appointment of selling or buying agents (govt. Approval obtained or not)			✓	
40	157	No loans to directors (only for Public Co.)			✓	
41	53	Inter-corporate investments (investments to be disclosed) apply old rule			✓	
42	158	Conflict of Interest Transactions by Board			✓	
43	161	Standard of care required by directors (Reckless decision)	✓			
		STATUTORY RECORD AND INSPECTION				
44	228	Statutory record and inspection	✓			
	(a)	Register of buy-back of shares	✓			No shares were brought back during the year.
	(b)	Register of transfers	✓			
	(c)	Register of charges	✓			
	(d)	Register of inter-corporate loans	✓			No inter corporate loan were made during the year.
	(e)	Register of inter-corporate investments	✓			Loan of Nu. 50 million made on 14th May, 2020; Nu. 50 million made on 12th June 2020; Nu. 80 million made on 6th July, 2020; Nu. 16.806 million made on 22nd October, 2020 & Nu. 89.591 million made on 22nd May,

						2020
	(f)	Register of contracts in which directors are interested	✓			Mrs. Leki Wangmo is also a director in Bhutan Telecom Limited
	(g)	Register of directors	✓			Company has 9 directors
	(h)	Register of directors' shareholding	✓			Mrs. Leki Wangmo holds 215,453 shares & Mrs. Kinga Lotey holds 1,371,074 shares

For T. K. Ghose & Co.

Chartered Accountants

Gaurab Basu

Partner

M. No. 060518

Firm Registration No. 302002E

Date: 04/03/2021

Place: Kolkata

PENDEN CEMENT AUTHORITY LIMITED

An ISO 9001: 2015 Certified

Phuntshopelri: Samtse

"construct with confidence"

OUR REGIONAL OFFICE

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OUR WORKING DAYS

Head Office: Mon- Fri (09:00 hrs- 17:00hrs) and Sat (09:00hrs- 13:00hrs)
Cement Plant: 24X7