2021

PENDEN CEMENT AUTHORITY LIMITED

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ANNUAL REPORT

PENDEN
AAC ECO BLOCK

BEEMA BAMBOO
An alternative fuel

"construct with confidence"

PENDEN CEMENT AUTHORITY LIMITED
GOMTU : BHUTAN

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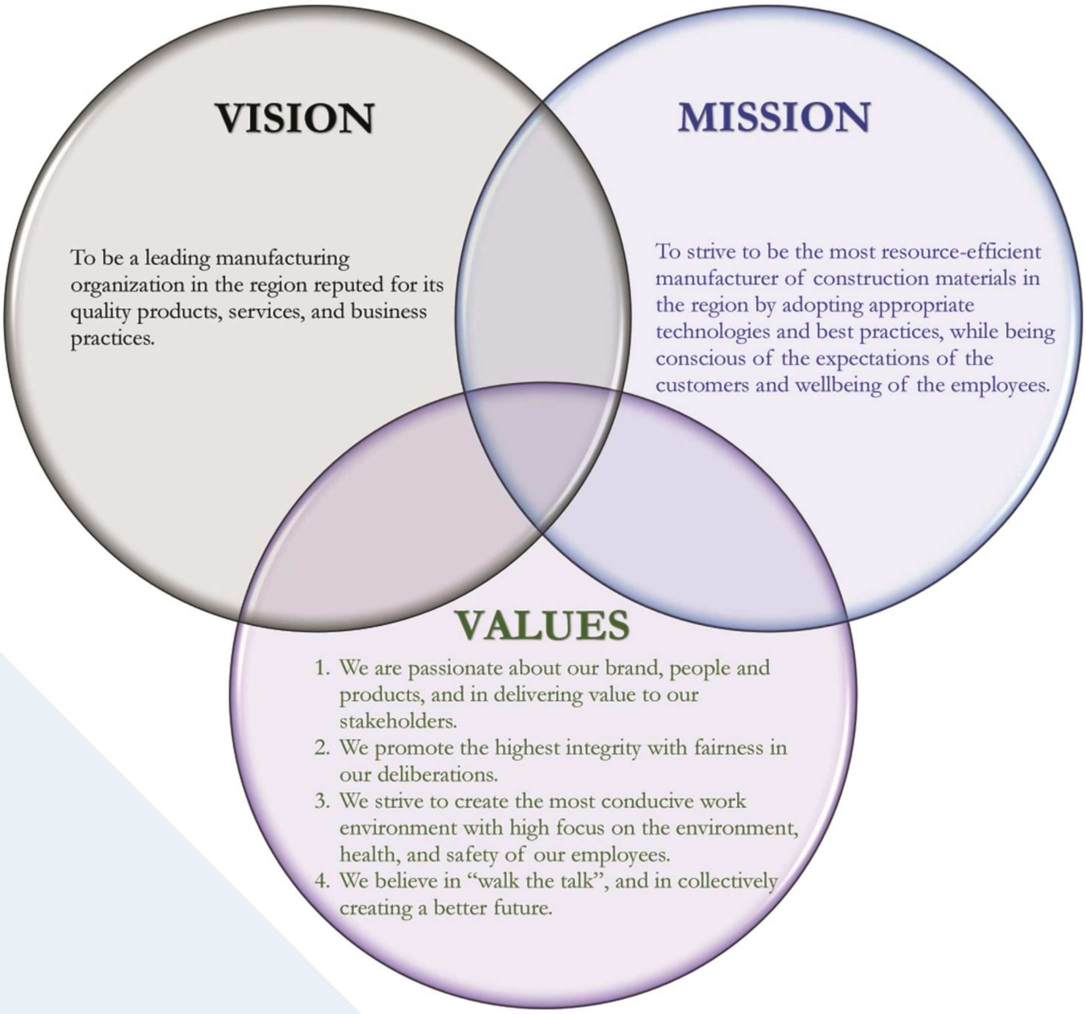
COMPANY'S MISSION, VISION AND CORE VALUES



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.

1980: Setting up of a 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 Penden Cement Plant 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 Kilns (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 initiated.

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.

2002: 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:

- 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.

2021:

1. Implementation of the AAC block project
2. Approval and clearance for surface collection of Daling limestone
3. Approval and clearance for main deposit of Daling limestone
4. Beema bamboo plantation phase-2
5. Completed desktop study of Hourikhola limestone deposits
6. Review of 10 years strategic roadmap
7. Upgradation of ERP/Axpert system to 10x
8. Installation of CCTV network inside the plant for process and security surveillance
9. Initiated HR master plan for 5 years

Note: Covid-19 pandemic continued

BOARD OF DIRECTORS

SN	Board of Director	Designation
1	Dasho Phuntsho Tobgay, Secretary, MoIC	Chairman
2	Mr. Pema Dorji, Brigadier, RBG, Thimphu	Director
3	Lopen Ugen Namgyel, Leytshog Drungchen, Leytshog Office, Zhung Dratshang	Director
4	Dr. Sonam Phuntsho, Director, Bhutan Health Trust Fund	Director
5	Mr. Tshering Tashi, Her Majesty's Secretariat, Thimphu	Director
6	Ms. Leki Wangmo, Investment Director, National Pension & Provident Fund, Thimphu	Director
7	Ms. Yangchen Chhoedon, Director, MoHCF	Director
8	Mr. Ugyen Lhendup, Senior Analyst, CPD, DHI, Thimphu	Director
9	Mr. Tenzin, CEO, PCAL	Director

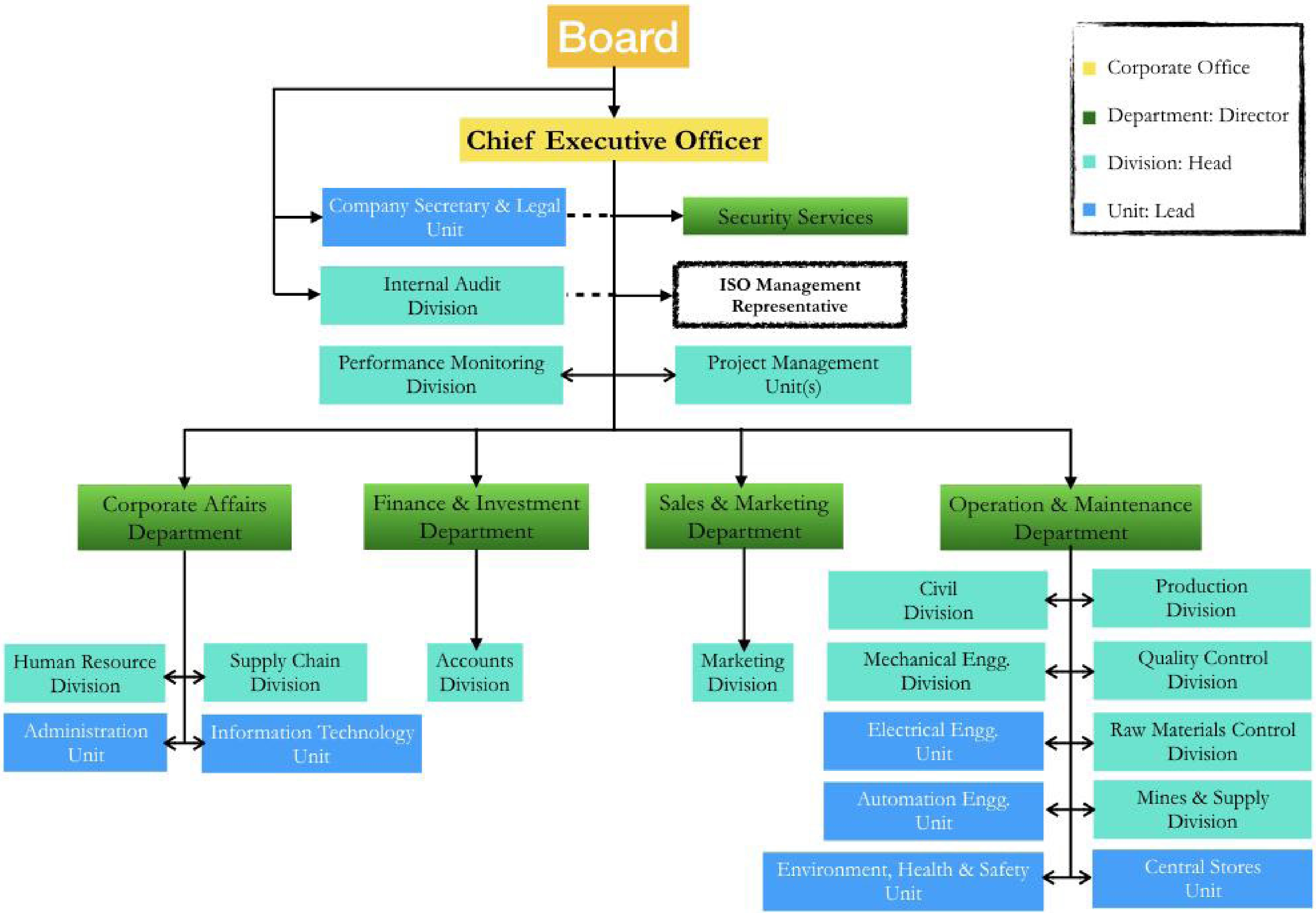
BOARD MEETINGS HELD IN 2021

SN	Name of Shareholders	% of Shares
1	Annual General Meeting	1
2	Board Meetings	8
3	Board Human Resource Committee Meeting	2
4	Board Audit Committee Meeting	6

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%**

ORGANOGRAM



Corporate Office
Department: Director
Division: Head
Unit: Lead
Board
Chief Executive Officer
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 2021.

Penden Cement Authority Limited completes 40 years this year and has served as the foundation in steering the country during the crucial industrialization and developmental phase. Since inception, PCAL has been in the cement business alone and was able to build a strong brand reputation besides fetching a steady stream of revenue and profits for its shareholders for several decades. PCAL has already exceeded its expected life. Therefore, the profitability of the company started declining about ten years ago mainly due to the depleting limestone reserves, ever increasing market competition, aging plant and increasing costs of raw materials. From 2020, the business continues to be badly affected due to the global pandemic, border closure, lockdowns and strict health protocols thus incurring huge financial losses. The global pandemic has had a huge impact on the performance of the company since 2020 and on the wellbeing of the employees who had to endure series of lockdowns, community transmissions and the high risks and challenges while trying to keep the business afloat. I am pleased to report that if not for the resilience and strong commitment of the management and the employees, the financial losses during the pandemic would have been even higher.

1. OPERATIONAL HIGHLIGHTS

With the continuous impact of covid-19 pandemic, PCAL performance has been badly impacted since 2020. However, the financial losses have been drastically reduced in 2021 as compared to 2020 and many strategic plans have been achieved amid the global pandemic. Further, the company did not lay off any employees and continues to pay employees their monthly salary. At the end of 2021, PCAL had 620 employees. Today, PCAL is a fully Bhutanese manned company after the closure of the international border in 2020. The company has also played a key role in safeguarding and managing the Covid pandemic in Phuntshopelri Gewog and continues to do so. Some of the major reasons for the financial losses are mentioned below:

a. Clinker Production

Overall, the supply chain was badly disrupted due to COVID-19 resulting in shortages of manpower, raw materials and spares. Shortages of quality coal, quality limestone and high grade limestone continue to affect clinker production. The overall impact of the COVID-19 pandemic on Clinker production was 69 days or 18.8%. Kiln maintenance works got delayed due to shortage of skilled manpower resulting in 50 days or 13.6% maintenance downtime.

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Therefore, the clinker production achieved was 132,743 MT against the target of 186,280 MT (71.3%) only.

b. Cement Production & Dispatch

Cement production and dispatch were disrupted due to COVID-19 lockdown and health protocols including silo full resulting in a loss of 83 days or 23% downtime. The major breakdown resulted in 181 days of the loss or almost 50% due to non-availability of spares and service engineers required to revive the plant and equipment. Due to the restrictions, increased costs of transportation and material handling, all the three cement depots remained idle. The construction industry suffered due to the pandemic in both the domestic and export markets resulting in reduced dispatch and sale of cement. However, efforts were made to dispatch whatever was produced during the year without any compromise on the quality products. Due to above reasons, the cement production was 167,386 MT against the target of 230,788 MT (73%) and dispatch was 171,695 MT against the target of 167,386 MT (100%).

2. FINANCIAL HIGHLIGHTS

In 2021, the revenue generated was Nu.909.219 million and the comprehensive loss is Nu.70.809 million as compared to the revenue of Nu.769.112 million and comprehensive loss of Nu.218.80 million in 2020. The performance and challenges of the company are regularly reviewed by the Board and the management. The Board and the management has considered a 10 years strategic roadmap to address the several challenges the company is confronted with today. A business contingency plan has also been considered since the beginning of the pandemic to assess the business risks, its mitigation measures, austerity measures and worst case scenario measures have been appropriately adopted.

It is important to report to our shareholders that the performance of the company has been declining about ten years back and deteriorated further from 2017. A major change is the decrease in clinker production which also commensurate with the closure of Uttare limestone mines in 2016.

Particulars	2016	2017	2018	2019	2020	2021
Clinker Production (MT)	249,465.00	167,480.00	185,102.00	187,995.00	67,827.00	132,743.00
Cement Production (MT)	357,177.00	323,810.00	307,828.00	301,492.00	150,654.00	167,386.00
Cement Dispatch (MT)	352,149.00	322,595.00	312,684.00	303,897.00	145,514.00	171,695.00
Revenue from Sale of Cement (MBTN)	1,674.107	1,607.755	1,565.477	1,499.966	769.112	909,219
Profit Before Tax (MBTN)	210.963	206.744	159.888	117.956	(200.246)	(77.625)
Profit After Tax (MBTN)	145.76	151.07	111.58	80.99	(209.850)	(94.450)
Total Comprehensive Income/Loss	150.901	154.743	109.767	70.915	(218.800)	(70.809)
Return on Equity (%)	43%	44%	32.%	21%	(62%)	(27%)

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KEY CHALLENGES

1. From 2020, the business continues to be badly affected due to the global pandemic, border closure, lockdowns and strict health protocols thus incurring huge losses. There are disruptions in the entire supply chain from raw materials to finished products. The non-availability and high costs of raw materials, transportation, fuel, and handling has shot up since the beginning of the global pandemic.

2. Limestone constitutes 95% of the raw materials required for manufacturing cement. PCAL's sustenance is dependent on its captive limestone mines, i.e., Uttare and Pugli mines which were projected at 5.2 million tons each. However, the Uttare mines had to be prematurely closed in 2016 providing about 1.8 million tons (35%) of the estimated deposits only. On the other hand, Pugli limestone mines provided additional 3.4 million tons (35%) of the estimated deposits so far and still show residual reserves of about 2.3 million tons (based on the re-assessment conducted in 2021). However, the limestone from Pugli mines is of marginal grade and therefore cannot be used as a standalone raw material for manufacturing cement. In order to enrich the quality of Pugli limestone, we've resorted to mining Calc-tufa and souring high grade limestone. However, the Calc-tufa mining has also been suspended since 2020 due to poor quality. We'll have to continue to source high grade limestone until we're able to bring in good grade limestone. Another alternative is to procure high quality clinker from outside and mix with in-house clinker to obtain desired quality parameters. However, these ratios should be economical. Therefore the depleting limestone reserves continues to impose a huge impact on the production, revenue and profitability of the company.

3. About 18.5% of coal is required per MT of clinker and it's one of the most expensive raw materials (about 19% of expenditure and increasing exponentially) required for cement manufacturing. Till 2019, coal was sourced from the erstwhile SDEBCCL and used as a standalone fuel. The coal was also much cheaper than Indian or coal imported from other countries. However with the closure of SDEBCCL in December 2019, PCAL had to resort to a mix of imported coal and SMCL coal since the latter has high ash content and limited supplies. The coal from Meghalaya is considered an ideal coal for mixing with SMCL coal. The export of Meghalaya coal was banned from 2019 and reopened only towards the end of 2021. However, Meghalaya coal is not permitted to enter into West Bengal due to a notification imposed by the Indian Customs from 2019. The coal from other sources in India are inconsistent with quality and supplies. This was further aggravated by the frequent hike in the fuel price, coal crisis in India and energy crisis around the world.

4. Due to the depleting limestone reserves, the company was not able to maintain its aging plant. Timely renovation and modernization of the plant are critical but were not taken up which has led to reduced plant availability, lower efficiency, obsolete plant and equipment, and higher repair and maintenance costs.

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5. While the company has reduced its manpower from 1,296 in 2010 to 627 in 2021, the reduction in the total number of employees did not actually account for the declining profitability of the company or the depleting resources. The total number of employees is still on the higher side and lacks core skills required for the cement business. The cement plant has been functioning for many years without production engineers, chemical engineers, mechanical engineers, masons, etc. Many experienced and skilled employees already left the company for greener pastures and adequate human resource training and development plans were not considered. Most of these skills are not readily available in the Bhutanese job market. This is further aggravated due to the border closure since some of these skills were hired as day workers and outsourced during pre-Covid period.

STRATEGIC MILESTONES

I am very pleased to report that despite the challenges and the financial loss in the recent years amid the Covid pandemic, 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. Limestone Exploration

The Board and the management continues to explore limestone deposits in the whole of the country. While it would be ideal to obtain mines closeby the plant, all exploration within the vicinity has been futile. Such exploration has led to the Daling and Bomchang deposits in Panbang under Zhemgang Dzongkhag. Since 2017, we've initiated the study and clearances of these deposits and in 2020, we were able to obtain approval for the surface collection of Daling estimated at 0.33 million tons. At the same time, we have been able to obtain mining clearances and approval of the Daling main deposit estimated at 7.28 million tons. The collection of the surface limestone and detailed geological investigation of the main deposit has been affected by the global pandemic. Otherwise, we would have started mining at Daling by now. The Daling and Bomchang mines are being taken up for strategic reasons. For the next ten years or so, the Daling mines will enable to extend the life of Pugli mines and at the same time make it economically viable by mixing the two. In the long-term, the Daling limestone will provide an opportunity for PCAL to establish a clinkerization unit or a new cement plant at Panbang or Gelephu area.

In 2021, we've also conducted an in-house desktop study for the Hourikhola deposit (about 10 km East of Pugli mines). While the study indicates a reserve of about 5.2 million tons at Hourikhola, this will be similar to the Pugli mines in terms of the grade. Further, the high tension electric towers and public clearance will be few of the bottlenecks in obtaining the mines. A detailed assessment of the deposits shall be carried out. If PCAL can obtain the Hourikhola mines, the limestone can be mixed with Daling limestone and provide additional life to the plant even after exhausting Pugli mines.

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Overall, the Board and the management is optimistic about the progress that has been made in the exploration of the limestone deposits that will enable PCAL to remain in the cement business for several decades.

b. *Sourcing of Coal*

Efforts have been made to source quality coal from India, USA, South Africa, etc. Time and again, requests were also made to MoEA and several proposals were also submitted. Few of these proposals are to allocate coal captive mines to the cement industry, RMA sanction for foreign exchange bank account to enable direct import of USA coal, approval for import of coal from Coal India Ltd. through a long-term memorandum of understanding, value addition of SMCL coal, and RGoB's support for alternative fuels to supplement coal. Similar efforts are made for alternative fuel through the plantation of Beema bamboo and studies conducted for alternative fuels.

The Board and the management continue to explore various options to source quality coal to ensure business continuity. Besides sourcing coal from the open market, the company is expecting improved coal supplies from SMCL after they complete the coal washer. The coal supply from Coal India Limited is also being pursued both by the Government and the company and therefore, we should have a long term arrangement soon. The Government is also taking up with the Assam and West Bengal state government to permit export of coal from Assam/Meghalaya to Bhutan (Eastern).

c. *AAC Block Project*

The Shareholders and the Board approved to invest in a 300 CUM/day AAC block plant located adjacent to the cement plant. The project is estimated to cost Nu.292.60 million and initially scheduled to be completed by July 2020. Amid the pandemic, the project was deferred due to restriction on inflow of laborers and import of materials from India, lockdowns at the national, regional and gewog level. The project was initially scheduled to be completed by July 2020 but it was deferred to December 2020. Later to May 2021 and then to December 2021 due to the COVID-19 pandemic. The major impacts were from the suspension of import of foreign workers, 21 days mandatory quarantine and the series of lockdowns and strict health protocols. It was finally targeted to be commissioned by the end of March 2022 but in January 2022, the Government suspended the import of foreign workers due to the upsurge in the Covid cases.

The production of the Penden AAC Eco-blocks will start from June 2022. Once commissioned, the plant will have a state of the art and fully automated production. The project will engage about 65 employees during full production. The annual revenue is estimated at Nu.350 million with huge markets in Bhutan and India.

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d. Beema Bamboo Plantation

The Beema bamboo plantation (Phase-I) was carried out at Uttare Mines as a reclamation project and also for future investment. We have planted about 10,500 saplings of beema bamboo and invested Nu.5.326 million. Phase-II was carried out in our own land with a total area of 20.98 acres.

PCAL is planning to supplement coal with alternative fuels. The usage of alternative fuels in cement manufacturing not only helps to reduce the emission but also has significant ecological benefits of conserving non-renewable resources. Therefore, Beema bamboo has huge potential as an alternative fuel. The phase-II plantation is carried out in the land lying idle and ensures effective utilization of the company's assets. The Beema bamboo plantation will also help to offset the carbon dioxide produced from the cement plant besides other applications and serve as a model for other industries in the country.

e. Human Resources

The Board and the management has considered a Human Resource Master plan for 5 years to strategize the HR development. The Service Rules are also being reviewed for further improvements. Besides the cement business, the Board and the management is also considering other strategic plans which has enabled the company to optimize and build human resource capacities. In 2022, targets are set to optimize manpower upto 500 for the cement business. The balance manpower shall be relocated to the new diversification projects. New recruitment shall be restricted to professionals and non-core business activities shall be outsourced wherever possible. Over the next few years, the company shall strive to create a lean organization that will be cost effective and highly efficient.

WAY FORWARD

I am very pleased to report that the Board and the management has considered the 10 years strategic roadmap of the company. The total income from the sale of cement and the AAC Eco-block are projected at Nu. 1,984.73 million and a PAT of Nu.120.401 million for the year 2022. Under the non-financial, the company will strive to achieve the surface collection from Daling limestone, installation of the new EOT crane and a limestone crusher at the plant, upgradation and modernization of the plant, obtain Quartzite mines for the AAC block plant, pursuing alternative fuel to supplement coal, implementation of the maintenance strategy, manpower optimization and HR capacity building, initiative additional diversification projects and integrity excellence. The achievements of the targets are contingent on the Covid pandemic but with the major changes to the Covid protocols, the Board and the management is optimistic of these achievements and turning around the profitability of the company.

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CORPORATE GOVERNANCE

The Company complied with the Companies Act of Bhutan 2016, Listing Rules, CG Code by DHI and other relevant laws in the country. The Company's Board had nine Board meetings including Annual General Meeting and six Board Audit Committee meetings. At the end of 2021, the PCAL Board consisted of eight Directors including the Chairman and the CEO. Dasho Phuntsho Tobgay, Secretary, Ministry of Information and Communication was appointed as the Chairman. Mr. Tenzin, CEO, PCAL was reappointed as the CEO of PCAL from 1st August 2021 for another three years with possibility to extend for another two years considering his performance.

STATUTORY AUDITOR REPORT

S.P. Chopra and Co., Delhi was appointed as Statutory Auditors of PCAL with effect from 2022 by the Royal Audit Authority. Accordingly, M/s S.P. Chopra and Co. undertook the statutory audit of the accounts of the company for the year 2021 through electronic means due to the travel restrictions imposed by the COVID-19 pandemic. The auditing of accounts was carried out with effect from 16th January 2022 to 6th April 2022. The 2021 audit was carried out in accordance with the requirements of 'Bhutanese Accounting Standards' (BAS).

There are few Qualifications to the Auditor's Report for 2021. The basis of qualified opinion are non-compliance of Bhutanese accounting standards and inconsistency with the accounting policy of the company on (i) capitalization of certain stand-by equipment for use in the production process; and (ii) ascertain and recognition of deferred tax assets/liabilities based on addition/deletion in temporary differences on yearly basis instead of as per the balance sheet method. The details are presented under the audited financial statements and auditor's report by the management.

AUDITOR'S REPORT

The RAA conducted the auditing for FY 2019 and 2020 in 2021 despite the lockdowns. There were 34 memos in total in their preliminary report, out of which few have already been resolved and rest are being reviewed further. Today, the company has 5 unresolved audit memos as on date (3 from 2010-11 and 2 from 2018). I am also pleased to inform you that the company is striving to adopt best practices, especially rooting out corruption from the system. Besides other initiatives, the Board and the management has considered zero-corruption targets in the compact since 2019. We've also considered integrity excellence and effective implementation of OIP and have achieved 62% (very good) for the year 2020. An internal audit division has also been established to support the Board and the management in these endeavours.

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 2021, the company contributed a total amount of Nu.0.972 million towards CSR in combating the Covid pandemic. The Company also contributed 18.5 MT of cement towards making a 200 bedded quarantine facility center, construction of a quarantine facility at Gelephu and also to RBP, Gomtu, Tading School and Samtse Forestry office.

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ACKNOWLEDGEMENTS

The Board of PCAL also acknowledges and sincerely thank the RGoB, DHI, MoEA, MoLHR, MoH, Samtse Dzongkhag, RAA, NEC, DGM, RBA, RBP and other stakeholders in Bhutan and India for their support and assistance given to PCAL to fulfill 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 keeping the business afloat despite the Covid pandemic. 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 the most challenging phase. The Board shall continue to fully guide and support the management in its endeavor in achieving the vision, mission and goals of the company.
Tashi Delek!

For and on behalf of the Board,

26/4/22

(Phuntsho Tobgay)
Chairman of the Board of PCAL

PENDEN CEMENT AUTHORITY LTD.
GOMTU, BHUTAN

INDEPENDENT AUDITOR'S REPORT

S.P. CHOPRA & CO.
Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PENDEN CEMENT AUTHORITY LIMITED

Qualified Opinion

We have audited the financial statements of **Penden Cement Authority Limited** (the "PCAL / Company"), which comprise the Statement of Financial Position as at 31 December, 2021, the Statement of Comprehensive Income, the Statement of Cash Flows 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, *except for the effects of the matters described in the Basis for Qualified Opinion section of this report*, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December, 2021 and of its financial performance, its changes in equity and its cash flows for the year then ended, in accordance with the requirements of 'Bhutanese Accounting Standards' (BAS).

Basis for Qualified Opinion

i. The Company is having certain stand-by equipments for use in production process. These stand-by equipment are being carried as inventory of capital stock, however, as the same are held for use in the production and are expected to be used for more than one period/s, the same are covered under the definition of property, plant and equipment as per BAS-16, Property, plant and equipment (PPE) and therefore should have been capitalized under property, plant and equipment and depreciated accordingly instead of carrying as inventory. The same has resulted in non-compliance of the 'Bhutanese Accounting Standards' and inconsistency with the accounting policy of the Company.

   Further, in the absence of the complete details / information and computation etc., the impact of the above matter on the financial position and performance of the Company could not be ascertained / known.

ii. As per the accounting policy of the Company and the BAS-12, Income Taxes, the carrying amount of deferred income tax assets / liability are reviewed at each Statement of Financial Position date, and deferred income tax is provided on all temporary differences at the reporting date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. The Company has ascertained and recognized deferred tax assets/liabilities, based on the addition / deletions in temporary differences on yearly basis instead of as per the balance sheet method i.e. re-assessment of deferred income tax assets / liability as on the reporting date. The same has resulted in non-compliance of the 'Bhutanese Accounting Standards' and inconsistency with the accounting policy of the Company. Had the deferred tax assets / liabilities would have been recognized as per the balance sheet method i.e. considering

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the carrying amounts as at the Financial Position date, the Retained Earnings as at 01 January, 2020, 31 December, 2020 and 31 December, 2021 would have been Nu. 496,841,511, Nu. 276,065,964 and Nu. 176,414,627 as against the reported figures of Nu. 380,261,918, Nu. 170,411,449 and Nu. 75,960,453 respectively, the Total Comprehensive Loss for the year 2020 and 2021 would have been Nu. 229,725,443 and Nu. 76,009,409 as against the reported figures of Nu. 218,800,365 and Nu. 70,809,068 respectively, and there would have been the Deferred Tax Liabilities of Nu. 22,334,653 and Nu. 38,286,543 as against the reported figures of Nu. 127,989,168 and Nu. 138,740,718 as 31 December, 2020 and 31 December, 2021 respectively.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of Matters

We draw attention to the following matters in the Notes to the financial statements:

Note No. 41:Re; Adjustments in the financial statements retrospectively, and restatement of the comparative figures / financials of the earlier year, in respect of the rectifications/corrections of certain matters as described in the said note.

Note No. 42.8:Re; Non-adjustment of the assets found short, damaged or obsolete during physical verification of property, plant and equipment, as the same as informed, is under review / reconciliation and the impact thereof, will be taken in the year the said exercise is completed.

Note No. 42.9:Re; Different useful lives of certain assets of similar nature/use and under the same block of assets. The exercise of evaluation / re-consideration / re-estimation of useful lives in these cases is in process, and the impact thereof, if any required, will be taken in the year the said exercise is completed.

Note No. 42.10:Re; Accumulation of huge stock / inventory of PC Pit material, with very minimum consumption level, however, the Company is hopeful of its use / consumption in future considering the indication of a technical study, and valuation of the said inventory at the same rate at which the Clinker is valued, in the absence of proper costing method/techniques to ascertain its cost, which the management is in the process of formulation, as described in the said note.

Note No. 42.11:Re; Valuation of work in process inventory of Clinkers at net realizable value and not at cost in terms of BAS-2, which in view of the management is more appropriate and prudent in the present economic scenario, as described in the said note.

Note No. 42.12:Re; Uncertainty of the impact, of COVID-19 pandemic, and evaluation of the situation on an ongoing basis with respect to the challenges faced.

Our qualified opinion is not further qualified in respect of above matters.

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Other Matters

We draw attention to the following matters:

1. The corresponding figures for the year ended 31 December, 2020 were audited by the predecessor auditor, who had expressed unmodified opinion thereon vide their audit report dated 04 March, 2021.

2. Due to COVID 19 induced restrictions on physical movement and strict timelines, we could not visit the office / units / works / premises of the Company for undertaking the required audit procedures. We have conducted our audit online wherein the necessary records / reports / documents / details were made available to us through digital medium, emails and remote access of ERP of the Company (Axpert) and other relevant IT application / software, which were relied upon as audit evidence for conducting the audit and reporting for the current year. The processes so adopted were found to be satisfactory and adequate for our audit.

Our qualified opinion is not further qualified in respect of above matters.

Information other than the Financial Statements and Auditor's Report thereon

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

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

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

We summarize below the key audit matters in decreasing order of audit significance, in arriving at our qualified audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

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Key Audit Matters	How the matter was addressed in the audit
<u>Fair Value measurement of Financial Instruments</u> (Refer to Note 32 to the financial statements) Fair value of financial assets and financial liabilities has been measured using valuation techniques including the Discounted Cash Flow (DCF) model etc. where the financial instruments are not quoted in active market. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility, which involve high degree of the estimation and judgement and could affect the reported fair value of financial instruments.	<u>Our Audit Procedure</u>: The Company has carried out the valuation of the Financial Instruments after applying their own judgment and estimates. We have conducted the verification of the data provided to us by the Company with respect to its correctness and completeness, as compared to the financial accounts / records of the Company, and has held closed interaction with the management to understand their process and results and the implementation and usage of valuation models. This included the review of the controls over adjustments to mitigate model limitations and assumptions. We have particularly focused more on the borrowings, decommissioning liabilities, and security deposits (as they constitute 25.03% of the total liabilities of the Company) by adopting audit programmes and process to ensure the coverage of each of these significant item individually so as to ensure its correct fair valuation by reviewing the assumption and technique model used by the management of the Company. <u>Our Results</u>: The results of our testing were satisfactory and we considered the fair value of the financial instruments assets and liabilities recognised to be acceptable.
<u>Reliability and Security of IT System</u> The financial reporting process is highly dependent on information technology and the availability of complete and accurate electronic data due to the size and the complexity of the Company. The inadequate / in correct data feeding or inappropriate granting of or ineffective monitoring of access rights to IT systems, or inadequate security of the IT system and electronic data, if any, therefore, could present a risk to the accuracy of financial reporting, and could have a material effect on the completeness and accuracy of the financial statements.	<u>Our Audit Procedure</u>: We obtained an understanding of the Company's business IT related control environment. Furthermore, we conducted a risk assessment and identified IT applications, databases and operating systems that are relevant to our audit. For relevant IT-dependent controls within the financial reporting process (so-called IT application controls) we identified supporting general IT controls and evaluated their design, implementation, and operating effectiveness. We tested key controls particularly in the area of access protection and linkage of such controls to the completeness and accuracy of financial reporting.

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	Our Results: Based on the results of our key controls testing and substantive audit procedures, we consider the IT access management in the financial reporting process, generally address the requirements for completeness and accuracy of financial reporting relevant data. In cases where we identified control deficiencies, we found that compensating controls were in place and tested other compensating evidence to address the risk of material misstatement over the financial statements.

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

The Company's Management is responsible for the preparation and fair presentation of the financial statements in accordance with the 'Bhutanese Accounting Standards' 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

As required by Section 266 of the Companies Act of Bhutan, 2016, we enclose in the **Annexure-A** hereto statement on the 'Minimum Audit Examination and Reporting Requirements' to the extent applicable to the Company.

As required by Section 265 of the Companies Act of Bhutan, 2016, we report that;

i. 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;

ii. in our opinion, proper books of accounts have been kept by the Company so far as appears from our examination of those books;

iii. the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows dealt with by this report are in agreement with the books of account.

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iv. based on the information, explanations and management representations received during the course of our audit, the Company has complied with all the applicable and relevant legal and regulatory requirements.

For S. P. Chopra & Co.
Chartered Accountants
ICAI Firm Regn. No. 000346N

Place: New Delhi
Dated: 19.04.2022

(Pawan K. Gupta)
Partner
M. No. 092529
UDIN: 22092529AITVPR1607

S.P. CHOPRA & CO. NEW DELHI CHARTERED ACCOUNTANTS

REPORT ON MINIMUM AUDIT EXAMINATION REQUIREMENTS

ANNEXURE - A

TO THE MEMBERS OF PENDEN CEMENT AUTHORITY LIMITED

Report On 'Minimum Audit Examination and Reporting Requirements' for the year 2021

1. The Company has maintained proper records of the property, plant & equipment in the assets register to show full particulars including quantitative details and situation of the property, plant & equipment. As explained to us, the assets have been physically verified by the management during the year in a phased/periodical manner; *however, the verification had been conducted on a random basis and not for the entire property, plant & equipment which in our opinion is not reasonable having regard to the size of Company and nature of its assets. In some cases, the impact of discrepancies noted in the physical verification has not been given in the accounts as the same, as informed, are under reconciliation, however, considering the nature of the discrepancies, as explained to us, there will be no material impact on the accounts.*

2. None of the property, plant & equipment have been revalued during the year.

3. As per SOP, the physical verification of inventory shall be carried out on quarterly basis. *However, the physical verification was conducted only for stores and spare parts, and no physical verification was conducted for raw material – fly ash, capital stock items and of finished goods. Thus, the physical verification was not conducted on regular interval for all the materials.*

4. In our opinion and according to the information and explanations given to us, the procedures of physical verification (PV) of stock followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business *except refer our comments in para 3 above.*

5. In the case of some stock items, discrepancies were noted on physical verification of the stock, which as informed were not material and already adjusted in the accounts.

6. In our opinion and according to the information and explanations given to us the Company has reasonable system of recording receipts, issues and consumption of stores and allocating materials consumed to the respective jobs, commensurate with its size and nature of its business.

7. Based on the information and explanation given to us, the company has carried out quantitative reconciliation in respect of all major items of inventory at the end of the accounting year.

8. Based on our test verification and according to the information and explanations given to us, the Company has the adequate system of identification of the obsolete, damaged slow moving and surplus goods / inventory; However, wherever the value of such items are significant, adequate provisions/adjustments has been made in the accounts.

9. The Company has written off obsolete spares of Nu. 83,601 during the year, however, the same are pending disposal. Proceeds, if any will be accounted when the same will be disposed off.

10. Based on our test verification and according to the information and explanations given to us, no such material losses and discrepancies in physical/book balance of inventories including finished goods, materials, stores and spares were noted during the physical verification which requires any approval of the appropriate authorities.

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11. On the basis of our examination of stock records, we are of the opinion that the valuation of the stock is fair and proper and in accordance with the applicable Accounting Standards issued by the Accounting and Auditing Standard Board of Bhutan (AASBB) *except in case of valuation of stock of PC Pit Material and Clinkers, as detailed in the respective paras of Emphasis of Matters section of our Audit Report in this regard.* Further, there is no deviation in the basis of valuation, as compared to the earlier period/year.

12. The Company has taken secured loan from National Pension and Provident Fund (NPPF) during the year. The rate of interest and other terms and conditions of the said loan are not prima facie prejudicial to the interest of the Company.

13. The Company has not granted any loan to other companies, firms or other parties, except the advances given in the normal course and as per the requirement of the business, therefore the said clause is not applicable.

14. The loans / advances granted by the Company to its officers/staff are as per the provisions of service rules or as per the business requirement. No instance of excessive / frequent advances or accumulation of large advance against particular individual has been noted during our test verification.

15. In our opinion and according to the information and explanations given to us there are adequate system of internal controls to ensure completeness, accuracy and reliability of accounting records, carrying out the business in an orderly and efficient manner, to safeguard the assets of the Company as well as to ensure adherence to the rules/regulations and system and procedures.

16. There is a reasonable system of authorization at proper levels, and adequate system of internal control commensurate with the size of the Company and nature of its business, on issue of stores and allocation of material and labor to the respective jobs.

17. *In our opinion and according to the information and explanations given to us, as referred in the para 15 of Management Report, we could not comment on the adequacy of the system of competitive biddings for the purchase of goods and services including stores, plant and machinery, equipment and other assets, and whether the same is commensurate with the size of the Company and nature of its business, as the substantial information/documentation related to quotations/comparatives etc. for such purchases were not provided to us for our verification.* For sale of goods and services, system of fixation of prices was adequate, commensurate with the size of the Company and the nature of its business.

18. As per the information and explanations given to us and based on the declarations received from the Directors, there is no transaction for purchases and sale of goods and services made in pursuance of contracts or arrangements entered into with the Director/s or any other party related to the Director/s or with companies or firms in which the Director/s are directly or indirectly interested. However, as the Directors of the Company are all Government nominees, there are some transactions with other Government Companies/Agencies, which were generally found to be as per the directives, sanctions, rules and regulations of the Government.

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19. According to the information and explanations given to us, and on the basis of our test verification of the accounts and other records etc. to the best of our knowledge, no personal expenses have been debited to the Statement of Comprehensive Income other than those payable under contractual obligations / service rules nor have we been informed about such cases by the management.

20. In our opinion and according to the information and explanations given to us, the unserviceable or damaged stores or other items wherever identified have been properly dealt with and accounted for in the accounts.

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

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

23. In our opinion and according to the information and explanations given to us, reasonable records are being maintained by the Company for sale and disposal of realizable by-products and scrap, where applicable.

24. Based on test verification of the records and as per the information and explanations given to us, in our opinion, the Company is regular in depositing its rates, taxes, duties, royalties, provident fund and other statutory dues, as applicable with the appropriate authorities. Further, provision of corporate tax was not required to be computed considering loss during the current year.

25. Based on test verification of the records and as per the information and explanations given to us, there was no undisputed amount payable in respect of rates, taxes, duties, royalties, provident funds and other statutory deductions, as applicable at the year end.

26. Based on our test verification of the records and as per the information and explanations given to us, there is a reasonable system of allocating man-hours utilized to the respective jobs, commensurate with the size of the Company and nature of its business.

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 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. Based on test verification of the records and as per the information and explanations given to us, the Company has a process of evaluation of the commission agent on regular basis based on industry norms/market conditions.

30. In our opinion, the Company has reasonable system for follow-up with debtors and other parties. Age-wise analysis of outstanding amounts is carried out by the management as and when required for information and follow-up action.

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, reasonable and adequate.

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32. According to the information and explanations given to us, and on the basis of test examination of books and records, in our opinion and to the best of our knowledge, the activities carried out by the Company are lawful and intra vires to the Articles of Incorporation of the Company.

33. On the basis of our test verification and according to the information and explanations given to us, the Company has system and procedures for obtaining the approval of the Board/delegated authority for all capital investment decisions and investments in new projects/ventures are made after considering the technical and economic feasibility of such projects as per the stipulated procedures.

34. The Company has an adequate and effective budgetary control mechanism.

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

36. In our opinion and according to the information and explanations given to us, other than the remunerations and sitting fee to the Chief Executive Officer, and sitting fees to other Directors, no other payments in cash or in kind, has been paid to them or any of their relatives, in the nature of remuneration or commission. The remunerations and sitting fees paid to the Chief Executive Officer, and the Directors, are disclosed in the Financial Statements.

37. As per the information and explanations given to us and based on our review of the transactions the directives of the Board have been found to be complied with by the Company.

38. On the basis of information received from the management, and on the basis of our review of the records and documents, price sensitive information which are not publicly available have not been transmitted by any officer of the Company to their relatives/friends/associates or close persons with intent to benefit themselves.

39. On the basis of test examination of books and records, in our opinion and to the best of our knowledge, proper records are kept for inter unit/branch transactions and services.

40. As per the information and explanations given to us and based on our review, proper agreements are executed and applied for the machinery/equipment taken on hire and the terms and conditions are reasonable.

41. **Computerized Accounting Environment:**

   1. The organizational and system development controls and other internal controls were generally found to be adequate in relation to the size and the nature of computer installations.
   2. Adequate safeguard measures and backup facilities exist in the organization.
   3. The Company is maintaining appropriate backup facilities and disaster recovery measures at a location in Thimphu.
   4. The operational controls were generally found to be adequate to ensure correctness and validity of input data and output information.
   5. Adequate measures are in place to control unauthorized access over computer installations and files.

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6. As informed, wherever there is data migration during change over to new system, it is managed effectively to ensure completeness and integrity of data as well as smooth operation of the system.

42. General:

a. Based on the net asset position reflected by the Statement of Financial Position as at 31 December, 2021 and audited by us in accordance with the International Standards on Auditing and on the basis of such other tests as we considered necessary in this regard, we have no reason to believe that the Company is not a going concern on the Statement of Financial Position date.

b. Ratio Analysis has been given in enclosed Annexure - 1.

c. According to the information and explanations given to us and based on the Compliance Checklist compiled by the Company, the Company has complied with the provisions of The Companies Act of Bhutan, 2016 *except for the remarks/observations mentioned in the checklist therein.*

d. *The audit of the Company conducted by us is governed by The Companies Act of Bhutan, 2016 and scope of work is limited to the examination and review of the Financial Statements as provided to us by the management. In the course of audit we have considered the compliance of the provisions of the said Companies Act and its Article of Incorporation. It is not possible for us to comment as regards adherence to all Laws, Rules and Regulations, System, Procedures and Practices by the Company, as comprehensive Compliance Reporting and Recording System of the Company in this regard is currently not in place. However, any non-compliance or departure from accepted practice and approved systems / procedures having effect on financial statements that came to our notice during the course of our audit is properly impacted / disclosed in the accounts.*

For S. P. Chopra & Co.
Chartered Accountants
ICAI Firm Regn. No. 000346N

S. P. CHOPRA & CO. * NEW DELHI * CHARTERED ACCOUNTANTS *

(Pawan K. Gupta)
Partner
Membership No. 092529

Place : New Delhi
Dated: 19.04.2022

FINANCIAL STATEMENTS

PENDEN CEMENT AUTHORITY LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER, 2021

(Amount in Nu.)

Particulars	Notes	As at 31 December, 2021	As at 31 December, 2020
ASSETS			
Non-current assets			
Property, plant and equipment	4	504,939,894	566,559,076
Capital work in progress	5	277,610,179	120,599,013
Intangible assets	5	5,952,213	2,710,796
Investment property - Land		1	1
Long term loans & advances	6	7,813,457	13,599,856
Other receivables	7	201,893,929	217,458,877
Non-current tax assets	8	534,935	63,177
Total non-current assets		**998,744,608**	**920,990,796**
Current assets			
Inventories	9	485,732,615	575,555,745
Trade and other receivables	10	30,935,330	21,744,317
Short term loans & advances	11	2,400,591	4,421,531
Cash & Bank balances	12	136,877,376	74,673,931
Other current assets	13	28,486,738	123,337,480
Total current assets		**684,432,650**	**799,733,004**
Assets held for sale	14	4,468,682	4,468,682
TOTAL ASSETS		**1,687,645,940**	**1,725,192,482**
EQUITY & LIABILITIES			
Share capital	15	340,000,700	340,000,700
General reserves		438,723,914	438,723,914
Retained earnings		75,960,453	170,411,449
Other comprehensive income/(Loss)		2,806,881	(20,835,047)
Total equity		**857,491,948**	**928,301,016**
Non-current liabilities			
Borrowings	16	170,000,000	180,000,000
Provisions	17	135,544,180	151,888,392
Deferred tax liabilities (net)	18	138,740,717	127,989,167
Total non-current liabilities		**444,284,897**	**459,877,559**
Current liabilities			
Borrowings	16	192,123,008	114,001,910
Trade and other payables	19	133,169,257	165,366,508
Other curent liabilities	20	15,860,807	12,649,266
Provisions	17	44,716,023	44,996,223
Total current liabilities		**385,869,095**	**337,013,907**
TOTAL EQUITY & LIABILITIES		**1,687,645,940**	**1,725,192,482**

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

As per our report of even date attached
For S P Chopra & Co.
Chartered Accountants
Firm Regn. No. 000346N

S. P. CHOPRA & CO. NEW DELHI CHARTERED ACCOUNTANTS

Pawan K. Gupta
Partner
Membership No: 092529

Place : Delhi
Date : 19.04.2022

For and on behalf of the Board of Directors

Dasho Phuntsho Tobgay
Chairman

Tenzin
Chief Executive Officer

Ugyen Lhendup
Director

Yeshey Dorji
Director (FID)

Place : Thimphu
Date : 19.04.2022

PENDEN CEMENT AUTHORITY LIMITED
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER, 2021

(Amount in Nu.)

Particulars	Notes	For the year ended 31 December, 2021	For the year ended 31 December, 2020
Revenue			
Revenue from operations	21	909,219,120	769,112,185
Other income	22	33,574,407	39,700,542
Total Revenue		**942,793,527**	**808,812,727**
Expenditure			
Cost of materials consumed	23	294,781,492	371,796,525
Other manufacturing expenses	24	385,527,470	274,012,805
Changes in inventories of finished goods and work in progress	25	17,453,676	(1,669,079)
Employee benefit expenses	26	192,242,207	214,243,399
Finance costs	27	7,204,724	3,520,709
Depreciation and amortization expenses	4 & 5	68,970,922	72,473,677
Selling and transportation expenses	28	38,906,665	35,249,220
Other expenses	29	15,332,102	39,431,913
Total Expenditure		**1,020,419,258**	**1,009,059,169**
Loss before tax		**(77,625,731)**	**(200,246,442)**
Tax expenses:			
Current tax - earlier years	42.4	(6,073,715)	-
Deferred tax	31.1	(10,751,550)	(9,604,027)
Net Loss for the year		**(94,450,996)**	**(209,850,469)**
Other comprehensive income/(loss)			
- Items that will not be reclassified to profit or loss			
Re-measurements gain/(losses) on defined benefit plans		23,641,928	(8,949,896)
Income tax relating to above items		-	-
Net other comprehensive income/(loss)		23,641,928	(8,949,896)
Total Comprehensive Loss		**(70,809,068)**	**(218,800,365)**
Eaning per share			
- Basic/Diluted earnings per share	30	(2.78)	(6.17)

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

As per our report of even date attached
For S P Chopra & Co.
Chartered Accountants
Firm Regn. No. 000346N

S P CHOPRA & CO. NEW DELHI CHARTERED ACCOUNTANTS

Pawan K. Gupta
Partner
Membership No: 092529
Place : Delhi
Date : 19.04.2022

For and on behalf of the Board of Directors

Dasho Phuntsho Tobgay
Chairman

Tenzin
Chief Executive Officer

Ugyen Lhendup
Director

Yeshey Dorji
Director (FID)

Place : Thimphu
Date : 19.04.2022

PENDEN CEMENT AUTHORITY LIMITED

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

(Amount in Nu.)

Description	Share capital	Other equity			Total Equity
		General reserves	Retained earnings	Other comprehensice income/(loss)	
As at 31 December, 2019	**340,000,700**	**438,723,914**	**375,034,362**	**(11,885,151)**	**1,141,873,825**
Restatement (Refer note 41)	-	-	5,227,556	-	5,227,556
As at 1 January, 2020 (restated)	**340,000,700**	**438,723,914**	**380,261,918**	**(11,885,151)**	**1,147,101,381**
Loss for the year (restated)	-	-	(209,850,469)	-	(209,850,469)
Other comprehensive loss	-	-	-	(8,949,896)	(8,949,896)
As at 31 December, 2020 / 1 January, 2021 (restated)	**340,000,700**	**438,723,914**	**170,411,449**	**(20,835,047)**	**928,301,016**
Loss for the year	-	-	(94,450,996)	-	(94,450,996)
Other comprehensive income	-	-	-	23,641,928	23,641,928
As at 31 December, 2021	**340,000,700**	**438,723,914**	**75,960,453**	**2,806,881**	**857,491,948**

For SP Chopra & Co.
Chartered Accountants
Firm Regn. No. 000346N

Pawan K. Gupta
Partner
M No. 092529

S.P. CHOPRA & CO. NEW DELHI CHARTERED ACCOUNTANTS

Place : New Delhi
Date : 19.04.2022

For and on behalf of the Board Director

Dasho Phuntsho Tobgay
Chairman

Tenzin
Chief Executive Officer

Ugyen Chendup
Director

Yeshey Dorji
Director (FID)

Place : Thimphu
Date : 19.04.2022

PENDEN CEMENT AUTHORITY LIMITED
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED ON 31 DECEMBER, 2021

(Amount in Nu.)

Particulars	For the year ended 31 December, 2021	For the year ended 31 December, 2020
A. Cash flows from operating activities:		
Loss before tax	(77,625,731)	(200,246,442)
Adjustments for:		-
- Depreciation and amortization expenses	68,970,922	72,473,677
- Property, plant and equipment written off	-	7,871,472
- Balances written off	26,655	-
- Obselete spares written off	83,601	5,748,534
- Finance cost	7,204,724	3,520,709
- Liabilities no longer required written back	(3,536,036)	(1,188,733)
- Interest income	(14,925,800)	(19,863,277)
Operating loss before working capital changes	**(19,801,665)**	**(131,684,060)**
Adjustments for Changes in working capital		
Changes in inventories	89,739,529	(96,081,737)
Changes in other current assets	94,850,744	(116,296,088)
Changes in trade and other payables	(28,661,217)	35,991,020
Changes in other current liabilities	3,211,540	5,054,453
Changes in provisions	7,017,516	(15,155,923)
Changes in loans & advances	7,807,339	94,223,817
Impact of restatement as at 01.01.2020 (Refer Note 41)	-	7,046,734
Changes in trade & other receivables	(16,397,009)	(126,377,339)
Cash generated from/(used in) operations	**157,568,442**	**(211,595,063)**
Less: (taxes paid) / tax refund received	**(6,545,473)**	**27,718,013**
Net generated from/(used in) operations activities (A)	**131,221,304**	**(315,561,110)**
B. Cash flows from Investing Activities:		
Interest income	37,670,089	53,409,846
Purchase of property, plant and equipment	(6,182,306)	(18,924,421)
Purchase of intangible assets	(4,410,850)	-
Proceeds from Sale of PPE/transfer to held for disposal (net)	-	(7,616,485)
Changes in capital work-in-progress	(157,011,166)	(108,076,451)
Increase in borrowings (net)	89,068,134	305,217,777
Net cash (used in)/generated from investing activities (B)	**(40,866,099)**	**224,010,266**
C- Cash flows from Financing Activities:		
Finance cost	(28,151,760)	(14,736,577)
Net cash (used in) financing activities (C)	**(28,151,760)**	**(14,736,577)**
Net increase/(decrease) in cash & bank balances (A+B+C)	**62,203,445**	**(106,287,421)**
Cash & Bank balances at the beginning of the year	74,673,931	180,961,352
Cash & Bank balances at the end of the year	**136,877,376**	**74,673,931**
Cash & Bank balances include:		
Cash and cash equivalents		
- Cash in hand	141,804	124,284
- Balances with Banks in current accounts	95,511,117	73,332,855
Other bank balances		
Fixed deposit with Banks having original tenure of more than three months but less than twelve months (including interest)	40,006,573	-
Balances with Banks on unpaid dividend accounts	1,217,882	1,216,792
Cash & Bank balances reported under Note - 12	**136,877,376**	**74,673,931**

Note: The above statement of cash flows has been prepared under the Indirect Method in accordance with BAS- 7 on "Statement of Cash Flows".

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

As per our report of even date attached
For S P Chopra & Co.
Chartered Accountants
Firm Regn. No. 000346N

S.P. CHOPRA & CO. NEW DELHI CHARTERED ACCOUNTANTS

Pawan K. Gupta
Partner
Membership No: 092529

Place : Delhi
Date : 19.04.2022

For and on behalf of the Board of Directors

Dasho Phuntsho Tobgay
Chairman

Tenzin
Chief Executive Officer

Ugyen Lhendup
Director

Yeshey Dorji
Director (FID)

Place : Thimphu
Date : 19.04.2022

ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

Notes to Financial Statements

1. General information

Penden Cement Authority Limited ('PCAL / Company') 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.

The Company 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 1,000 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 to 1,650 TPD of cement production.

The financial statements of the Company for the year ended December 31, 2021 were authorized for issue in accordance with the resolution of the Board of Directors dated 19th April, 2022.

2. Summary of Restatement of Financial Statements as at 31 December, 2020 and 01 January, 2020.

2.1 The financial statements as at 31 December, 2020 and 01 January, 2020 have been restated in the year ended 31 December, 2021 due to certain rectifications/corrections as detailed in Note 41.

3. Summary of Significant Accounting Policies

3.1 Basis of preparation

These financial statements are general purpose financial statements that have been prepared in accordance and compliance with the Bhutanese Accounting Standards and the relevant provisions of The Companies Act of Bhutan, 2016 including the Accounting Standard Rules for Companies in Bhutan, 2012.

These financial statements have been prepared on the accrual basis of accounting with the historical cost convention and going concern basis except as stated otherwise in the Financial Statements. The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosure and the disclosure of contingent liabilities. Uncertainty about these estimates and assumptions could result in outcomes that requires material adjustments to the carrying amount of the assets and liabilities in future period/s. These estimates and assumptions are based on the facts and events, that existed as at the date of Balance Sheet, or that occurred after that date but provide additional evidence about conditions existing as at the Balance Sheet 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 are given in Note 4.

3.2. Current versus non-current classification

The Company presents assets and liabilities in the Statement of Financial Position 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;

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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.

3.3 Foreign currency translation

i) 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 (Nu.).

ii) 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 comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the statement of comprehensive income 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.

3.4 Property, plant and equipment (PPE)

PPE is initially recognized at cost. The Company follows cost model for PPE 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, borrowing costs 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

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flow to the entity and the cost can be measured reliably. The cost of self-constructed assets not put to use, and capital stock purchased pending issue/put to use outstanding at each Statement of Financial Position date, are disclosed as Capital work-in-progress.

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 comprehensive income.

Subsequent to initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Subsequent expenditures relating to property, plant and equipment is capitalized only when it is probable that future economic benefits associated with these will flow to the Company and the cost of the item can be measured reliably.

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.

3.5 Depreciation

Company provides depreciation on property, plant and equipment on straight-line method over the estimated useful lives of the assets. Freehold land is not depreciated as it has an unlimited useful life whereas leasehold land is depreciated on a straight-line method over the primary term of the lease.

The Company has estimated useful lives of assets for depreciating its property, plant and equipment as follows:

Asset	2021 (Useful life)
Office godown and Residential building	➢ 30 - 48 years
Factory Buildings	➢ 30 - 48 years
Roads and culverts	➢ 5 - 36 years
Plant & Machinery	➢ 2 – 20 years
Water supply	➢ 5 – 36 years
Laboratory Equipments	➢ 2– 20 years
Other Equipment	➢ 5 – 20 years

Notes to Financial Statements

Electrical Installation	➢ 3 – 10 years
Furniture Fixtures & other equipments	➢ 5 – 10 years
Vehicles	➢ 8 – 20 years
Telephone Installation	➢ 5 – 20 years
Instrumentation (electrical)	➢ 5 – 20 years
Components of Plant & Machinery	➢ 2 – 10 years
IT Equipments	➢ 6 -10 years
Intangible Assets	➢ 10 years

The useful life is ascertained based on usage pattern, internal assessment and the experience of Company's engineers and concerned usage officials. The asset's residual values, useful lives and method of depreciation are reviewed at the end of each reporting period and necessary adjustments are made accordingly, wherever required. Change in the estimated useful life, residual value and/or depreciation method, if any, is depreciated prospectively over the asset's remaining revised useful life.

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 ise available for use.

3.6 Intangible Assets

Intangible assets include identifiable capitalized software costs and are recognized at cost of acquisition/implementation less accumulated amortisation and any other provision for impairment losses. Subsequent costs are included only when it is probable that the item associated with the cost will generate future economic benefits and the cost can be reliably measured.

The intangible assets are amortized on straight-line method over their useful life.

The useful lives and the amortization methods are reviewed annually and are adjusted as appropriate at the end of each reporting year, with any changes recognized as a change in the accounting estimate.

An intangible asset is derecognized when disposed of or when no future benefits are expected to arise from the continued use of the asset. The gains and losses are determined by comparing the proceeds with the carrying amount and are recognized in the Statement of Comprehensive Income.

3.7 Investment property

Investment properties are land which are held for rental yields and are not occupied by the Company.

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The investment properties are initially measured at its cost and the Company has also chosen the cost model for its measurement after initial recognition at cost.

3.8 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.

3.9 Impairment of non-financial assets

The Company assesses at each Statement of Financial Position date whether there is any indication that an asset may be impaired based on internal or external factors. If any such indication exists, the Company estimates the recoverable amount of the assets. If the carrying amount of asset/cash generating unit exceeds the recoverable amount on the reporting date, the carrying amount is reduced to the recoverable amount. The recoverable amount is measured as the higher of the net selling price and the value in use determined by the present value of estimated future cash flows.

Impairment losses, are recognized in profit and loss section of Statement of Comprehensive Income except for assets previously revalued, where the revalued amount is taken to Other Comprehensive Income (the 'OCI'). For such assets, the impairment is recognized in OCI upto the amount of previous revaluation.

3.10 Financial Instruments

(i) Financial Assets

(a) Initial recognition and 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 statement of comprehensive income.

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(b) 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 Company'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.

- <u>Financial assets measured at amortized cost</u>

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

a. Business Model Test: The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows (rather than to sell the asset prior to its financial maturity to realize its fair value changes); and
b. Cash Flow Characteristics Test: 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, cash and cash equivalents and employee loans, etc.

- <u>Financial instruments measured at fair value through other comprehensive income</u>

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

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

b. Cash Flow Characteristics Test: The 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.

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.

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- <u>Financial instruments measured at fair value through profit and loss</u>

  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 comprehensive income.

(c) <u>Impairment of financial assets</u>

The Company assesses impairment of financial assets, based on the incurred loss model as per 'BAS 39 – Financial Instruments: Recognition and Measurement'. Under the said model, the Company assesses at the end of each reporting period, whether there is any objective evidence that a financial asset or group of financial assets is impaired, and in that case the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the assets is reduced through Provisions / Allowance for Impairment Loss Account, and the amount of the loss is recognised in the Statement of Comprehensive Income. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the Provisions / Allowance for Impairment Loss Account, to the extent the impairment loss was previously recognised on the respective asset. The amount of such reversal is recognised in the Statement of Comprehensive Income.

(d) <u>Derecognition of financial assets</u>

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.

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(ii) Financial Liabilities

(a) Initial recognition and measurement

All financial liabilities are recognized initially at fair value and, in the case of borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade and other payables and borrowings etc.

(b) Classification and subsequent measurement

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

Financial Liabilities at fair value through profit or loss (FVTPL)

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 statement of comprehensive income.

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/losses 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 comprehensive income. The Company has not designated any financial liability as at fair value through profit and loss.

Financial Liabilities at amortised cost

Financial liabilities at amortized cost represented by trade and other payables, security deposits and retention money are initially recognized at fair value, and subsequently carried at amortized cost using the effective interest rate.

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

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date, the entity classify the liability as current, if the lender does not agree not to demand payment as a consequence of the breach before reporting date.

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 classified 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.

(c) 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 comprehensive income.

(iii) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position 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 Material is valued at cost computed at annual weighted average basis, as under:

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

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- Bought-out Materials:	At landed cost.
b) Stores and Spares:	At monthly weighted average cost.
c) Coal:	At monthly weighted average cost.
d) Clinker	At lower of cost and net realizable value
e) Cement	At lower of cost and net realizable value
f) 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.

The net-realisable value is the estimated selling price / proceeds in the ordinary course of business less the estimated costs of completion and estimated costs necessary to make sale.

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 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 applying the pre-tax rate of return on Government Bonds of similar tenure and currency.

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 comprehensive income.

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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.

Further, the contribution towards the gratuity liability is invested in fixed deposits with the banks.

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.

d. Earned Leave

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 stipulated imit as per the Company's service manual and utilize it in future period/s or get the encashment of the unutilized leave balance on retirement or termination of employment, computed based on the salary at that 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 by actuaries using the projected unit credit method and is determined by discounting the estimated future cash outflows applying the pre-tax rate of return on Government Bonds of similar tenure and currency.

The net interest cost is calculated by applying the discount rate to the net balance of the obligation. This cost is included in employee benefit expense in the statement of comprehensive income.

e. Employees Insurance Policy

The employees of the Company are covered under an insurance policy with death claim benefit in the event of death of the employee while in service and within the policy term. The policy has been underwritten through Single premium which will be refunded at the end of policy period/term with pre-decided/fixed policy bonus / benefit and after deduction of death claim paid within the policy term. The Single premium paid has been considered as 'Deposit against Employees Insurance Policy' and the death claims paid/payable are accounted for as expense and are reduced from the same during the year of incurrence / intimation of death claim and the policy bonus / benefit is accounted for as income and added to the same on prorate basis over the Policy period/ term by credit to 'Other Income'.

3.13 Provisions, Contingent Liabilities and Contingent Assets

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

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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.

A disclosure for a contingent liability is made when there is a present obligation arising as a result of past event that probably will not require an outflow of resources or where a reliable estimate of the obligation cannot be made.

Contingent assets are 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.

3.14 Revenue Recognition

Revenue is recognized to the extent that it is probable that the associated economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable.

The following specific recognition criteria must also be met before revenue is recognized:

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, the associated costs and the amount of revenue can be measured reliably and it is probable that the economic benefit associated with the transaction will flow to the Company. It is measured at fair value of the consideration received or receivable, net of discounts, returns and taxes and royalty collected on behalf of government.

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 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 of the goods to the customer to which the asset relates.

Interest income

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable.

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.

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Other items of revenue

Other items of revenue which arise from the provision of services incidental to the core activities of the business are recognized when the services are provided and it is probable that economic benefits associated with the transaction will flow to the Company and amount can be measured reliably.

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.

3.15 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 Statement of Comprehensive Income. 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

Current tax assets and liabilities for the current period are measured at the amount expected to be recoverable from or payable to the Income tax authority based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted on the reporting date by the Income Tax Authority.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences except when the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized, except when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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The carrying amount of deferred income tax assets is reviewed at each Balance Sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and the Company intends to settle its current tax assets and liabilities on net basis. Management evaluates positions taken in income tax returns with respect to situations in which applicable income tax regulation is subject to interpretation.

The income tax liabilities are recognized when, despite the Company's belief that its income tax return positions are supportable, the Company believes, it is more likely than not, based on the technical merits, that certain positions may not be fully sustained upon review by income tax authorities. Benefits from tax positions are measured at the single best estimate of the most likely outcome.

At each Statement of Financial Position date, the tax positions are reviewed, and to the extent that new information becomes available which causes the Company to change its judgment regarding the adequacy of existing income tax liabilities, such changes to income tax liabilities are duly recognized in income tax expense in the year in which such determination is made.

Interest and penalties, if any, related to accrued liabilities for potential tax assessments are included in income tax charge for the year in which the assessment is completed.

3.19 Earnings per share ('EPS')

a. Basic earnings per share

Basic earnings per share are calculated by dividing:

- the net 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.

3.20 Dividends

Dividends (including interim dividends) to ordinary shareholders is recognized as a liability and deducted from shareholders' equity in the period in which the dividends are recommended by the Board of Directors and approved by the ordinary shareholders in the Annual General Meeting.

3.21 Borrowing Costs

Borrowing costs consist of interest and other costs that Company incurs in connection with the borrowing of funds.

General and specific borrowing costs (net of investment income on temporary investment of those borrowings) that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the costs of the asset, until such time the assets are substantially ready for their intended use or sale. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, keeping in view the nature of assets and past trend of time taken for their completion.

All other borrowing costs are charged as expense to Statement of Comprehensive Income in the period they occur.

3.22 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 Comprehensive Income 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, 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 is recognized in Statement of Comprehensive Income in the period it is received or becomes receivable.

4 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.

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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 are as under:

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) **Useful lives of Property, plant and equipment (PPE)**

The costs of property, plant and equipment are depreciated on a straight-line basis over their respective useful lives. Management estimates the useful lives of these assets as detailed in the accounting policy vide note 3.3 and to assess which components of the cost may be capitalised. Changes in the expected level of usage, technological developments, level of wear and tear could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised and could have an impact on the profit in future years.

c) **Fair Value measurement of Financial Instruments**

When the fair value of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the Discounted Cash Flow (DCF) model etc. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

d) **Provision for doubtful debts/advances/receivables**

As at each Statement of Financial Position date, the Company assesses recoverability of trade receivables, advances and other 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.

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4. Property, Plant and Equipment

Particulars	Freehold Land	Office godown and Residential building	Factory Buildings	Roads and culverts	Plant & Machinery	Water supply	Generator	Laborartory Equipments	Other equipments	Electrical Installation	Furniture Fixtures & other equipments	IT Equipments	Vehicles	Telephone Installation	Instrumentation equipment	Components/ Parts	Total
Gross Block																	
As at 1 January, 2020	10,785,238	139,001,932	154,710,210	171,987,111	907,331,407	24,090,704	3,665,885	6,448,763	19,461,115	75,656,759	33,166,664	31,168,192	35,521,658	10,130,324	15,118,140	25,885,140	1,664,129,242
Additions made during the year	-	1,408,212	2,882,669	-	500,701	-	-	-	62,215	51,975	14,970	231,672	4,167,200	-	135,534	9,469,274	18,924,421
Sale/Disposals/Write-off	-	(1,084,469)	(2,005,464)	(4,115,253)	(34,401,906)	(462,394)	-	(3,147,877)	(3,249,633)	(2,292,132)	(8,313,336)	(10,812,855)	(3,048,478)	(3,572,158)	(41,474)	-	(76,547,426)
Transfer to assets held for disposal	-	-	-	-	(14,078,309)	-	-	-	-	-	-	-	(8,372,803)	-	-	-	(22,451,112)
As at 31 Decemeber, 2020	10,785,238	139,325,675	155,587,415	167,871,858	859,351,892	23,628,310	3,665,885	3,300,886	16,273,697	73,416,603	24,868,299	20,587,009	28,267,577	6,558,166	15,212,200	35,354,414	1,584,055,125
Additions made during the year	-	146,644	-	-	775,189	-	-	-	95,135	2,503,092	1,231,551	-	-	-	1,148,986	281,710	6,182,306
Sale/Disposals/Write-off	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
As at 31 Decemeber, 2021	10,785,238	139,472,320	155,587,415	167,871,858	860,127,081	23,628,310	3,665,885	3,300,886	16,368,832	75,919,695	26,099,850	20,587,009	28,267,577	6,558,166	16,361,186	35,636,124	1,590,237,431
Accumulated depreciation																	-
As at 1 January, 2020	-	56,048,732	46,512,032	75,344,318	657,130,850	11,175,866	3,665,884	5,213,638	13,343,391	62,912,325	25,152,208	22,536,438	20,488,936	9,842,289	13,768,167	9,332,042	1,032,467,116
Additions made during the year	-	3,946,961	3,895,029	7,417,664	39,446,415	1,033,865	-	191,445	951,945	2,372,439	2,190,484	2,121,280	1,751,314	167,015	1,213,721	4,987,748	71,687,324
Sale/Disposals/Write-off	-	(898,858)	(2,005,464)	(2,800,377)	(29,393,906)	(397,845)	-	(3,147,652)	(3,234,447)	(2,291,950)	(8,291,983)	(9,551,363)	(3,048,478)	(3,572,158)	(41,474)	-	(68,675,954)
Transfer to assets held for disposal	-	-	-	-	(11,326,805)	-	-	-	-	-	-	-	(6,655,632)	-	-	-	(17,982,437)
As at 31 Decemeber, 2020	-	59,096,835	48,401,597	79,961,606	655,856,554	11,811,886	3,665,884	2,257,431	11,060,889	62,992,814	19,050,709	15,106,355	12,536,140	6,437,146	14,940,413	14,319,790	1,017,496,049
Additions made during the year	-	3,739,979	4,000,666	6,833,998	38,126,527	1,033,865	-	184,070	945,690	2,800,201	1,487,017	1,737,431	1,852,647	47,250	154,702	4,857,446	67,801,488
Sale/Disposals/Write-off	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
As at 31 Decemeber, 2021	-	62,836,813	52,402,263	86,795,604	693,983,081	12,845,750	3,665,884	2,441,500	12,006,580	65,793,016	20,537,725	16,843,785	14,388,788	6,484,396	15,095,115	19,177,236	1,085,297,537
Written Down Value/Net Block																	
At 31 December, 2021	10,785,238	76,635,506	103,185,152	81,076,254	166,144,000	10,782,560	1	859,386	4,362,253	10,126,679	5,562,124	3,743,224	13,878,790	73,770	1,266,071	16,458,888	504,939,894
At 31 December, 2020	10,785,238	80,228,841	107,185,818	87,910,252	203,495,338	11,816,424	1	1,043,456	5,212,808	10,423,789	5,817,590	5,480,654	15,731,437	121,020	271,787	21,034,624	566,559,076

5. Capital work in progress and Intangible Assets

Particulars	Capital work in progress (including capital stock)	Intangible Assets
Gross Block		
As at 1 January, 2020	8,601,152	7,863,539
Additions made during the year	116,406,821	-
Sale/Disposals/Write-off/Capitalization	(4,408,960)	-
As at 31 Decemeber, 2020	120,599,013	7,863,539
Additions made during the year	158,857,378	4,410,850
Sale/Disposals/Write-off/Capitalization	(1,846,212)	-
As at 31 Decemeber, 2021	277,610,179	12,274,389

Accumulated depreciation		
As at 1 January, 2020	-	4,366,389
Additions made during the year	-	786,354
As at 31 Decemeber, 2020	-	5,152,743
Additions made during the year	-	1,169,433
As at 31 Decemeber, 2021	-	6,322,176

Written Down Value/Net Block		
At 31 December, 2021	277,610,179	5,952,213
At 31 December, 2020	120,599,013	2,710,796

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6. Long-term loans & advances

(Amount in Nu.)

Particulars	As at 31 December, 2021	As at 31 December, 2020
(Unsecured, considered good)		
Loan to employees (non-current portion)	7,813,457	13,599,856
Total	**7,813,457**	**13,599,856**

7. Other receivables

(Amount in Nu.)

Particulars	As at 31 December, 2021	As at 31 December, 2020
(Unsecured, considered good)		
Security Deposits:		
- Environment Restoration Bonds	20,601,195	19,649,565
- Others	1,647,562	1,356,214
Deposit against Employee Insurance Policy (Refer Note 42.2)	85,246,708	109,650,000
Fixed deposit with Banks having original tenure of more than twelve months for Gratuity Liability	85,000,000	85,000,000
Interest accrued on Fixed Deposit for Gratuity Liability	9,398,464	874,460
Unamortised mining cost (non-current portion)	-	928,638
Total	**201,893,929**	**217,458,877**

8. Non-current tax assets

(Amount in Nu.)

Particulars	As at 31 December, 2021	As at 31 December, 2020
Tax Deducted at Source	534,935	63,177
Total	**534,935**	**63,177**

9. Inventories

(Amount in Nu.)

Particulars	As at 31 December, 2021	As at 31 December, 2020
(As taken, valued and certified by the management)		
Raw materials	124,292,114	143,670,405
Fuel - Coal	31,915,171	93,914,696
Stores and Spares	129,163,870	120,155,509
Work in progress		
- upto clinker production	1,639,698	-
- clinker stock	98,682,713	62,188,709
- PC pit stock	84,478,825	115,073,887
- upto Cement production	4,841,290	4,920,828
Finished Stock - Cement	10,718,934	35,631,711
Total	**485,732,615**	**575,555,745**

10. Trade and other receivables

(Amount in Nu.)

Particulars	As at 31 December, 2021	As at 31 December, 2020
(Unsecured, considered good unless otherwise stated)		
Trade receivables	26,553,614	18,583,175
Unamortised mining cost (current portion)	1,998,951	1,619,159
Other receivables	2,382,765	1,541,983
Total	**30,935,330**	**21,744,317**

11. Short-term loans & advances

(Amount in Nu.)

Particulars	As at 31 December, 2021	As at 31 December, 2020
(Unsecured, considered good)		
Loans to employees (current portion)	1,953,364	3,399,964
Advances to employees	447,227	1,021,567
Total	**2,400,591**	**4,421,531**

12. Cash & Bank balances

(Amount in Nu.)

Particulars	As at 31 December, 2021	As at 31 December, 2020
Cash and cash equivalents		
- Cash in hand	141,804	124,284
- Balances with Banks in current accounts	95,511,117	73,332,855
Other bank balances		
Fixed deposit with Banks having original tenure of more than three months but less than twelve months (including interest)	40,006,573	-
Balances with Banks on unpaid dividend accounts	1,217,882	1,216,792
Total	**136,877,376**	**74,673,931**

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13. Other Current Assets (Amount in Nu.)

Particulars	As at 31 December, 2021	As at 31 December, 2020
(Unsecured, considered good unless otherwise stated)		
<u>Advance to supplier, contractors and others</u>		
- Considered good	27,541,798	120,901,969
- Considered doubtful	1,964,504	1,964,504
Less: Provision for doubtful advances	(1,964,504)	(1,964,504)
Prepaid Expenses	944,940	2,435,511
Total	**28,486,738**	**123,337,480**

14. Assets held for sale (Amount in Nu.)

Particulars	As at 31 December, 2021	As at 31 December, 2020
<u>Property, plant and equipment</u>		
- Plant & Machinery	2,751,511	2,751,511
- Vehicles	1,717,171	1,717,171
Total	**4,468,682**	**4,468,682**

14.1 Some items of property, plant & equipment had been classified as assets held for sale during the earlier year/s. The Company has classified such assets at the lower of the carrying amount and estimated realizable value less cost to sell. The estimated realizable value has been calculated based on the present market value derived from the external sources and the present asset condition considering fair value is not available due to current movement restrictions in the Country due to Covid-19.

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15. Share capital (Amount in Nu.)

Particulars	As at 31 December, 2021	As at 31 December, 2020
Authorized:		
Equity share capital		
100,000,000 Equity Shares of Nu. 10/- each	1,000,000,000	1,000,000,000
Issued, Subscribed and fully Paid up:		
34,000,070 Equity Shares of Nu. 10/- each	340,000,700	340,000,700
Total	**340,000,700**	**340,000,700**

15.1 All Equity shares are Ordinary shares and are ranked equally. Fully paid shares carry one vote per share and carry the right to dividends. There are no restrictions on the transfer of shares in the Company or on voting rights between holders of shares.

15.2 Reconciliation of Equity Shares Outstanding:

	As at 31 December, 2021	As at 31 December, 2020
At the beginning of the year		
- Number of shares	34,000,070	34,000,070
- Amount (in Nu.)	340,000,700	340,000,700
At the end of the year		
- Number of shares	34,000,070	34,000,070
- Amount (in Nu.)	340,000,700	340,000,700

15.3 1,133,337 and 1,000,000 equity shares were allotted as fully paid up bonus shares in the year 1994 and 2008 respectively by way of Capitalisation of General Reserves.

16. Borrowings **(Amount in Nu.)**

Particulars	As at 31 December, 2021	As at 31 December, 2020
Secured Borrowings		
- Term loans from 'National Pension and Provident Fund' (NPPF) (Refer note 16.2)	180,000,000	196,806,000
- Working capital loans from 'National Pension and Provident Fund' (NPPF) (Refer note 16.3)	149,583,743	85,603,680
Interest accrued and due on borrowings	32,539,265	11,592,230
Total	**362,123,008**	**294,001,910**

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(Amount in Nu.)

16.1 Borrowings analyzed as follows:	As at 31 December, 2021	As at 31 December, 2020
Current portion	192,123,008	114,001,910
Non-current portion	170,000,000	180,000,000
Total	**362,123,008**	**294,001,910**

16.2 **Term loans from NPPF**

i. Term loan of Nu. 180,000,000 (previous year Nu. 180,000,000) has been obtained for setting up of the project "AAC Eco-block" and is secured by entire Company assets both movable and immovable including lands on which the properties listed are developed and located (as per the listed insurance policies) and carry fixed rate of interest of 9.30% per annum and as per sanction was repayable after 1 year of gestation period and within 9 years in 36 equated quarterly installments with last installment due on 31st May, 2030. Since, Company has availed the deferment of loan repayments allowed as per Royal Monetary Authority (RMA) upto 30 June, 2022; therefore, last installment now stands due on 30st June, 2031.

ii. Soft Term loan of Nu. Nil (previous year Nu. 16,806,000) was secured by entire Company's assets both movable and immovable including lands on which the properties listed are developed and located (as per the lised insurance policies) and carried fixed rate of interest of 5% per annum.

16.3 **Working capital loans from NPPF**

Working capital loans are secured by specified Company's assets both movable and immovable including lands on which the properties listed are developed and located (as per the lised insurance policies) and primary charge on raw materials, finished stocks and stores inventory as listed in the sanction letter and carry interest ranging from 8.30% to 10.30% per annum.

17. Provisions

(Amount in Nu.)

Particulars	As at 31 December, 2021	As at 31 December, 2020
Provision for employee benefits:		
- Gratuity	148,352,986	166,835,893
- Leave encashment	12,075,180	11,297,215
- Leave travel concession	9,375,314	9,298,854
Provision for decommissioning liability	10,456,723	9,452,653
Total	**180,260,203**	**196,884,615**

17.1 Under BAS 16 Property, Plant and Equipment, the cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item on which it is located, the obligation for which a Company incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

Particulars	As at 31 December, 2021	As at 31 December, 2020
As at beginning of the year	**9,452,653**	**8,288,510**
Add: Additions during the year	1,004,070	1,164,143
Less: Reversal during the year		-
As at end of the year	**10,456,723**	**9,452,653**

The lease period of Uttarey mines had been expired on 31.12.2020 and restoration inspection report from relevant government agencies has not been received by the Company so far. Since, no expenditure has been incurred towards decommissioning so far, the said amount is kept as it is and will be incurred/adjusted accordingly.

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(Amount in Nu.)

17.2 Provisions analyzed as follows:	As at 31 December, 2021	As at 31 December, 2020
Current portion	44,716,023	44,996,223
Non-current portion	135,544,180	151,888,392
Total	**180,260,203**	**196,884,615**

18. Deferred tax liabilities (net) **(Amount in Nu.)**

Particulars	As at 31 December, 2021	As at 31 December, 2020
Deferred tax liability		
Property, plant & equipment	168,187,581	155,672,924
Total Deferred tax liability	**168,187,581**	**155,672,924**
Deferred tax assets		
Provision for employee benefits	25,169,596	23,622,327
Provision for decommissioning liability	4,277,268	4,061,430
Total Deferred tax assets	**29,446,864**	**27,683,757**
Deferred tax liabilities (net)	**138,740,717**	**127,989,167**

i. In assessing the reliability of deferred tax assets, the Company considers the extent to which, it is probable that the deferred tax asset will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable profits during the periods in which those temporary differences and tax loss carry-forwards become deductible. The Company considers the expected reversal of deferred tax liabilities and projected future taxable income in making this assessment.

19. Trade and other payables **(Amount in Nu.)**

Particulars	As at 31 December, 2021	As at 31 December, 2020
Trade payables:		
- suppliers	39,955,658	84,866,168
- contractors	27,720,076	13,174,192
Payable to employees		
- Salary	997,958	2,356,541
- Others	1,003,809	117,608
Security deposits		
- Stockists and dealers	43,315,950	43,241,994
- Contractors	6,152,157	7,710,878
- Employees	309,280	168,966
Commission payable to stockists and dealers	13,282,868	12,663,383
Accrued expenses	431,501	1,066,778
Total	**133,169,257**	**165,366,508**

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20. Other current liabilities

(Amount in Nu.)

Particulars	As at 31 December, 2021	As at 31 December, 2020
Advance from customers	7,822,154	6,783,879
Unclaimed Dividend	4,079,673	4,079,673
Payable to Government Authorities	2,509,240	1,782,111
Income tax demand payable (Refer note 42.4)	1,449,740	3,603
Total	**15,860,807**	**12,649,266**

21. Revenue from operations

(Amount in Nu.)

Particulars	For the year ended 31 December, 2021	For the year ended 31 December, 2020
Revenue from sale of Cement	909,219,120	769,112,185
Total	**909,219,120**	**769,112,185**

22. Other Income

(Amount in Nu.)

Particulars	For the year ended 31 December, 2021	For the year ended 31 December, 2020
Interest income on:		
- Fixed deposits	6,270,653	5,212,295
- Delay payment from Customers	1,021,086	1,063,400
- Employee loans/advances	621,971	1,086,641
- Others	933,922	2,246,314
Liabilities no longer required written back	3,536,036	1,188,733
Bonus/Benefit on Employee Insurance Policies (Refer Note 42.2)	6,078,168	10,254,626
Rent received	7,928,718	8,332,084
Liquidated damages/penalties	3,259,729	7,297,451
Other miscellaneous income/recoveries	3,924,124	3,018,998
Total	**33,574,407**	**39,700,542**

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23. Cost of materials consumed (Amount in Nu.)

Particulars	For the year ended 31 December, 2021	For the year ended 31 December, 2020
Raw materials		
- Limestone	128,587,580	74,698,427
- Calc Tufa	1,622,169	1,688,096
- Sandstone	59,652	41,086
- Iron Ore	928,476	474,324
- Gypsum	20,857,484	21,436,673
- Fly ash	71,458,258	49,815,759
- Clinkers	23,524,148	187,767,718
- Slag	27	6,265,867
Packing materials	47,743,698	29,608,575
Total	**294,781,492**	**371,796,525**

24. Other manufacturing expenses (Amount in Nu.)

Particulars	For the year ended 31 December, 2021	For the year ended 31 December, 2020
Stores and spares consumed	38,947,903	41,581,601
Power consumed	68,400,729	54,947,512
Coal consumed	261,417,021	164,072,620
Repair and maintenance:		
- Buildings and Roads	8,313,192	6,832,616
- Plant and Machinery	4,297,441	4,444,927
Freight and transportation expenses	4,151,184	2,133,529
Total	**385,527,470**	**274,012,805**

25. Changes in inventories of finished goods and work in progress (Amount in Nu.)

Particulars	For the year ended 31 December, 2021	For the year ended 31 December, 2020
Inventories at the end of the year:		
- Work-in-progress	189,642,526	182,183,424
- Finished goods	10,718,934	35,631,711
	200,361,460	**217,815,135**
Inventories at the beginning of the year:		
- Work-in-progress	182,183,424	201,897,556
- Finished goods	35,631,712	14,248,500
	217,815,136	**216,146,056**
Increase in inventories	**17,453,676**	**(1,669,079)**

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26. Employee benefit expenses

(Amount in Nu.)

Particulars	For the year ended 31 December, 2021	For the year ended 31 December, 2020
Salaries, wages, bonus and other allowances	150,767,577	167,379,162
Contribution to gratuity and leave encashment	25,654,666	31,702,220
Contribution to provident fund	10,896,924	11,231,263
Staff welfare expenses	4,923,040	3,930,754
Total	**192,242,207**	**214,243,399**

27. Finance cost

(Amount in Nu.)

Particulars	For the year ended 31 December, 2021	For the year ended 31 December, 2020
Interest expense on:		
- Term loans	16,740,000	9,165,328
- Working capital loans	6,237,301	2,054,869
- Others	863,350	1,094,713
Less: Interest capitalised related to AAC Project	(16,740,000)	(9,165,328)
	7,100,651	3,149,582
Bank charges	104,073	371,127
Total	**7,204,724**	**3,520,709**

28. Selling and transportation expenses

(Amount in Nu.)

Particulars	For the year ended 31 December, 2021	For the year ended 31 December, 2020
Transportation and loading/unloading expenses	7,349,850	9,649,753
Commission paid to stockists and dealers	31,063,450	25,599,467
Sales promotion expenses	493,365	-
Total	**38,906,665**	**35,249,220**

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29. Other expenses (Amount in Nu.)

Particulars	For the year ended 31 December, 2021	For the year ended 31 December, 2020
Rent, rates & taxes	292,387	419,134
Travelling and conveyance expenses	1,710,979	2,353,290
Printing and stationery expenses	645,459	796,380
Postage and telephone expenses	1,027,485	1,001,816
Insurance expenses	4,439,459	6,398,787
Laboratory expenses	493,419	2,291,224
Repair and maintenance - others	1,365,182	1,821,011
Advertisement expenses	290,454	506,533
Mining cost amortization	525,214	1,791,044
Audit Fees	148,838	193,674
Directors' & Invitees Sitting Fees	774,250	519,500
Board Meeting Expenses	33,759	154,173
Depot expenses	180,296	176,244
BIS fees	450,702	1,921,989
Entertainment Expenses	779,489	771,806
Bhutan Sales Tax Paid	161,046	38,317
Donation	89,869	10,000
Corporate Social Expenses	972,287	3,374,012
Property, plant and equipment written off	-	7,871,472
Balances written off	26,655	-
Obselete spares written off	83,601	5,748,534
Other miscellaneous expenses	841,274	1,272,971
Total	**15,332,102**	**39,431,913**

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30. Eaning per share (Amount in Nu.)

Particulars	For the year ended 31 December, 2021	For the year ended 31 December, 2020
Profit after income-tax (in Nu.)	(94,450,996)	(209,850,469)
Weighted average number of ordinary shares (in numbers)	34,000,070	34,000,070
Basic/Diluted Earnings per Share	**(2.78)**	**(6.17)**

31. Income taxes

31.1 Deferred tax liability for the year ended 31st December, 2021 is as shown below:

Particulars	Tax base	Book base	(DTL)/DTA
Property, plant & equipment	119,029,544	68,970,922	(12,514,656)
Provision for decommissioning liability	-	863,350	215,838
Provision for gratuity	-	(2,899,304)	(724,826)
Provision for leave encashment	-	9,088,378	2,272,095
Deferred Tax Liability for the year ended 31st December, 2021			**(10,751,550)**
Deferred Tax Liability as at 31st December, 2021			**138,740,717**
Deferred Tax Liability as at 31st December, 2020			**127,989,167**

31.2 Reconcilation between the provisions for income tax to the amount computed by applying the statutory income tax rate to the income before provision for income tax is summarized below:

Particulars	2021 Carrying Amount	CIT (25%)
Current tax on profit for the year	-	-
Reconcilation of Tax on accounting profit.		
Profit Before Income Tax	**(77,625,731)**	-
Tax calculated at CIT rate 25%		
Adjustments:		
Selling expenses	493,365	-
Admissible expenses	367,919	-
Medical	263,301	-
Leave encashment	447,648	-
Donation	89,869	-
Gratuity	7,828,154	-
Gift compliment/Entertainmnet	81,021	-
Written off	26,655	-
Obsolete Stores & spares written off	83,601	-
BAS adjustment		-
Interest income on Environment Restoration Bond	(933,922)	-
Interest cost of Decommisioning Liability	863,350	-
Impact due to depreciation	(50,058,623)	-
Unused losses carried forward	118,073,394	-
Total Taxable Income	-	-
Reconcilation with Tax expenses as above	-	-

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32. Fair Value Measurements

Financial instruments by category

Particulars	As at 31 December, 2021			As at 31 December, 2020		
	FVPL	FVOCI	Amortised cost	FVPL	FVOCI	Amortised cost
Financial assets						
Long term loans & advances	-	-	7,813,457	-	-	13,599,856
Other receivables	-	-	201,893,929	-	-	217,458,877
Trade and other receivables	-	-	30,935,330	-	-	21,744,317
Short term loans & advances	-	-	2,400,591	-	-	4,421,531
Cash & Bank balances	-	-	136,877,376	-	-	74,673,931
Total financial assets	**-**	**-**	**379,920,683**	**-**	**-**	**331,898,512**
Financial liabilities						
Borrowings	-	-	362,123,008	-	-	294,001,910
Trade and other payables	-	-	133,169,257	-	-	165,366,508
Total financial liabilities	**-**	**-**	**495,292,265**	**-**	**-**	**459,368,418**

(i) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are (a) recognised and measured at fair value and (b) measured at amortised cost and for which fair values are disclosed in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the three levels prescribed under the BAS.

Level 1: Level 1 hierarchy includes financial instruments measured using quoted prices.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

(ii) Valuation technique used to determine fair value

The carrying amounts of loans and advances, trade and other receivables, cash and cash equivalents and trade and other payables are considered to be the same as their fair values, due to their short-term nature.

The fair values for financial instruments i.e. security deposits, decommissioning liabilities were calculated based on cash flows discounted using current borrowing rate . They are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs including counterparty credit risk.

(iii) Significant estimates

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Company uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. For details of the key assumptions used and the impact of changes to these assumptions see (ii) above.

33. 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.

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34. 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	Borrowings and 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 Bhutanese Ngultrum (Nu.)	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 receivables) and from its investing activities, including deposits with banks and from its financing activities, for borrowings from banks/financial instutions.

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 year	More than one year	More than 3 years	Total
Trade receivables as on 31 December, 2021 (Gross)	26,553,614	-	-	26,553,614
Less: Provision for doubtful debts	-	-	-	-
Trade receivables as on 31 December, 2021 (Net)	**26,553,614**	**-**	**-**	**26,553,614**

Particulars	Less than one year	More than one year	More than 3 years	Total
Trade receivables as on 31 December, 2020 (Gross)	18,583,175	-	-	18,583,175
Less: Provision for doubtful debts	-		-	-
Trade receivable as on 31 December, 2020 (Net)	**18,583,175**	**-**	**-**	**18,583,175**

The requirement for impairment is analysed at each reporting date. Refer note 10 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 32. The Company does not hold collateral as security.

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.

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(B) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Management monitors rolling forecasts of the Company's liquidity position and cash and cash equivalents on the basis of expected cash flows. This is generally performed in accordance with practice and limits set by the Company.

(i) Maturities of financial liabilities

The tables below analyse the group's financial liabilities into relevant maturity groupings based on their contractual maturities for:

- all financial liabilities

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Contractual maturities of financial liabilities 31 December, 2021	Less than 1 year	More than 1 years	Total
Trade and Other Payables	133,169,257	-	133,169,257
Borrowings	192,123,008	170,000,000	362,123,008
Total financial liabilities	**325,292,265**	**170,000,000**	**495,292,265**

Contractual maturities of financial liabilities 31 December, 2020	Less than 1 year	More than 1 years	Total
Trade and Other Payables	165,366,508	-	165,366,508
Borrowings	114,001,910	180,000,000	294,001,910
Total financial liabilities	**279,368,418**	**180,000,000**	**459,368,418**

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(C) Market risk

(i) Foreign currency risk

The Company deals with trade receivables and trade payables and is therefore exposed to foreign exchange risk associated with exchange rate movement.

Foreign currency risk exposure

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

Particulars	As at 31 December, 2021 INR	As at 31 December, 2020 INR
Financial assets	46,440,928	25,832,694
Financial liabilities	33,285,421	59,306,565
Net exposure to foreign currency risk	**13,155,507**	**(33,473,871)**

As the value of INR is equivalent to Nu. historically, the Company is not exposed to foreign exchange risk arising from foreign currency transactions in INR.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's borrowings and bank deposits.

The Company has only fixed rate borrowings and bank deposits. Interest income and interest expenses, are therefore not subject to interest rate risk as defined in BFRS 7, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

(iii) Price Risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or by factors affecting all similar financial instruments traded in the market.

The Company does not have any financial asset investments which are exposed to price risk.

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35. Disclosure as per BAS 19, 'Employees Benefits'

A	Change in Defined Benefit Obligation (DBO)	Gratuity As at 31 December, 2021	Gratuity As at 31 December, 2020	Leave Encashment As at 31 December, 2021	Leave Encashment As at 31 December, 2020
1	DBO at end of prior period	166,835,893	148,063,440	11,297,215	9,585,904
2	Current service cost	8,019,096	11,575,339	777,965	1,711,311
3	Interest cost on the DBO	12,723,527	11,322,081	238,944	181,796
4	Actuarial (gain)/loss - experience	(23,714,202)	8,949,897	8,071,470	7,131,653
10	Actuarial (gain)/loss - financial assumptions	72,274	-	-	-
5	Benefits paid directly by the Company	(15,583,602)	(13,074,864)	(8,310,414)	(7,313,449)
	DBO at end of current period	**148,352,986**	**166,835,893**	**12,075,180**	**11,297,215**

B	Statement of Comprehensive Income	As at 31 December, 2021	As at 31 December, 2020	As at 31 December, 2021	As at 31 December, 2020
1	Current service cost	8,019,096	11,575,339	777,965	1,711,311
	Service cost	8,019,096	11,575,339	777,965	1,711,311
2	Net interest on net defined benefit liability / (asset)	12,723,527	11,322,081	238,944	181,796
3	Immediate recognition of (gains)/losses – other long term employee be	-	-	8,071,469	7,131,653
	Total Cost recognized during the year	**20,742,623**	**22,897,420**	**9,088,378**	**9,024,760**
	Cost recognized in Inventory	**2,903,966**	**-**	**1,272,369**	**219,960**
	Cost recognized in P&L	**17,838,657**	**22,897,420**	**7,816,009**	**8,804,800**

C	Defined Benefit Cost	As at 31 December, 2021	As at 31 December, 2020	As at 31 December, 2021	As at 31 December, 2020
1	Service cost	20,742,624	22,897,420	777,965	1,711,311
2	Net interest on net defined benefit liability / (asset)	-	-	238,944	181,796
3	Actuarial (gains)/ losses recognized in OCI	(23,641,928)	8,949,897	-	-
4	Immediate recognition of (gains)/losses – other long term employee benefit plans		-	8,071,470	7,131,653
	Defined Benefit Cost	**(2,899,305)**	**31,847,317**	**9,088,379**	**9,024,760**

D	Development of Net Financial Position	As at 31 December, 2021	As at 31 December, 2020	As at 31 December, 2021	As at 31 December, 2020
1	Defined Benefit Obligation (DBO)**	148,352,986	166,835,893	12,075,180	11,297,215
2	Fair Value of Plan Assets (FVA)	-	-	-	-
3	Funded Status (Surplus/(Deficit))	(148,352,986)	(166,835,893)	(12,075,180)	(11,297,215)
	Net Defined Benefit Liability	**(148,352,986)**	**(166,835,893)**	**(12,075,180)**	**(11,297,215)**

E	Reconciliation of Net Financial Position	As at 31 December, 2021	As at 31 December, 2020	As at 31 December, 2021	As at 31 December, 2020
1	Net defined benefit liability at end of prior period	166,835,893	148,063,440	11,297,215	9,585,904
2	Service cost	8,019,096	11,575,339	777,965	1,711,311
3	Net interest on net defined benefit liability/ (asset)	12,723,527	11,322,081	238,944	181,796
4	Immediate recognition of (gains)/losses – other long term employee benefit plans		-	8,071,470	7,131,653
5	Amount recognized in OCI	(23,641,928)	8,949,897	-	-
6	Benefit paid directly by the Company	(15,583,602)	(13,074,864)	(8,310,414)	(7,313,449)
	Net defined benefit liability at end of current period	**148,352,986**	**166,835,893**	**12,075,180**	**11,297,215**

F	Other Comprehensive Income (OCI)	As at 31 December, 2021	As at 31 December, 2020	As at 31 December, 2021	As at 31 December, 2020
1	Actuarial (gain)/loss due to liability experience	(23,714,202)	8,949,897	8,072,497	7,131,653
2	Actuarial (gain)/loss due to liability assumption changes	72,274	-	-	-
3	Acctuarial gain or loss due to change in demographic assumption	-	-	(1,027)	-
4	Actuarial (gain)/loss arising during period	(23,641,928)	8,949,897	8,071,470	7,131,653
5	Return on plan assets (greater)/less than discount rate	-	-	-	-
6	**Actuarial (gains)/ losses recognized in OCI**	**(23,641,928)**	**8,949,897**	**-**	**-**
7	**Actuarial (gains)/ losses recognized as expense**	**-**	**-**	**8,071,470**	**7,131,653**

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G	Expected benefit payments for the year ending	As at 31 December, 2021	As at 31 December, 2020	As at 31 December, 2021	As at 31 December, 2020
	Less than a year	25,812,375	34,295,779	1,503,981	1,517,571
	Between 1 - 2 years	17,442,234	22,279,091	1,112,040	790,033
	Between 2 - 5 years	47,879,059	76,876,433	2,661,683	2,462,023
	Over 5 years	331,805,143	464,786,577	16,588,522	15,919,000
(i)	**Weighted average duration of defined benefit obligation**	12.27 years	9.89 years	11.45 years	11.52 years
(ii)	**Accrued Benefit Obligation at 31st December, 2021**	148,352,986	166,835,893	12,075,180	11,297,215
(iii)	**Significant estimates: acturial assumptions and sensitivity**				

a	Discount Rate	As at 31 December, 2021	As at 31 December, 2020	As at 31 December, 2021	As at 31 December, 2020
	Discount Rate as at 31 December 2021	**8%**	**8%**	**8%**	8.00%
	Effect on DBO due to 0.5% increase in Discount Rate	(4,437,968)	(4,913,879)	(455,911.00)	(433,584.00)
	Effect on DBO due to 05% decrease in Discount Rate	4,703,874	5,203,852	489,000.00	465,506.00

b	Salary escalation rate	As at 31 December, 2021	As at 31 December, 2020	As at 31 December, 2021	As at 31 December, 2020
	Salary escalation rate as at 31 December 2021	**6%**	6.00%	6%	6%
	Effect on DBO due to 0.5% increase in Salary escalation rate	5,190,592	5,735,078	529,305.00	503,685.00
	Effect on DBO due to 0.5% decrease in Salary escalation rate	(4,937,263)	(5,460,226)	(497,292.00)	(472,698.00)

Actuarial Valuation Assumptions

Particulars	As at 31 December, 2021	As at 31 December, 2020	As at 31 December, 2021	As at 31 December, 2020
Method used	Projected unit credit	Projected unit credit	Projected unit credit	Projected unit credit
Discount rate	8%	8%	8%	8%
Rate of increase in compensation level	6%	6%	6%	6%
Rate of return on plan assets	0%	0%	0%	0%
Expected average remaining working life of employees	15 years	15 years	12 years	12 years

H. 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.

I. Defined Benefit Obligation (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

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36. Related Party Transactions

Disclosure of Related Party transactions:

(Amount in Nu.)

Sl no.	Name of Related party	Relationship	Nature of Transaction	Amount outstanding as at 31 December, 2021 (Receivables/(Payables))	Amount outstanding as at 31 December, 2020 (Receivables/(Payables))	Transactions during the year ended 31 December, 2021 (Debit/(Credit))	Transactions during the year ended 31 December, 2020 (Debit/(Credit))
1	Tenzin	Chief Executive Officer	a. Salary & Allowances	-	-	1,903,626	1,802,088
			b. Other benefits			158,128	337,680
			c. Provident fund contribution			120,585	110,128
			e. Sitting fees			81,000	67,500
			Total			**2,263,339**	**2,317,396**
2	Druk Holding and Investment Limited	Parent Company	Dividend	-	-	-	-
3	Dungsam Cement Corporation Ltd.	DOC	Advance to supplier	4,802	54,802	-	-
4	Dungsam Polymers Limited	DLC	PP bag purchase	-	-	2,631,470	7,519,983
			Trade Payable	(42,240)	(42,240)	-	-
5	Bhutan Telecom	DOC	Telephone & Internet expenses	-	-	726,009	860,618
			Trade Payable	(69,273)	(63,295)	-	-
6	Bhutan Power Corporation Limited	DOC	Power supply	-	-	69,818,600	56,112,295
			Trade Payable	(8,535,855)	(11,221,262)	-	-
7	Bank of Bhutan Limited	DOC	Bank charges	-	-	104,073	371,127
			Interest received	-	-	(6,800,000)	(6,001,093)
			Interest receivable/accrued	12,801,093	6,001,093	-	-
8	State Trading Corporation Limited	DLC	Purchase of explosives & ICT products & Repairing charges	-	-	237,862	165,430
			Trade Payable	(23,892)	(23,892)	-	-
9	State Mining Corporation Limited	DOC	Purchase of Coal	-	-	18,116,915	14,421,006
			Purchase of Gypsum	-	-	16,672,553	15,577,430
			Trade Payable	(5,717,001)	(8,539,061)	-	-
10	Woodcraft Corporation Limited	DOC	Purchase of furniture	-	-	-	14,970

Note : DOC- DHI owned Company, DLC - DHI Linked Company

Sitting fees paid to Board of Directors

Sl no	Directors	Role	As at 31 December, 2021	As at 31 December, 2020
1	Dasho Dr. Sonam Tenzin	Chairman (Old)	27,000.00	54,000.00
2	Dasho Phuntsho Tobgay	Chairman	54,000.00	-
3	Sonam Wangyal	Member	9,000.00	50,120.00
4	Brigadier, Pema Dorji	Member	36,000.00	27,000.00
5	Lopen Passang	Member	36,000.00	54,000.00
6	Lopen Ugyen Namgyel	Member	45,000.00	-
7	Dr. Sonam Phuntsho	Member	45,000.00	-
8	Ms. Leki Wangmo	Member	103,500.00	63,000.00
9	Kinga Lotey (Dhi)	Member	31,500.00	72,000.00
10	Tshering Tashi, Hrh Secretariat,	Member	35,000.00	40,500.00
11	Thinley Namgyel	Member	31,500.00	36,000.00
12	Yangchen Chhoeden, Mohca	Member	85,500.00	-
13	Ugyen Lhendup, Dhi	Member	81,000.00	-
	Total		**620,000.00**	**396,620.00**

Note:

i) Reimbursement of expenses incurred by related parties for and on behalf of the Company and vice-versa, and the related outstanding amounts have not been included in the above disclosures.

ii). As the liabilities for gratuity and leave encashment are provided on actuarial basis for the Company as a whole, the amounts pertaining to KMP are not ascertainable separately and as such could not be included above.

iii) The disclosures given above have been reckoned on the basis of information available with the company and relied upon by the Auditors.

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37. Contingent Liabilities

The contingencies where the probability of future payments is assessed not remote as well as those contingencies assessed as remote are disclosed.

(Amount in Nu.)

S. no.	Nature of Contingent Liability	As at 31 December, 2021	As at 31 December, 2020
1	Bank Guarantee/s	2,012,400	2,180,424
	Total	**2,012,400**	**2,180,424**

38. Capital Commitments

The Company has below contractual commitments on account of capital expenditures relating to acquisation of Property, plant and equipment, but not recognized as liabilities as on the reporting date.

(Amount in Nu.)

S. No.	Nature of Capital Commitment	As at 31 December, 2021	As at 31 December, 2020
1	Towards Civil works	17,683,569	15,063,970
2	Towards Plant and Machinery	12,238,413	7,999,503
	Total	**29,921,982**	**23,063,473**

39. Operating Segments

The Company operates only in one segment i.e. Cement. For internal reporting purposes, entire business is considered as one segment only i.e. cement and performance is reviewed accordingly. 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:

Sl no.	Country	2021		2020	
		Quantity (MT)	Value (Nu.)	Quantity (MT)	Value (Nu.)
1	Bhutan	47,411	264,323,158	57,886	319,308,197
2	India	124,284	644,895,962	87,628	449,803,988
	Total	**171,695**	**909,219,120**	**145,514**	**769,112,185**

Details of single customer/stockist from whom Company derives more than 10% of total revenue are given below:

Sl no.	Name of Customer/Stockist	2021		2020	
		%age of total sales	Value (Nu.)	%age of total sales	Value (Nu.)
1	Aman Aggarwal	32.39%	294,524,360	27.84%	214,116,218
2	Sushil Aggarwal	31.64%	287,710,315	26.82%	206,311,304
	Total	**64.04%**	**582,234,675**	**54.66%**	**420,427,522**

40. Operating Leases

The future minimum lease payments under non-cancellable operating leases in the aggregate and for each of the following periods:

(Amount in Nu.)

1

S. No.	Particulars	As at 31 December, 2021	As at 31 December, 2020
1	not later than one year	298,350	302,871
2	later than one year and not later than five years	769,591	880,899
3	later than five years	2,702,739	2,889,781
	Total	**3,770,680**	**4,073,551**

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41. Restatements

The financial statements as at 31 December, 2020 and 01 January, 2020 and Statement of comprehensive income for the year ended 31 December, 2020 has been restated in the year ended 31 December, 2021 due to certain rectifications/corrections as detailed below.

(Amount in Nu.)

		Restatement as at 01 January, 2020			Restatement as at 31 December, 2020			Restatement during the year 31 December, 2020			
SL no	Account	Before Restatement as at 01 January, 2020	Restatement as at 01 January, 2020	After Restatement 01 January, 2020	Before Restatement 31 December, 2020	Restatement as at 31 December, 2020	After Restatement 31 December, 2020	Before Restatement 31 December, 2020	Restatement during the year 31 December, 2020	After Restatement 31 December, 2020	Remarks
1	Deferred Tax Expenses	-	-	-	-	-	-	8,914,169	689,859	9,604,028	Change in related figure due to impact on restatements
2	Deferred Tax Liabilities (net)	(116,565,963)	(1,819,178)	(118,385,141)	(125,480,131)	(2,509,037)	(127,989,168)	-	-	-	
3	Retained Earning	(363,149,211)	(5,227,556)	(368,376,767)	(139,343,011)	(10,233,393)	(149,576,404)	-	-	-	Net impact of all restatements
4	Decommissioning liability	(6,477,337)	(1,811,173)	(8,288,510)	(7,336,597)	(2,116,056)	(9,452,653)	-	-	-	Rectification in lease period of Penden & Kalapani mines
5	Interest Cost	-	-	-	-	-	-	3,285,256	235,453	3,520,709	
6	Advance to supplier, contractors and others	-	-	-	204,164,380	(83,262,400)	120,901,980	-	-	-	AAC block project booked under WIP
7	Building under construction	-	-	-	28,171,284	92,427,728	120,599,012	-	-	-	AAC block project booked under WIP including interest cost
8	Interest payable	-	-	-	(2,426,902)	(9,165,328)	(11,592,230)	-	-	-	Capitalization of Interest cost on loan for AAC block project
9	Accumulated depreciation	(1,040,083,603)	7,616,487	(1,032,467,116)	(1,029,909,488)	12,413,439	(1,017,496,049)	-	-	-	Depreciation impact on corrections made
10	Depreciation expense	-	-	-	-	-	-	77,270,629	(4,796,952)	72,473,677	
11	Property, plant and equipment	-	-	-	1,583,985,695	69,430	1,584,055,125	-	-	-	
12	Environement Restoraion Bond	15,450,708	1,945,725	17,396,433	17,452,112	2,197,453	19,649,565	-	-	-	
13	Interest Income	-	-	-	-	-	-	(18,548,149)	(1,315,128)	(19,863,277)	Rectification in lease period of Penden & Kalapani mines and other rectifications
14	Mining Cost	-	-	-	-	-	-	1,704,070	86,974	1,791,044	
15	Unammortized mining cost	3,088,609	(454,755)	2,633,854	3,089,527	(541,730)	2,547,797	-	-	-	
16	Trade receivables	-	-	-	17,519,775	1,063,400	18,583,175	-	-	-	Rectification of Interest amount
17	Trade payables - contractors	17,077,701	(249,550)	16,828,151	(12,830,686)	(343,506)	(13,174,192)	-	-	-	Rectification due to late submission of bills
18	Other miscellaneous expenses	-	-	-	-	-	-	1,179,015	93,956	1,272,971	
	Total		0.00			0.00			(5,005,837)		

42. Other Notes to Accounts

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

Particulars	As at 31 December, 2021 (Nu.)	As at 31 December, 2020 (Nu.)
- Salaries, Wages, Ex-gratia & Other Allowances & Benefits	33,510,840	30,497,541
- Stores and Spares consumed including maintenance charges and other direct expenses	3,307,907	3,567,332
- Contractors' Payment	18,523,735	16,458,651
- Other Expenses	1,148,967	1,474,059
Total	**56,491,449**	**51,997,583**

42.2. Deposit against Employee Insurance Policies

The Company has taken single premium insurance policy with Royal Insurance Corporation of Bhutan Limited (RICB), for coverage of its employees with death claim benefit in the event of death while in service and within the respective policy term. The policy have been underwritten through Single premium, which will be refunded at the end of policy period/term with pre-decided/fixed policy bonus/ benefit and after deduction of death claims paid within the policy term. The policy premium paid and bonus/benefit accrued thereon aggregating to Nu. 85,246,708 (after deducting death claims of Nu. 135,000 paid/payable under the current policy and redemption amount of earlier policy matured during the year) as on the reporting date have been considered as 'Deposit against Employees Insurance Policy' under 'Other Non-Current Assets' in the Statement of Financial Position. The death claim benefits of Nu. 135,000 paid/payable during the year have been reduced from the same and accounted for as 'Employee Benefit Expense' and the policy bonus / benefit of Nu. 6,078,168 credited to 'Other Income'.

42.3 As per the terms stipulated in the Mining Lease Agreement, relating to the Security for Mine Reclamation and Environmental Restoration in the Mines, a sum of Nu. 21,621,717 till 31.12.2021 (Till 31.12.2020 Nu. 21,621,717) 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 of actual work done.

42.4 The Corporate Income Tax (CIT) assessment has been completed upto the accounting year 2019. During the year, the Department of Revenue and Customs, Royal Government of Bhutan had raised an additional CIT of Nu. 6,073,715 pertaining to the year 2018 amounting to Nu. 3,431,617 & to the year 2019 amounting to Nu. 2,642,098 based on the field assessment. The said demand being paid in installments with last installment due on 25.01.2022; therefore, amount payable of Nu. 1,449,740 is shown under Note 20 - Other current liabilities and Nu. 6,073,715 has been shown as tax expense - earlier years under Statement of Comprehensive Income.

42.5. The Company has purchased Land at Gelephu in the year 2011 for Nu. 5,188,108 which was freezed by Anti Corruption Commission. Presently, the ACC has forwarded the case to Office of Attorney General after completion of investigation. In 2021, the case has been registered with Gelephu court & the trail was delayed due to movemenet restriction amid Covid 19.

42.6. In the opinion of the management, the value of assets other than property, plant and equipment, 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.

42.7. Balances in the accounts of some parties are subject to confirmation / reconciliation. The impact, if any, subsequent to the reconciliation will be taken in the year the confirmation / reconciliation is carried out, which in the view of the management, will not be material.

42.8. On physical verification of property, plant and equipment, conducted during the year, instances have been noted wherein certain assets have been found short, damaged or obsolete and may not be useable. These instances are under review / reconciliation, and the adjustment thereof in the accounts, which in view of the management will not be material, will be made in the period/ year the review/reconciliation is completed and is approved by the concerned authorities.

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42.9. In the case of certain assets under the same block of assets, the different useful lives have been considered and depreciation is being charged accordingly at the different rates. Though the useful lives in these cases are based on the usage pattern, internal assessment and the experience of Company's engineers and concerned usage officials and are reviewed at the end of each reporting period and necessary adjustments are made accordingly, wherever required, however, considering that these assets are of similar nature and use, therefore to bring the uniformity, the useful lives thereof are under evaluation / re-consideration of the Company's technical experts / engineers and, if required necessary changes will be made and the impact thereof will be taken accordingly in the year, the said exercise is completed and adopted after requisite approval and sanction. Further, on detailed review of the fixed assest register, conducted by the management during the year, the useful lives and the rate of depreciation in some case was not found as per the accounting policy of the Company. The necessary corrections in this regard have been made substantially after in depth study /review, however, in some cases the same is pending due to paucity of time and non availability of the required necessary information, and as the necessary exercise in this regard is still continuing, therefore, the impact thereof will be taken in the year / period the said excercise is completed.

42.10. There is stock of 20,114 MT. of PC Pit material, having value of Nu. 84,478,825 as at 31 December, 2021, which is majorily lying since long i.e. more than 3 years with very minimum consumption i.e. maximum consumption capped @ 3% of total raw meal preparation. The Company has instituted a Task Force to come up with the proposal to arrest the PC pit drop permanently. The Task Force has already initiated the consultation with an Indian firm and has indicated that the drop can be captured with some modifications and installation of some equipment, and once it is done, the Company aims to consume about 6,000 to 8,000 MT. of the PC pit annually during the normal production time, and therefore, in view of the management, the quantity lying at the year end will be consumed in the upcoming years. Further, management is also in the process of formulating proper costing method/techniques to ascertain its cost till the stage of generation, however, till it is under process, the said inventory is valued at the same rate at which Clinker is valued. The necessary impact, if any required in the value of the said inventory based on the outcome after proper costing method/techniques are formulated, will be taken in the period / year the said process is completed, however, in view of the management there will be no material impact thereof.

42.11. As the finished product i.e. Cement is generally sold at or above cost, therefore, the Clinkers, which is the work in process inventory and is used for production of Cement should have been valued at cost in terms of BAS-2 as at 31 December, 2021. However, considering that it is also a by product and can be sold independently / separately in the market and also, as the cost of conversion of clinkers to cement is expected to be increased considering lower sales volume and also lower production due to continued restricted movement of COVID 19 lockdown in force, it may ultimatley result in sale of final product i.e. Cement below its cost, therefore the inventory of clinkers as at the reporting date has been valued at cost or net realisable value is more appropriate and prudent in the present circumstances and as the net realisable value is lower than its cost, stock of 23,496 MT. of Clinkers as at 31 December, 2021 is valued at net realizable value at Nu. 98,682,713.

42.12 The SARS-CoV-2 virus responsible for COVID-19, which has been declared a Global pandemic by the World Health Organization in 2020, had led to nation-wide lockdown for a quite considerable time. It contributed to a significant decrease in global and local economic activities, and consequently, the revenues and the profitability for the current and earlier years have been adversely affected. In assessing the recoverability of financial and non-financial assets, the Company has considered internal and external information including economic forecasts available, and based on such information and assessment, the Company expects to recover the carrying amount of these assets. The impact of the pandemic may differ from that estimated as at the date of approval of these financial statements, and such changes, if any, will be prospectively recognized. Further, the extent to which the COVID-19 pandemic will impact the Company's future activities and financial results will depend on future developments which are highly uncertain, and as such no impact thereof, if any required, could be taken in these financial statements.

42.13. The Company has not recorded cumulative deferred tax assets on account of temporary differences on accumulated unused tax losses as stipulated in Bhutanese Accounting Standard 12 on "Income Taxes" in view of uncertainty of future taxable income.

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43. Subsequent events

The Board of Directors has not propose any dividend in respect of financial year ended 31 December, 2021 as on date. However, the same shall be finalized by members in the General Meeting to be held on 26/04/2022. These financial statements do not reflect this dividend payable.

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

As per our report of even date attached

For S P Chopra & Co.
Chartered Accountants
Firm Regn. No. 000346N

S.P. CHOPRA & CO. NEW DELHI CHARTERED ACCOUNTANTS

Pawan K. Gupta
Partner
Membership No: 092529
Place : Delhi
Date : 19.04.2022

For and on behalf of the Board of Directors

Dasho Phuntsho Tobgay
Chairman

Tenzin
Chief Executive Officer

Ugyen Khendup
Director

Yeshey Dorji
Director (FID)

Place : Thimphu
Date : 19.04.2022

RATIO ANALYSIS

SIGNIFICANT RATIOS

SL NO.	RATIO	31 December, 2021	31 December, 2020	Remarks
1	**Profitability Ratio**			
	i. Net profit ratio	(0.10)	(0.27)	Due to decrease in net loss
	ii. Return on Assets	(0.17)	(0.35)	Due to decrease in net loss
	iii. Return on Equity	(0.11)	(0.23)	Due to decrease in net loss
2	**Operational Efficiency ratio**			
	i. Capital Turnover ratio	1.06	0.83	Due in decrease Retained Earning
	ii. Fixed Assets Turnover ratio	1.68	1.29	Increase in revenue from sale of cement
3	**LIQUIDITY RATIO**			
	i. Current ratio	1.77	2.37	Decrease in advances to Contractors
	ii. Liquid ratio	0.51	0.67	Decrease in advances to Contractors
	iii. Operating & maintenance expenses	1.11	1.26	Decrease in cost of raw materials
	iv. Employee Remneration to Sales ratio	0.21	0.28	Due to decrease in Salaries pay out.

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NEW DELHI
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COMPLIANCE CALENDER AND CHECKLIST

PENDEN CEMENT AUTHORITY LIMITED
(A Royal Government of Bhutan Undertaking)

COMPLIANCE CALENDAR
STATUTORY AUDIT FOR THE YEAR ENDED ON 31 DECEMBER, 2021

Sl No.	Activity	Sections of The Companies Act of Bhutan 2016	Timeliness	Remarks
1	Submission of Annual Return	267	On or before 31st July (As per extension)	Annual Return has been filed on 13th August 2021; however formal acknowledgement letter are not issued due to lockdown. Confirmation mail for receipt of Annual return received from MCA.
2	Annual General Meeting	177	On or Before 30th April	Yes, AGM was held on 16 March, 2021
3	Notice Calling General Meeting	185	21 days before the AGM	Yes, notice of AGM was served 21 days before i.e. on 21 February, 2021
4	Payment of Dividend	204	Within 30 days of declaration in AGM	No dividend declared in the year 2021
5	Presentation of B/S, P&L A/c and cash flow statement at every AGM	244	-	Yes
6	Filing of documents with registrar	267	-	Yes
7	Appointment of Auditors	251	-	Auditors are appointed by Royal Audit Authority.
8	Consent to act as a directors	140	Within 30 days of appointment or reappointment with the registrar.	1. Consent of 2 Directors i.e. Yanchen Chhoden and Ugyen Lhendup was filed in 45 days i.e. on 30.04.2021 after date of appointment i.e. 16.03.2021. 2. Consent of 2 Directors i.e. Sonam Phuntsho and Dasho Phuntso Tobgay was filed in 82 days i.e. on 09.06.2021 after date of appointment i.e. 16.03.2021. 3. As informed, Consent of 2 Directors i.e. Lopen Ugen Namgyel and Tenzin are not received/filed yet.
9	Board Meetings	146 & 149	3 months after last Board Meeting	Yes, Board meetings for the year 2021 were conducted once in every three months as given under: 195th-23.01.2021 196th-09.03.2021 197th-24.05.2021 198th-26.07.2021 199th-29.07.2021 200th-20.08.2021 201st-02.11.2021 202nd-07.12.2021
10	Appointment of CEO	210	Every 5 years	CEO was appointed on August 1, 2018 for intial period of 3 years. Moreover, he has been reappointed for another 3 years w.e.f August 1, 2021.
11	Power of Regulatory Authority to accord approval	412	Approval of Regulatory Authority	Yes
12	Appointment of Company Secretary	213	As prescribed by MTI	Yes
13	Statutory Record and Inspection	228	All times	Yes

For S.P. Chopra & Co.
Chartered Accountants
ICAI Firm Regn. No. 000346N

(Pawan K. Gupta)
Partner
M. No. 092529

S.P. CHOPRA & CO. NEW DELHI CHARTERED ACCOUNTANTS

Place: New Delhi
Dated: 19.04.2022

PENDEN CEMENT AUTHORITY LTD. GOMTU : BHUTAN

PENDEN CEMENT AUTHORITY LIMITED
(Regn. No. L19901227BHU02 dated 24th August, 1990)
CHECK LIST FOR COMPLIANCE TO PROVISIONS OF THE COMPANIES ACT OF BHUTAN, 2016

(As referred in para 33.b of Annexure - A to the Independent Auditor's Report)

Sl. No.	The Companies Act of Bhutan, 2016	PARTICULAR	COMPLIANCE CHECKLIST YES	NO	NA	REMARKS
	INCORPORATION OF A COMPANY & SECURITIES					
1	28	Changes to Articles/Approval				Copy of last Articles provided to us pertains to year 2003; however, the said articles are not matching with the share capital shown in the financial statements as at 31.12.2020. Also, Annual return filed for the year 2020 contains information related to preference share capital; though as informed there is no preference capital of the Company. Further, par value per share also not tallying in these documents. As per AOA - 2003– Authorised – Equity - 10,000,000 shares @ Nu. 100 each Authorised – 200,000 shares @ Nu. 100 each As per Annual Return 2020 - Authorised – Equity - 10,000,000 shares @ Nu. 100 each Authorised - Preference – 200,000 shares @ Nu. 100 each Paid-up - 3,400,007 shares @ Nu. 100 each – Total Nu. 340,000,7000 As per Financial Statements 2020/2021- Authorised – Equity - 100,000,000 shares @ Nu. 10 each Authorised - Preference – NIL Paid-up - 34,000,070 shares @ Nu. 10 each – Total Nu. 340,000,700
2	47	Change of name/Approval			√	As informed, there is no such change during the year.
3	123	Increase or consolidation of share capital			√	As informed, there is no such increase/consolidation/ reduction of Share Capital; however, refer our comments given in 1 above.
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	√			Company mentioned 'Corporate Office' in lieu of 'Registered Office'
		(Postal Address & Contact Number)				
8	221	Publication of name by Company	√			
		(Letter Head, Seals and Sign Board)				
9	241	Financial Year of Companies as of 31st Dec.	√			
	242	Extension upto 15 months - ROC approval			√	
	243	Extension upto 18 months - Authority's approval			√	
	245	Financial Statements to follow BAS	√			
10	267	Annual Return Submission On/before 31st May for listed; others 31st July		√		Annual report along with other documents should be authenticated by atleast 1 director and CEO; however, submission letter only signed by CEO, Annual return form not signed by anyone and Director's report only signed by the Chariman of the Board. Hence, compliance of the said clause has not been done.

S.P. CHOPRA & CO. ★ CHARTERED ACCOUNTANTS ★ NEW DELHI

PENDEN CEMENT AUTHORITY LTD. • GOMTU : BHUTAN

	11	177	Annual General Meeting (Minutes)	√			
	12	180	Extraordinary General Meeting (Minutes)			√	As informed to us, no EGM was conducted during the year.
	13	185	Notice for calling general meeting	√			
		187	listed Co. - written as well as in media	√			Notice of AGM not given to Statutory Auditor's
			Public Co/Private Co. - Written Notice	√			
	14	190	Chairman of meeting (CEO cannot chair)	√			
	15	192	Representation of corporations at meetings			√	As informed, no represenations of corporations at any of the meeting.
			(appointed by Board Directors)				
	16	193	Ordinary and special resolutions (Minutes)	√			
	17	195	Minutes of Annual General Meeting and Board Meetings (maintained ss.195-198)	√			During the year, 1 AGM (35th) and 8 BM's (195-202) held. We noted as below: 1. Out of 8 BM's, date of signing was mentioned only on 2 BM's i.e. BM 201 and 202; further, BM 201 held on 02.11.2021 and signed on 07.12.2021 and BM 202 held on 07.12.2021 and signed on 12.01.2022 i.e. not signed within 30 days. 2. For other 6 BM's, where date of signing was not mentioned; compliance of the same whether signed within 30 days couldn't be verified.
	18	199	Declaration and payment of dividend(199-209)			√	No dividend paid/declared in 2021
	19	232	Books of account to be kept by company (location & time period)	√			
	20	250	Board's report (signed by Chairman)	√			
	21	252	Appointment and removal of Auditors			√	Being a government controlled Company, the auditors are appointed by the Royal Audit Authority.
			Need to re-appoint annually(251-259)			√	
	22	260	Resignation of Auditors from office(Annual Resignation)			√	
	23	266	Auditing standards	√			
			(Audit using Auditing Standards issued by AASBB)				
	24	133	Number of directors	√			No independent directors are appointed as required by Sec 134. 134. In a Board of Public Company at least one-third of the directors shall be independent; to protect the interest and investment of all the shareholders and particularly the minority shareholders.
			(Minimum & retirement on rotation)				
	25	139	Additional directors			√	
	26	140	Consent to act as directors	√			1. Consent of 2 Directors i.e. Yangchen Chhoedon and Ugyen Lhendup was filed in 45 days i.e. on 30.04.2021 after date of appointment i.e. 16.03.2021. 2. Consent of 2 Directors i.e. Sonam Phuntsho and Dasho Phuntso Tobgay was filed in 82 days i.e. on 09.06.2021 after date of appointment i.e. 16.03.2021. 3. As informed, Consent of 2 Directors i.e. Lopen Ugen Namgyel and Tenzin are not received/filed yet.
	27	141	Certain persons not to be appointed as Directors	√			
	28	142	Resignation by a director			√	No resignation during the year only retirement of Directors on completion of term.
	29	143	Removal of directors			√	

	30	146	Board meetings (4 Meetings for Public Cos & 2 Meetings for Pvt)	√			
	31	152	General powers of the board	√			
	32	156	Restriction on powers of Board	√			
	33	210	Appointment of Chief Executive Officer	√			Appointment in 180th Board Meeting held on 20th June, 2018 for 3 years and reappointed in 199th Board Meeting held on 29th July, 2021
			(Max 5 years terms & 2 consecutive terms only)				
	34	414	Appointment of selling or buying agents	√			
			(govt. Approval obtained or not)				
	35	157	No loans to directors (only for Public Co.)			√	
	36	53	Inter-corporate investments			√	
			(investments to be disclosed) apply old rule				
	37	158	Contracts in which the Directors are interested			√	No contracts where consent of BOD is required
	38	213	Companies to have Company Secretary	√			
	39	161	Standard of care required by directors	√			
			(Reckless decision)				
			STATUTORY RECORD AND INSPECTION				
	42	228	Statutory record and inspection	√			
	43	(a)	Register of buy-back of shares	√			
	44	(b)	Register of transfers	√			
	45	(c)	Register of charges	√			
	46	(d)	Register of inter-corporate loans	√			
	47	(e)	Register of inter-corporate investments	√			
	48	(f)	Register of contracts in which directors are interested	√			
	49	(g)	Register of directors	√			
	50	(h)	Register of directors' shareholding	√			

For S.P. Chopra & Co.
Chartered Accountants
ICAI Firm Regn. No. 000346N

(Pawan K. Gupta)
Partner
M. No. 092529

S.P. CHOPRA & CO. NEW DELHI CHARTERED ACCOUNTANTS

Place: New Delhi
Dated: 19.04.2022

PENDEN CEMENT AUTHORITY LTD. GOMTU : BHUTAN

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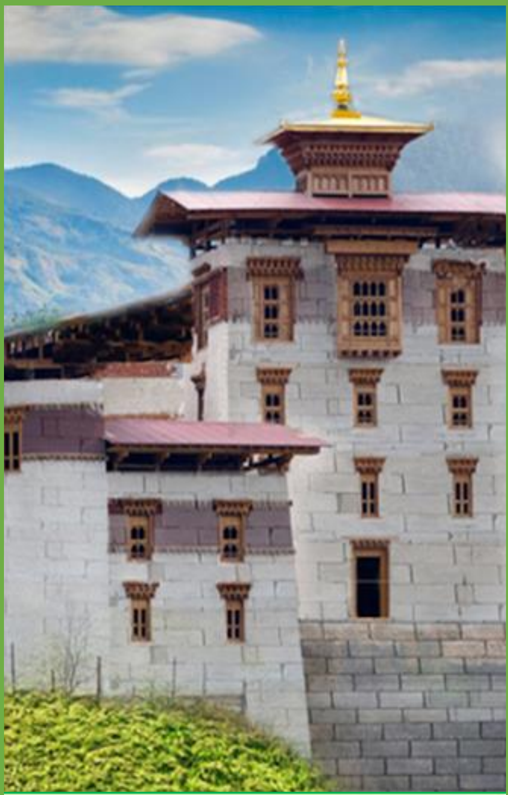

PENDEN CEMENT AUTHORITY LIMITED

Phuntshopelri: Samtse

An ISO 9001:2015 Certified Company

Working Days

Head Office
Mon- Fri: 0900- 1700hrs
Sat: 0900hrs- 1300hrs
Cement Plant
24X7

OUR REGIONAL DEPOTS

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