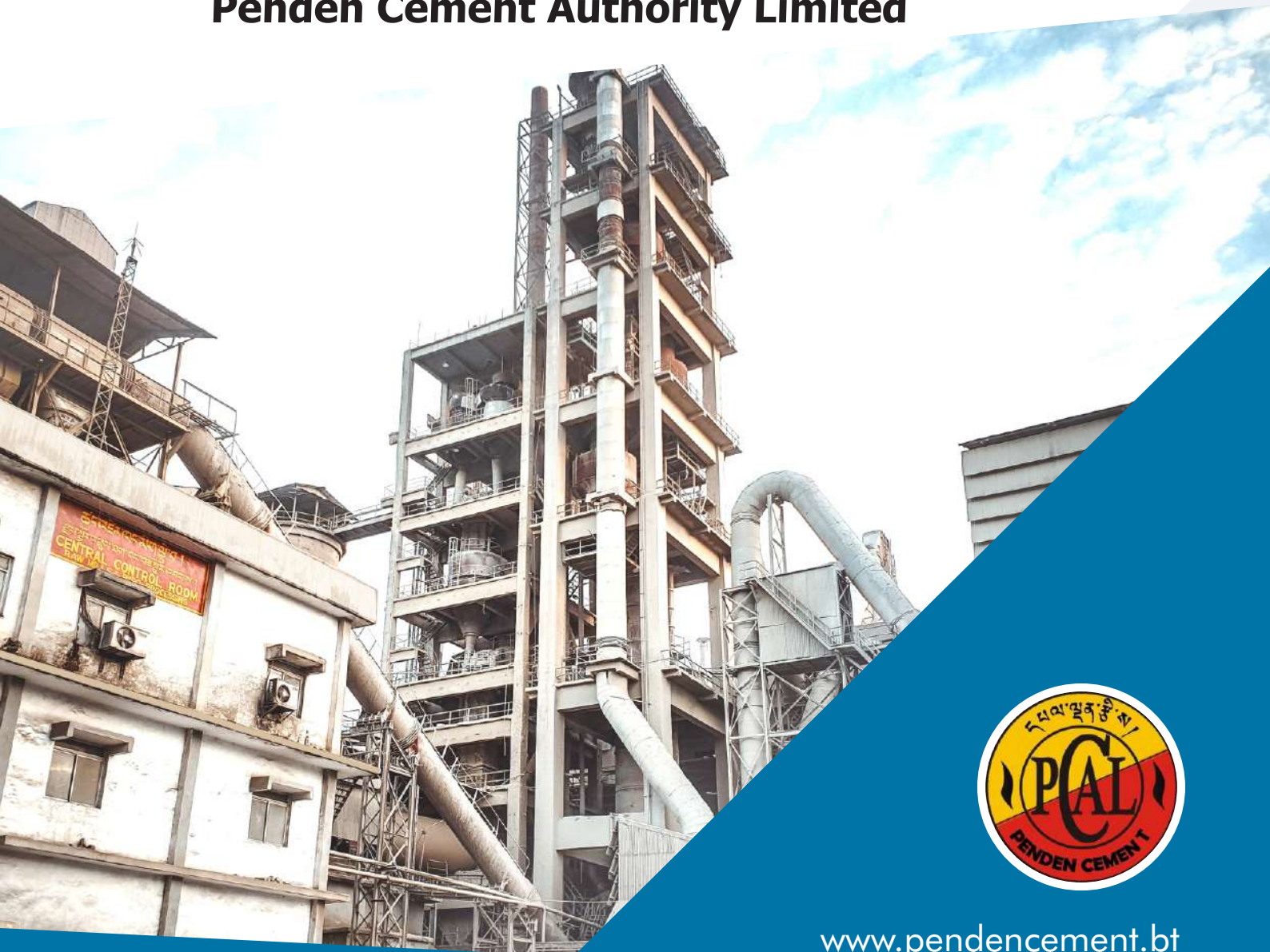




2022 ANNUAL REPORT

Penden Cement Authority Limited



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PENDENLING (GOMTU) : BHUTAN

"A happy place to Live and Work"

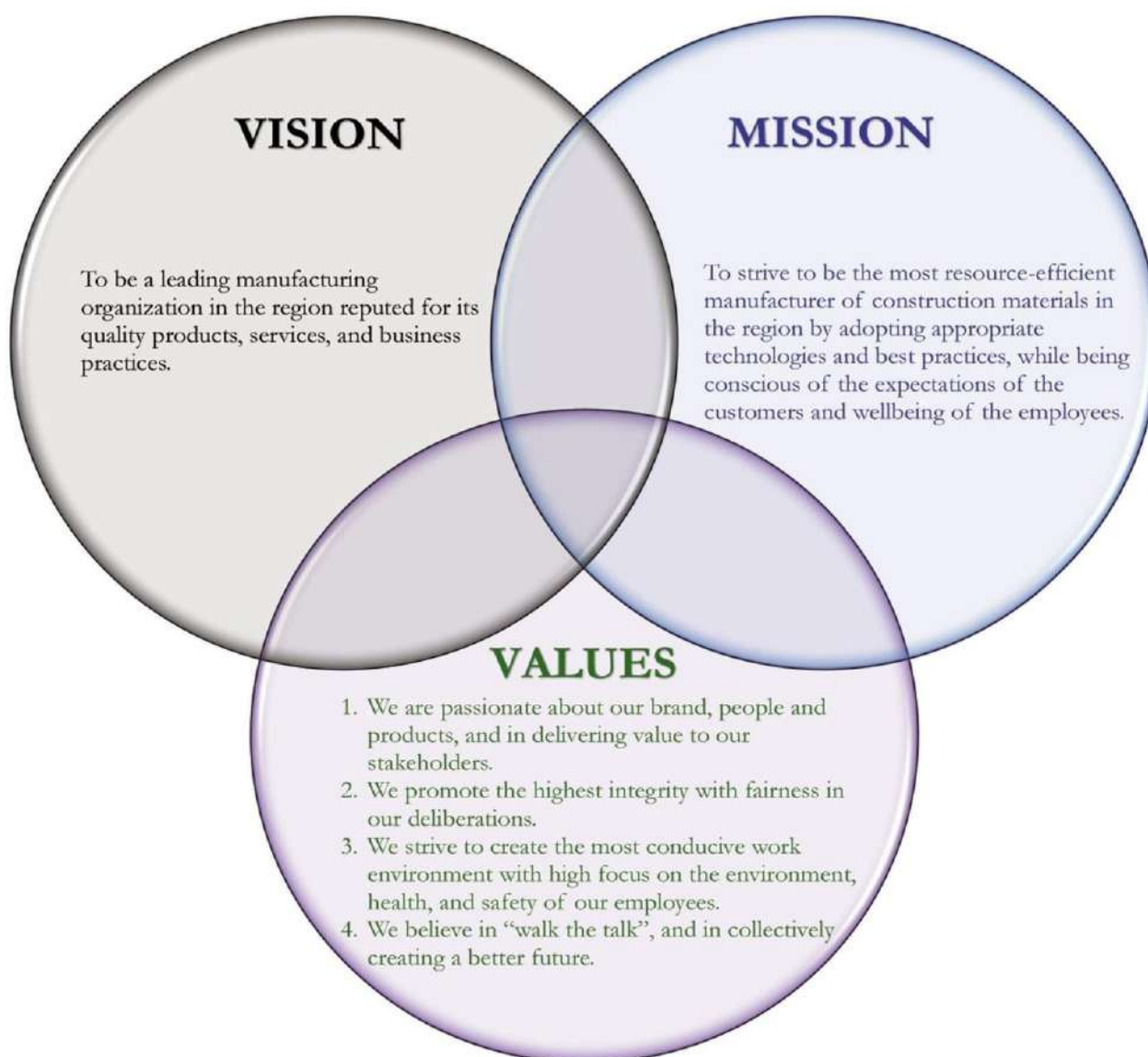
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COMPANY'S MISSION, VISION, AND CORE VALUES





COMPANY PROFILE

Penden Cement Authority Limited (PCAL) is a Joint Sector Company incorporated under the Companies Act of the Kingdom of Bhutan 2016. 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 a 300 TPD plant began at Gomtu and commercial production started in 1981.

For a period spanning over 40 years, PCAL has served as the foundation for 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.

The plant was optimized to a clinker production capacity of 1,000 Tonnes Per Day (TPD) in the year 2002 by adopting the improved technology and control system with minimum investment. In 2004, with the introduction of blended cement by using industrial wastes such as slag and fly ash, the capacity of cement production was further enhanced to 1,650 TPD.

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 cement and affecting deliveries just in time.

Since its establishment, PCAL has been primarily in the business of manufacturing and selling cement. With the emergence of new challenges, particularly in the form of the 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

Year	Event(s)
1965	Prospecting of Limestone was initiated through the Geological Survey of India.
1970	The feasibility Study of a 300 TPD cement plant at Pugli commenced.
1974	Constitution of Penden Cement Authority.
1980	Setting up of 300 TPD cement plant commenced.
1981	Commercial production commenced. Entered Indian Cement Market as levied (controlled) items controlled under essential commodities by Cement Control.
1982	HRH Ashi Kesang Wangmo Wangchuck inaugurated Penden Cement Plant on 5 th February
1983	PCAL achieves 107.9% capacity utilization in Clinker production.
1985	PCAL takes over the management of Penden Collieries. 2 Virtual Shaft Kilns(VSKs) of 50 Metric Tonnes Per Day (MTPD) capacity each installed. Thus, enhancing the installed clinker production to 400 Metric Tonnes.
1986	PCAL takes over Shumar Gypsum Mines from the Department of Industry. The Government Of India declared Cement as a non-levied commodity under free sale.
1987	PCAL was connected to the National Power Grid - Department of Power (DoP) supply on 29 th March 1987.
1988	PCAL initiated the project of planting trees withiko9in the adjoining areas of its factory premises and mined-out areas.
1989	PCAL was 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 in the reduction of air pollution, Occupational Health and Safety Management (OHSM) started.
1992	Penden Collieries and Shumar Gypsum Mines were 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 a reduction in air pollution under DANIDA's funding.
1994	Approval was 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 10,000 MT. Adoption of the new concept of Programmable Logic Control (PLC) philosophy. Installation of glass fabric Bag House for Pollution Control.
1998	PCAL was conferred with the "ARCH OF EUROPE AWARD" for Excellence and Quality. The first PSC was grounded on 20 th July 1998.
1999	Launched the production of Portland Slag Cement (PSC). Bureau of Indian Standard Product Certification Awarded for Ordinary Portland Cement (OPC) 43, OPC33 grades, and PSC.
2001	Project Work on Optimization from 800 TPD to 1,000 TPD of Clinker production started.



2002	<p>The optimized Clinker production of 1,000 TPD was achieved in May 2002.</p> <p>Upgradation of Programmable Logic Control (PLC) platform to next higher operating platform i.e. from CORAS to WINCC Operating System.</p> <p>Installation of new Gas Analyzers and better raw meal and coal feed control system.</p> <p>PCAL started operating Uttare Limestone Mines.</p>
2003	<p>PCAL was awarded ISO 9001: 2000 certifications by the Bureau of Indian Standards.</p>
2004	<p>Cement production augmented to 1,650 TPD with the launching of Portland Pozzolana Cement (PPC) in the market.</p> <p>Cement Mill III was set up with a capacity of 22.5 Tonnes Per Hour (TPH) PSC and 30 TPH OPC.</p> <p>Fly Ash Storage Silo was set up with a capacity of 750 MT.</p> <p>New Packing Plant with 6 Spout Rotary Packer machines was set up.</p>
2005	<p>Product Certification for PPC (Portland Pozzolana Cement) was awarded by the Bureau of Indian Standards.</p> <p>Old Packing Plant upgraded from stationary Spout Packer Machine to 6 Spout Rotary Packer Machine.</p>
2006	<p>Completed 25 years of commercial production and Celebrated the Silver Jubilee of the company on February 5, 2006.</p>
2007	<p>Recognized as the first firm in obtaining a “Private Forest Ownership Certificate” in the district for protection and conservation of the environment.</p> <p>Circular Stacker Reclaimer having a storage capacity of 21,000MT was set up for blending and homogenization of limestone of varying quality.</p>
2008	<p>Initiated additional limestone deposit prospecting through the expertise of DGM in and around Samtse district and Gelephu.</p>
2009	<p>Separate Fly Ash dosing line introduced for Cement Mill III for production of PPC from this Mill.</p>



2010	PCAL was 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 in 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 crow fly 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 a new type of cement based on the mineral dolomite and is branded as DoloCem. Strength, workability, and durability-related tests of this product are found positive and in conformity with the Bureau of Indian Standards (BIS).
2014	A 9 feet brass make Jampayang (Manjushree) statue was constructed and successfully installed, in dedication to the 60 th 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 the installation of the statue was Nu. 4,150,000.00.
2016	PCAL received the ESQR’s (European Society for Quality Research) Award for best practices 2016 at ESQR’s Convention in Brussels, on 4 th June 2016. Penden Premium brand cement (PPC Plus) 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 was launched in the domestic market in the month of November 2018. An organizational development (OD) exercise was carried out.



	<p>Technical audit of the plant was carried out by Siam Cement Group, Thailand.</p> <p>Detailed Project Report for the AAC blocks project carried out.</p> <p>A predictive maintenance program was introduced.</p>
2019	<p>Carried out Limestone prospecting works at Daling, Panbang.</p> <p>Carried out the reassessment of limestone deposits at Pagli Mines, Kalapani Mines, and Kharkhola area by the Department of Geology and Mines (DGM).</p> <p>Implementation of the OD exercise carried out. Introduction of heads of departments at the level of Directors.</p> <p>Initiated the implementation of the AAC Block project.</p> <p>Adopted and implemented the Performance Management System (PMS). It was introduced at the Department and Individual Levels.</p> <p>Introduced Enterprise Risk Management (ERM) by hiring the services of M/s Management and Governance Consulting Private Limited, India.</p> <p>Formulated and approved the 10 Years Strategic Roadmap.</p>
2020	<p>Participated in the Chunaikhola Dolomite Project.</p> <p>Approval and clearance for Daling Limestone deposits are under progress.</p> <p>Feasibility study of Beema Bamboo Plantation for phase-2</p> <p>Note: Business and initiatives impacted due to the Covid-19 pandemic, lockdowns, and border closure.</p>
2021	<p>Obtained clearance and approval for surface collection of Daling Limestone.</p> <p>Completed desktop study of Haurikhola Limestone Deposit.</p> <p>Upgraded the Enterprise Resource Planning (ERP)/ Axpert System to 10x.</p> <p>Installed a CCTV network inside the plant for process and security surveillance.</p> <p>Note: The Covid-19 pandemic and its effects continued.</p>
2022	<p>Appointment of Mr. Karma Thinley (former CEO of Farm Machinery Corporation Limited, State own Enterprise) as the 10th Chief Executive Officer in October 2022.</p>



Cement plant view from packing plant top



40 Years Old Cement Plant



Since 1982



The upcoming AAC Eco-block plant



BOARD DIRECTORS

<i>SN</i>	<i>Board of Director</i>	<i>Designation</i>
1	Mr. Phuntsho Tobgay, Secretary, MoIC	Chairman
2	Mr. Pema Dorji, Bridgrader, RBG, Dechencholing, Thimphu	Director
3	Lopen Ugen Namgyel, Leytshog Drungchen, Leytshog Office, Zhung Dratshang, Thimphu	Director
4	Mr. Sonam Tenzin, Director General, DoT, MoEA	Director/ Chairperson to the Board Risk and Management Committee
5	Ms. Sonam Pelden Thaye, Director, RIM, Thimphu	Director/Chairperson to the Board Human Resource Committee
6	Mr. Tshering Tashi, Her Majesty's Secretariat, Thimphu	Director/Member to the Board Audit Committee and BLTC
7	Ms. Tshering Om, Chief, Portfolio Investment Division, NPPF, Thimphu	Director/Chairperson to the Board Leve Tender Committee/Member to the Board Audit Committee and BHRC
8	Mr. Ugyen Lhendup, Senior Analyst, CPD, DHI, Thimphu	Director/Chairperson to the BAC/Member to the Board Human Resource Committee
9	Mr. Karma Thinley, CEO, PCAL, Samtse	Director/Member to the BHRC and BLTC

BOARD MEETINGS HELD IN 2022

<i>SN</i>	<i>Particular</i>	<i>No. of meetings</i>
1	Annual General Meeting	1
2	Board Meeting	5
3	Board Audit Committee Meeting	5
4	Board Human Resource Committee Meeting	5
5	Extraordinary General Meeting	1



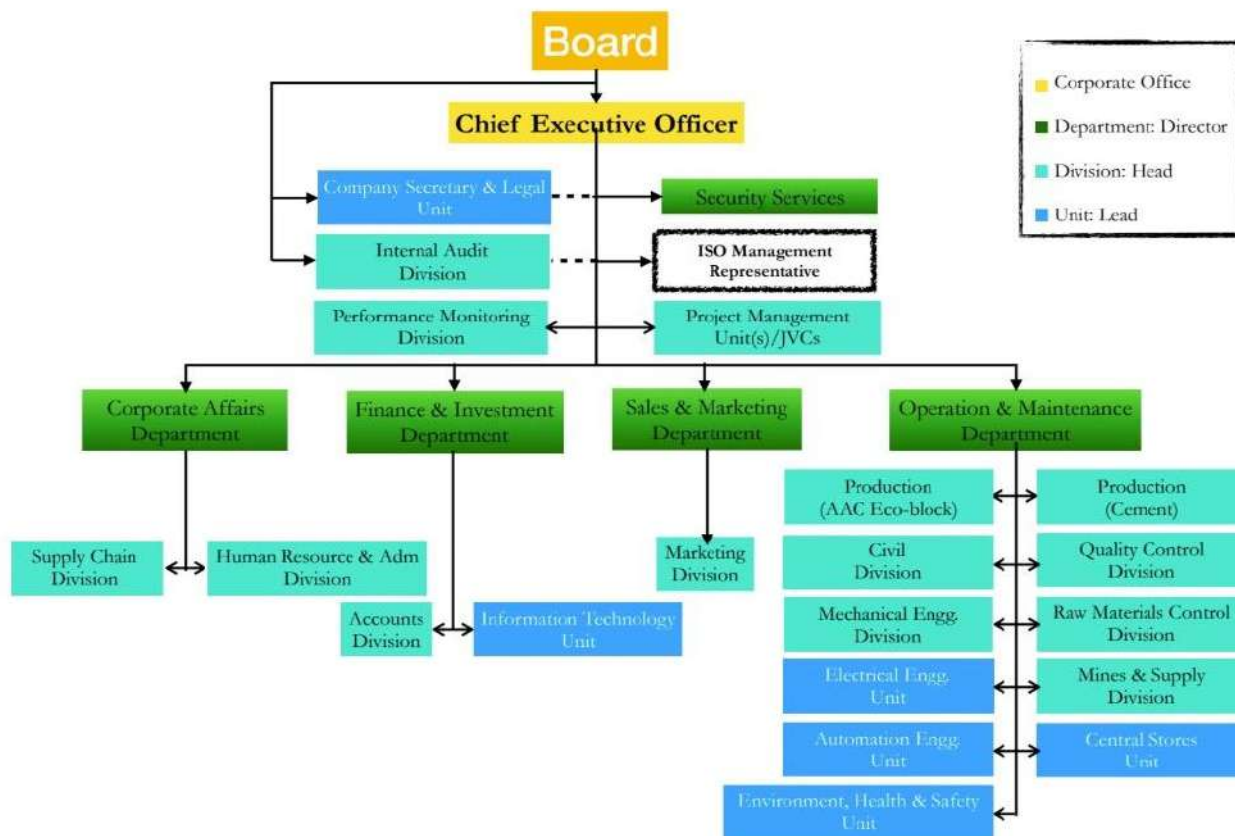
SHAREHOLDERS

SN	Name of Shareholders	% of Shares
1	Druk Holding and Investment	40.33%
2	National Pension and Provident Fund	17.37%
3	Central Monk Body	7.81%
4	Other Monasteries	7.20%
5	Yum Rani Choying Wangmo's Trust Fund	5.38%
6	Bhutan National Bank Limited	1.79%
7	Other Individual Shareholders	15.90%
8	Royal Family Members	0.91%
9	Gokha Kidu Soelra Fund(RBG)	0.88%
10	Royal Insurance Corporation of Bhutan	0.54%
11	Bhutan Trust Fund for Environmental Conversation	0.52%
12	Royal Bhutan Army	0.36%
13	Education Staff Welfare Scheme	0.26%
14	Royal Body Guard	0.22%
15	Royal Bhutan Police	0.15%
16	Army Welfare Project	0.13%
17	Bank of Bhutan Limited	0.11%
18	Bhutan Development Bank Limited	0.11%
19	Royal Golf Club	0.03%
TOTAL		100.00%



Since 1982

ORGANOGRAM





DIRECTOR'S REPORT



Building for the Future

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 2022.

PCAL has paid more than Nu. 1,968.605 million as dividend to its shareholders in the last 12 years. Penden cement also continues to enjoy its brand image in both the domestic and export market. However, PCAL like any other industries, has been badly affected by the pandemic in the last three years since 2020 and is yet to recover. The movement restriction continued till 23rd September 2022. PCAL was also severely affected by the shortage of quality coal in 2022. The company has resorted to borrowing of working capital loan of Nu. 299 million including its accrued interest and has not been able to declare any dividend since 2020. Nevertheless, with the easing of restrictions and opening of borders from 23rd September 2022, the company is able to stabilize the normal functioning with better performance from November 2022. PCAL had 586 employees as on 31st December 2022.

I'm also pleased to inform the shareholders that the management has been successful in signing the MoU with the Eastern Coalfield Ltd. (ECL) of Coal India Ltd, with the support of the RGoB and the GoI, to supply 36,500 MT of coal annually. PCAL procured the first lot of 3,862 MT of coal from ECL and received it in December 2022. State Mining Corporation Ltd. has also started mining quality coal from Reshore mines and started installing coal washery to reduce the ash content to our requirements. The Management also continues to source the quality coal from North East India through the secondary market.

Further, the AAC Eco Block project has been finally completed and it will be under commercial operation by the end of February 2023. It is projected to earn a revenue of Nu. 199.842 million for the year 2023.

1. Operational Highlights

PCAL performance has been badly affected by the pandemic since 2020. The impact of the pandemic continued in 2022 followed by complete nationwide lockdown from 16th January till March 2022 and movement restriction till 23rd September 2022, which impeded the normal functioning of the office and the plant. PCAL was further severely affected by the shortage of quality coal in 2022. The coal from SMCL has high ash content of about 30% to 35% which is not suitable for cement production. PCAL has placed supply orders to more than 30 suppliers to supply the quality coal and only one supplier was successful in supplying only about 3,500 MT from North East India. PCAL's annual requirement is more than 41,000 MT of coal.

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PCAL could not purchase external clinkers in 2022 due to high price and unfavorable payment terms and conditions.

PCAL incurred a financial loss before tax of Nu. 223.275 million in 2022 from the business operation. The company made a comprehensive profit of Nu. 4.311 million mainly from the Other Comprehensive Income of Nu. 212.275 million due to the valuation of PCAL's land at the fair value amounting to Nu. 422.253 million as on 31st December 2022. As of 31st December 2022, PCAL has 450.94 acres of land at Phuntshopelri, Samtse, and 1 acre at Gelephu. Some of the major reasons for the financial losses from the operation are mentioned below:

a. Clinker Production

The company has produced 69,858.14 MT of clinker during the year against the annual target of 127,323.57 MT of clinker. This was mainly due to covid-19 pandemic and the shortage of quality coal. The company could operationalize the plant for only about 115.60 days. However, there is an improvement in production from November 2022.

b. Cement Production and Dispatch

The company could produce only 82,771.69 MT of cement against the annual target of 168,186.09 MT of cement. The cement mills were in operation for only 45.9 days as against the target of 300 days. The dispatch was only 81,090.73 MT against the target of 168,186.09 MT. There is also an improvement from November 2022.

2. Financial Highlights

In 2022, the total revenue generated was Nu. 546.369 million and incurred an operational loss before tax of Nu. 223.275 million as compared to the total revenue of Nu. 942.794 million and loss before tax of Nu. 81.308 million in 2021. The performance trend of the company for the last five years is shown below.

Particulars	2018	2019	2020	2021	2022
Clinker Production (MT)	185,102.00	187,995.00	67,827.00	132,743.00	69,858.11
Cement Production (MT)	307,828.00	301,492.00	150,654.00	167,386.00	82,068.75
Cement Dispatch (MT)	312,684.00	303,897.00	145,514.00	171,695.00	81,090.73
Revenue from Sale of Cement (MBTN)	1,565.477	1,499.966	769.112	909,219	499.794
Profit Before Tax (MBTN)	159.888	117.956	(200.246)	(77.625)	(223.275)
Profit After Tax (MBTN)	111.58	80.99	(209.850)	(103.940)	(227.935)
Total Comprehensive Income/Loss	109.767	70.915	(218.800)	(70.809)	4.311
Return on Equity (%)	32%	21%	(62%)	(27%)	0.01%

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The company's performance has declined from 2018 and amid the pandemic the company suffered losses from 2020. The performance of the company in 2022 was severely affected by lockdown, movement restriction, and unavailability of quality coal.

KEY CHALLENGES

1. High fuel cost, transportation cost and handling cost.

The business continued to be badly affected due to the global pandemic, border closure, lockdowns and strict health protocols thus incurring huge losses in 2022 until the international border opened from 23rd September 2022. The cost of fuel and transportation charges increased drastically due to the Ukraine-Russia conflict. The handling cost which has risen since the pandemic continued to affect the business.

2. Shortage of quality coal

PCAL annual requirement of coal is 41,625 MT annually of which only 5,917.72 MT of good quality coal in 2022 was sourced from North East India and other sources. The restriction of import of coal from North East India through West Bengal continued. The company explored to source the quality coal from North East India via Samdrup Jongkhar and was successful in importing only about 3512 MT. It was stopped from October 2022 by the Assam Customs. The coal price also increased to about Nu. 18,000 per MT in 2022 from 2021. The company also tried sourcing high quality US coal of about 1096 MT at Nu.30,000 per MT. Due to shortage of funds, this was also discontinued which hampered the availability of coal for plant operation.

SMCL coal is of low quality with high ash content ranging from 30% to 35%. SMCL started mining good quality from Reshore mines only from October 2022 but with limited quantity. From the total of 15,180 MT of SMCL coal, only 6,266.8 MT was of good quality mined from Reshore mines.

3. Quality Limestone and sourcing of new mines.

PCAL requires limestone with an average CaCO_3 content of 75%. The company has started Pugli mines from 1976. The limestone from Pugli started depleting its reserves and quality continues to impose a huge impact on the production, revenue and profitability of the company.

With the reassessment of Pugli limestone carried out in 2021, it shows estimated limestone of 2.3 million tonnes which is estimated to last more than 6 years by mixing with high grade limestone. The company has now started screening the limestones from Pugli mines to get the quality limestone. The company also continues to purchase high grade limestone from Thimphu to add as the sweetener.

The company has not been able to collect the surface limestone from Daling because of the transportation challenges. The company has floated several rounds of tender for the transportation

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work and not a single party quoted. The limestone exploration process of Haurikhola is yet to be completed.

4. Human Resources

The company has faced a shortage of key position employees from 2021. The Board and the management initiated to recruit these key positions but there was no applicant due to the location and low salary as compared to other companies in Bhutan. Many experienced and skilled employees already left the company for greener pastures. Adequate human resource training and development plans also could not be initiated due to pandemic. The total manpower strength as on 31st Dec 2022 is 586 including 79 employees working at the mines.

5. Initiation and commissioning of AAC block project

PCAL has initiated diversification from 2016. The Shareholders and the Board approved to invest in a 300 CUM/day AAC block plant on 15th January 2019 located adjacent to the cement plant. The project was estimated to cost Nu. 292.60 million and initially scheduled to be completed by July 2020. The company has injected Nu. 180 million through loan and remaining Nu. 31 million as equity from PCAL's reserve.

The project's commissioning was deferred due to pandemic, frequent lockdown and the international border closure until 23rd September 2022. The delay in commissioning had a financial impact with additional cost of Nu. 42.65 million as interest accrued during construction as on 31st December 2022 besides the revenue loss.

STRATEGIC MILESTONES

I am very pleased to report that the Board and the management have initiated several initiatives to improve the performance and recover the losses that the company has incurred since 2020. Some of the achievements are as below:

a. Sourcing of Coal

The company has finally been successful in signing the MoU with Eastern Coalfield Ltd. of Coal India Ltd. to supply 36,500 MT of coal annually on 24th August 2022. The company lifted the first lot of 3,862.4 MT of coal on the 8th and 9th of December 2022. While the ash content was about 26%, the coal can still be used blending with the good quality coal from SMCL.

By mid-October 2022, the management could procure 6,266.83 MT of coal from SMCL (Reshore Coal) with ash content below 21%. SMCL has also started to install coal washery which will be operational from March 2023.

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b. Limestone Exploration

Daling limestone project:

The consultancy firm completed and submitted the report of the detailed geological study of Daling limestone on 4th January, 2023. The Final Mine Feasibility Study (FMFS) will be carried out by the firm after the approval of the geological report by the DGM.

The Board has also approved a budget of Nu. 68.46 for the surface collection from Daling in 2023.

Haurikhola Limestone Mine:

Sourcing of limestone from Haurikhola limestone mines is in progress.

c. AAC Block Project

The AAC Eco Block project has also been fully completed and will be commissioned by the end of February 2023. The company has been exploring markets within Bhutan, India, and Nepal by appointing agents and stockists and initiated the process of quality certifications from BSB, BIS, ISO, etc. We have recruited skilled manpower from India. The company will also be sending our employees through M/s Buildmate to those companies with similar set-up for on-the-job training in India. Further, the exploration for an AAC block production with fly ash and PC pit material is in the pipeline. The company is also exploring in-house production of OPC 43 and OPC 53 for the AAC block project.

The management has received public clearance from the Gewog Tshogde and the Dzongkhag Tshogde for AAC-Quartzite mine for use in the AAC Block project. The geological report is also completed and submitted by the consultant and the report is being reviewed. The report will be submitted to DGM, Thimphu for approval after the review is completed. The management is also pursuing the Forest Clearance (FC) and Environment Clearance (EC).

d. Human Resources

As of 31st December 2022 the company has 586 employees. The management is sharing the manpower for maintenance, finance and administration, quality control, and procurement works from the cement plant for the AAC block project. As directed by the Board, the OD Exercise has also been completed with the help of DHI and shall be implemented from 2023.

e. 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. The beema bamboo has high potential as an alternative fuel. The beema bamboo project needs to be continued to

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reduce coal consumption. Further, beema bamboo project will also be required for AAC Block project to substitute the firewood consumption. The board already approved the alternate fuel project and the management has approached several CSOs for funding the project.

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.

f. Performance Management support from DHI

The Board has signed the Compact 2023 with the DHI Board from 2023 where a new set of Key Performance Indicators were to be reviewed with the DHI Board during mid-term review. Even the Compact 2022 evaluation was carried out on the basis of new PMS guidelines 2022 of DHI. DHI is also providing necessary training to enhance the capacity development of our employees.

WAY FORWARD

For 2023, the company has clinker production target of 225,000 MT, cement production and dispatch target of 304,000 MT and production of 50,625 m³ of AAC Block annually. The company has set a target Profit After Tax of 58.796 million. The Board and the management assigned a 60% score for the achievement of the financial target of the company compared to 50% last year. A 40% score has been assigned for the non-financial target to achieve the sourcing of raw materials, sales target for cement and AAC block, feasibility study of composite cement, etc. Compact 2023 is as per DHI format with their support.

CORPORATE GOVERNANCE

The Company has complied with the Companies Act of Bhutan 2016, Listing Rules, CG Code by DHI and other relevant laws in the country except for few compliances given the location of office which has led to delay in signing of minutes and achieving other business as per the timeline. The Company's Board has nine Board meetings including Annual General Meeting and Extraordinary General Meeting. The company had six Board Audit Committee meetings and six Board Human Resource Committee meetings. Mr. Karma Thinley has been appointed as the new CEO of PCAL from 6th October 2022 as endorsed in the EGM.

STATUTORY AUDITOR REPORT

M/s S.P. Chopra and Co. undertook the statutory audit of the accounts of the company for the year 2022 from 16th January till 31st January 2023. The 2022 audit was carried out in accordance with the requirements of 'Bhutanese Accounting Standards (BAS)'. There is no qualification for FY 2022 indicating that the company is complying with the standards.

**CORPORATE OFFICE AND BUSINESS UNITS: PHUNTSHOPELRI (GOMTU)
DZONGKHAG: SAMTSE, BHUTAN**

EPABX: 00975-5-371013/14/34, FAX: 00975-5-371015/70; Post Box No. 79
Phuentsholing Depot Tel: 00975-5-252885, Fax: 00975-5-252258; Gelephu Depot Tel: 00975-6-251605, Fax: 00975-6-251621;
Samdrup Jongkhar Depot Tel: 00975-7-251790, Fax: 00975-7-251791

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Building for the Future

AUDITOR'S REPORT

The RAA is yet to conduct an audit for 2021-2022. There is also a target set for 2023 to resolve all the pending memos and to have no-repeated observations. For the audited FY 2019-2020, there are a total 34 memos against the company and from which 14 memos were resolved as of 31st December 2022.

The company has scored 75.56% for Organizational Integrity Plan for the FY 2021-2022 against the target of 67% in the Compact 2022. We also have an internal audit division and Board Audit Committee for control, and internal check and balance.

CORPORATE SOCIAL RESPONSIBILITY

The company made a significant contribution to the community for COVID-19 till the opening of the gate. The company has contributed a total of Nu. 4.45 million towards CSR in combating the covid pandemic in 2022. We have also contributed to Nu. 0.11 million towards religious activities. The Company has contributed 3 MT of cement towards schools and government institutions in the community.


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 challenges. The Board shall innovate and continue to guide the management in its endeavor in achieving the vision, mission, and goals of the company and the country as a whole.

Tashi Delek!

For and on behalf of the Board,


(Phuntsho Tobgay)
Chairman of the Board of PCAL

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of **Penden Cement Authority Limited** (the "Company"), which comprise the Statement of Financial Position as at 31 December, 2022 and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows and the for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December, 2022 and of its financial performance and its cash flows for the year then ended, in accordance with 'Bhutanese Accounting Standards' (BAS).

Basis for Opinion

We conducted our audit in accordance with 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 International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), together 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 and the IESBA Code.

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

Material Uncertainty Related to Going Concern

There are various events or conditions which indicates existence of material uncertainty about the Company's ability to continue as a going concern viz. huge losses since earlier years which resulted in substantial erosion of net worth of the Company and negative cash flows during the year, non-availability of measures to repay fixed term borrowings approaching maturity/current payment obligations, excessive reliance on short term borrowings to finance/service its operations and long-term liabilities, major shut downs due to non-availability of quality coal and limestone and resulting in lower operational activities/turnover and no mining activity in progress post expiration of lease terms/agreements of all the mines.

These events or conditions indicate the existence of material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. However, for the reasons more fully described in Note 42.13 to the financial statements, management has prepared these financial statements of the Company on a Going Concern basis.

Our opinion is not modified in respect of this matter.



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; 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 still in process, and the impact thereof, if any required, will be taken in the year the said exercise is completed.
- Note No. 42.14:Re; Change in accounting policy for accounting of the land under property, plant and equipment and investment property, from Cost model to Fair / Revaluation model, and accordingly restatement of comparative financial statements, as disclosed in the said note.

Our opinion is not modified in respect of above matters.

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 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.

Key Audit Matters	How the matter was addressed in the audit
<p><u>Fair Value measurement of Financial Instruments</u></p> <p>(Refer to Note 32 to the financial statements)</p> <p>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</p>	<p><u>Our Audit Procedure:</u></p> <p>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</p>

<p>involve high degree of the estimation and judgement and could affect the reported fair value of financial instruments.</p>	<p>particularly focused more on the borrowings, decommissioning liabilities, and security deposits (as they constitute 33.10% 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.</p> <p><u>Our Results:</u></p> <p>The results of our testing were satisfactory and we considered the fair value of the financial instruments assets and liabilities recognized to be acceptable.</p>
<p><u>Reliability and Security of IT System</u></p> <p>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.</p>	<p><u>Our Audit Procedure:</u></p> <p>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.</p> <p>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.</p> <p><u>Our Results:</u></p> <p>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.</p>



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 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.

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.



- 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, actions taken to eliminate threats and safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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.
- 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



(Gautam Bhutani)

Partner

M. No. 524485

UDIN: 23524485 BGPYZ E9379

PCAL

Place: Thimphu

Dated: 06 March 2023

ANNEXURE - A

TO THE MEMBERS OF PENDEN CEMENT AUTHORITY LIMITED

Report On 'Minimum Audit Examination and Reporting Requirements' for the year 2022

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.* Further, as explained to us, no material discrepancies were noted on such physical verification and wherever required impact of such discrepancies has been already given in 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 a quarterly basis. *However, the physical verification was conducted only for stores and spare parts and capital stock viz. once a year, and no physical verification was conducted for raw material – fly ash 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. 229,603 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 *except shortage of*



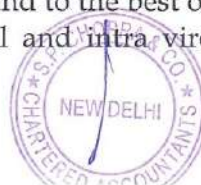
coal found of 3,518.88 MT amounting to Nu. 40,202,794 noted during the year where management has charged the same in the Statement of Comprehensive Income. Further, refer para 1 of our Management Report for details/discrepancies noted on the said shortage.

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). Further, though there is deviation in the basis of valuation, as compared to the earlier period/year; however, the same is due to the compliance of the accounting policies of the Company.
12. The Company has taken secured loans from National Pension and Provident Fund (NPPF) and Bank of Bhutan (BOB) 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, there is adequate system of competitive biddings and fixation of sales prices, commensurate with the size of the Company and nature of its business, for purchase and sale of goods and services.
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.
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.
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.
 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, 2022 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 *except referred under para 'Material Uncertainty related to Going Concern' given in Auditor's Report.*
- 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



(Gautam Bhutani)
Partner

Membership No. 524485

Place : Thimphu

Dated: 06 March 2023

PENDEN CEMENT AUTHORITY LIMITED

SIGNIFICANT RATIOS

SL.NO.	RATIO	31-Dec-22	31-Dec-21	Remarks
1	Profitability Ratio			
	i. Net profit ratio	(0.46)	(0.11)	Due to decrease in net loss
	ii. Return on Assets	(0.31)	(0.12)	Due to decrease in net loss
	iii. Return on Equity	(0.31)	(0.11)	Due to decrease in net loss
2	Operational Efficiency ratio			
	i. Capital Turnover ratio	0.68	0.96	Due in decrease Retained Earning
	ii. Fixed Assets Turnover ratio	1.05	1.78	Due to decrease in revenue from sale of cement
3	LIQUIDITY RATIO			
	i. Current ratio	1.25	1.77	Decrease in advances to Contractors
	ii. Liquid ratio	0.10	0.51	Decrease in advances to Contractors
	iii. Operating & maintenance expenses	1.47	1.11	Due to decrease in revenue from sale of cement
	iv. Employee Remneration to Sales ratio	0.38	0.21	Due to decrease in revenue from sale of cement and ultimate resulted in decrease in Salaries .



PENDEN CEMENT AUTHORITY LIMITED
STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER, 2022

(Amount in Nu.)

Particulars	Notes	As at 31 December, 2022	As at 31 December, 2021
ASSETS			
Non-current assets			
Property, plant and equipment	4	887,309,390	730,373,042
Capital work in progress	5	289,794,890	261,043,042
Intangible assets	5	4,724,774	5,952,213
Investment property - Land	42.14	17,637,150	9,015,652
Long term loans & advances	6	940,405	7,813,457
Other receivables	7	195,059,003	181,292,734
Non-current tax assets	8	1,401,528	534,935
Total non-current assets		1,396,867,140	1,196,025,075
Current assets			
Inventories	9	602,928,519	485,732,615
Trade and other receivables	10	24,786,148	51,536,524
Short term loans & advances	11	3,179,556	2,400,591
Cash & Bank balances	12	4,656,711	136,877,376
Other current assets	13	14,316,910	28,486,738
Total current assets		649,867,844	705,033,844
Assets held for sale	14	-	4,468,682
TOTAL ASSETS		2,046,734,984	1,905,527,601
EQUITY & LIABILITIES			
Share capital	15	340,000,700	340,000,700
General Reserves		438,723,914	438,723,914
Revaluation Surplus	42.14	434,254,684	221,979,699
Retained Earnings		(65,973,789)	161,961,673
Other Comprehensive Income		23,931,756	3,959,927
Total equity		1,170,937,265	1,166,625,913
Non-current liabilities			
Borrowings	16	170,000,000	170,000,000
Provisions	17	141,325,500	142,465,648
Deferred tax liabilities (net)	18	44,035,706	39,375,621
Total non-current liabilities		355,361,206	351,841,269
Current liabilities			
Borrowings	16	309,036,721	192,123,008
Trade and other payables	19	154,358,872	133,169,257
Other current liabilities	20	22,874,922	15,860,806
Provisions	17	34,165,998	45,907,348
Total current liabilities		520,436,513	387,060,419
Total		2,046,734,984	1,905,527,601

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. 00034618


Gautam Bhutani
Partner
Membership No: 524485



For and on behalf of the Board of Directors


Dashi Phuntsho Lobgay
Chairman

Ugyen Lhendup
Director


Karma Thinley
Chief Executive Officer

Yeshey Dorji
Director (FID)

Place : Thimphu

Date : 06 March 2023

Place : Thimphu

Date : 06 March 2023


PENDEN CEMENT AUTHORITY LIMITED
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER, 2022

(Amount in Nu.)

Particulars	Notes	For the year ended 31 December, 2022	For the year ended 31 December, 2021
Revenue			
Revenue from operations	21	499,794,235	909,219,120
Other income	22	46,574,784	33,574,407
Total Revenue		546,369,019	942,793,527
Expenditure			
Cost of materials consumed	23	168,751,977	294,950,168
Other manufacturing expenses	24	297,182,560	385,527,470
Changes in inventories of finished goods and work in progress	25	(26,497,343)	17,453,676
Employee benefit expenses	26	188,489,953	193,278,358
Finance costs	27	13,851,422	7,204,724
Depreciation and amortization expenses	4 & 5	69,267,648	71,448,677
Selling and transportation expenses	28	33,484,217	38,906,665
Other expenses	29	25,113,962	15,332,101
Total Expenditure		769,644,396	1,024,101,839
Loss before tax		(223,275,377)	(81,308,312)
Tax expenses:			
Current tax - earlier years		-	(6,073,715)
Deferred tax	18	(4,660,085)	(16,558,153)
Net Loss for the year		(227,935,462)	(103,940,180)
Other comprehensive income/(loss)			
- Items that will not be reclassified to profit or loss			
Re-measurements gain on defined benefit plans	35F	19,971,829	24,794,974
Income tax relating to above items		-	-
- Items that will be reclassified to profit or loss			
Fair value of Land	42.14	212,274,985	-
Net other comprehensive income		232,246,814	24,794,974
Total Comprehensive Income / (Loss)		4,311,352	(79,145,206)
Earning per share			
- Basic/Diluted earnings per share	30	(6.70)	(2.78)

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


Gautam Bhutani
Partner

Membership No: 524485

Place : Thimphu

Date : 06 March 2023

For and on behalf of the Board of Directors


Dashi Phuntshe Tobgay
Chairman


Karma Thinley
Chief Executive Officer


Yeshey Dorji
Director


Yeshey Dorji
Director (FID)

Place : Thimphu

Date : 06 March 2023

PENDEN CEMENT AUTHORITY LIMITED

Statement of Changes in Equity for the year ended 31 December, 2022

Description	Share Capital	General Reserves	Revaluation Surplus	Other equity		Total Equity
				Retained earnings	Other Comprehensive Income/(Loss)	
As at 31 December, 2020 / 1 January, 2021 (restated)	340,000,700	438,723,914	-	170,411,449	(20,835,047)	928,301,016
Restatement (Refer note 41)	-	-	221,979,699	95,490,404	-	317,470,103
As at 1 January, 2021 (restated)	340,000,700	438,723,914	221,979,699	265,901,853	(20,835,047)	1,245,771,119
Loss for the year	-	-	-	(103,940,180)	-	(103,940,180)
Other comprehensive income	-	-	-	-	24,794,974	24,794,974
As at 31 December, 2021	340,000,700	438,723,914	221,979,699	161,961,673	3,959,927	1,166,625,913
Loss for the year	-	-	-	(227,935,462)	-	(227,935,462)
Other comprehensive income	-	-	212,274,985	-	19,971,829	232,246,814
As at 31 December, 2022	340,000,700	438,723,914	434,254,684	(65,973,789)	23,931,756	1,170,937,265

(Amount in Nu.)

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

As per our report of even date attached

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



Place : Thimphu

Date : 06 March 2023

For and on behalf of the Board Director

Dasho Phuntsok Tobgay
Chairman

Ugyen Lhendup
Director

Kampha Thinley
Chief Executive Officer

Yeshey Dorji
Director (FID)

Place : Thimphu

Date : 06 March 2023

PENDEN CEMENT AUTHORITY LIMITED
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED ON 31 DECEMBER, 2022

(Amount in Nu.)

Particulars	For the year ended 31 December, 2022	For the year ended 31 December, 2021
A. Cash flows from operating activities:		
Loss before tax	(223,275,377)	(81,308,312)
Adjustments for:		
- Depreciation and amortization expenses	69,267,648	71,448,677
- Property, plant and equipment written off	1,180,087	-
- Loss on sale of assets held for sale	508,770	-
- Shortage of coal written off (Refer note 42.10)	40,202,794	-
- Balances written off	-	26,655
- Obsolete spares written off	229,603	83,601
- Finance costs	13,851,422	7,204,724
- Liabilities no longer required written back	(3,123,484)	(3,536,036)
- Interest income	(13,756,566)	(14,925,800)
Operating loss before working capital changes	(114,915,103)	(21,006,491)
Adjustments for Changes in working capital		
Changes in inventories	(157,628,301)	89,739,529
Changes in other current assets	14,169,828	94,850,744
Changes in trade and other payables	24,313,098	(28,661,217)
Changes in other current liabilities	7,014,116	3,211,540
Changes in provisions	7,090,331	16,283,354
Changes in loans & advances	6,094,087	7,807,339
Impact of restatement as at 01.01.2021 (Refer Note 41)	-	(9,681,295)
Changes in trade & other receivables	26,222,113	(16,397,009)
Cash (used in) / generated from operations	(187,639,831)	136,146,494
Less: Taxes paid (net of refund)	(866,593)	(6,545,473)
Net (used in) / generated from operating activities (A)	(188,506,424)	129,601,021
B. Cash flows from Investing Activities:		
Interest income	518,561	37,670,089
Purchase of property, plant and equipment	(22,503,157)	(4,562,023)
Purchase of intangible assets	-	(4,410,850)
Proceeds from Sale of PPE/held for sale/transfer to held for disposal (net)	3,959,912	-
Changes in capital work-in-progress	(12,011,848)	(157,011,166)
Net cash (used in) investing activities (B)	(30,036,532)	(128,313,950)
C- Cash flows from Financing Activities:		
Finance cost	(13,190,545)	(28,151,760)
Increase in borrowings (net)	99,512,836	89,068,134
Net cash generated from financing activities (C)	86,322,291	60,916,374
Net (decrease) / increase in cash & bank balances (A+B+C)	(132,220,665)	62,203,445
Cash & Bank balances at the beginning of the year	136,877,376	74,673,931
Cash & Bank balances at the end of the year	4,656,711	136,877,376
Cash & Bank balances include:		
Cash and cash equivalents		
- Cash in hand	86,667	141,804
- Balances with Banks in current accounts	3,436,911	95,511,117
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	1,133,133	1,217,882
Cash & Bank balances reported under Note - 12	4,656,711	136,877,376

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


Gautam Bhutani
Partner
Membership No: 524485



For and on behalf of the Board of Directors


Dashi Phuntsok Tobgay
Chairman


Karma Thinley
Chief Executive Officer


Ugyen Lhendup
Director


Yeshey Dorji
Director (FID)

Place : Thimphu

Date : 06 March 2023

Place : Thimphu

Date : 06 March 2023

Penden Cement Authority Limited (A Royal Government of Bhutan Undertaking)
(All amounts are in Bhutanese Ngultrum ('Nu.') unless stated otherwise)

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, 2022 were authorized for issue in accordance with the resolution of the Board of Directors dated February 18, 2023.

2. Summary of Restatement of Financial Statements as at 31 December, 2021 and 01 January, 2021.

2.1 The financial statements as at 31 December, 2021 and 01 January, 2021 have been restated in the year ended 31 December, 2022 due to certain restatements due to change in accounting policies/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;



Penden Cement Authority Limited (A Royal Government of Bhutan Undertaking)
(All amounts are in Bhutanese Ngultrum ('Nu.') unless stated otherwise)

Notes to Financial Statements

- 2) Held primarily for the purpose of trading;
- 3) Expected to be realized within twelve months after the reporting period, or
- 4) Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

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

All other liabilities are classified as non-current.

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

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 (except land) 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. Lands are recognized at fair value based on periodic valuations by external independent valuers. A revaluation surplus is credited to other reserves in shareholders' equity.



Penden Cement Authority Limited (A Royal Government of Bhutan Undertaking)
(All amounts are in Bhutanese Ngultrum ('Nu.') unless stated otherwise)

Notes to Financial Statements

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 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 - 33 years
Water supply	➤ 5 - 36 years



Penden Cement Authority Limited (A Royal Government of Bhutan Undertaking)
(All amounts are in Bhutanese Ngultrum ('Nu.') unless stated otherwise)

Notes to Financial Statements

Laboratory Equipments	➤ 2– 20 years
Other Equipment	➤ 5 – 20 years
Electrical Installation	➤ 3 – 30 years
Furniture Fixtures & other equipments	➤ 5 – 12 years
Vehicles	➤ 8 – 20 years
Telephone Installation	➤ 5 – 10 years
Instrumentation (electrical)	➤ 5 – 10 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 is 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.



Penden Cement Authority Limited (A Royal Government of Bhutan Undertaking)
(All amounts are in Bhutanese Ngultrum ('Nu.') unless stated otherwise)

Notes to Financial Statements

3.7 Investment property

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

Lands held under investment properties are recognized at its cost and subsequent at its fair value based on periodic, valuations by external independent valuers. A revaluation surplus is credited to other reserves in shareholders' equity.

3.8 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, for a period of time in exchange for consideration even if that right is not explicitly specified in an arrangement.

The Company has taken certain assets on Operating Lease. Operating Lease is a contract, which conveys the right to Lessee, to control the use of an identified asset for a period of time, the lease term, in exchange for consideration. The Company assesses whether a contract is, or contains, a lease on inception.

The lease term is either the non-cancellable period of the lease and any additional periods when there is an enforceable option to extend the lease and it is reasonably certain that the Company will extend the term, or a lease period in which it is reasonably certain that the Company will not exercise a right to terminate. The lease term is reassessed if there is a significant change in circumstances.

At commencement, or on the modification, of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is depreciated using straight-line / written down value method from the commencement date to the end of the lease term. If the lessor transfers ownership of the underlying asset to the Company by the end of the lease term or if the Company expects to exercise a purchase option, the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as the Company's other property, plant and equipment. Right-of-use assets are reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the total lease payments due on the commencement date, discounted using either the interest rate implicit in the lease, if readily determinable, or more usually, an estimate of the Company's incremental borrowing rate on the inception date for a loan with similar terms to the lease. The incremental borrowing rate is estimated by obtaining interest rates from various external financing sources.



Notes to Financial Statements

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the statement of profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

In accordance with BAS 116, the Company does not recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases i.e. leases with a lease term of 12 months or less and containing no purchase options. Payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

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.

(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)



Penden Cement Authority Limited (A Royal Government of Bhutan Undertaking)
(All amounts are in Bhutanese Ngultrum ('Nu.') unless stated otherwise)

Notes to Financial Statements

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.

- Financial assets measured at amortized cost

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.

- Financial instruments measured at fair value through other comprehensive income

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

- a. 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.

- Financial instruments measured at fair value through profit and loss

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



Notes to Financial Statements

(c) Impairment of financial assets

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) Derecognition of financial assets

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

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

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

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

(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.



Notes to Financial Statements

(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 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



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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.
- 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



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- 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-realizable 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.

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.



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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 limit 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 prorata basis over the Policy period/ term by credit to 'Other Income'.

f. Other long-term benefits - Repatriation/Travel Allowance and Carriage Charges

Employees shall be paid repatriation allowance, equivalent to one month's last basic pay on being separated from the Company, either on completion of the contract, resignation and/or attaining of retirement age. In the event of death of an employee, who is terminated from his services, shall not be entitled to this allowance.

Repatriation allowance may be paid to an employee who has resigned from the Company provided an uninterrupted and satisfactory service of at least five years. Employees on contract shall have to complete the term of contract period or any such extended term to be eligible for repatriation allowance.

Also employees will be eligible for carriage charges as per the limits stipulated.



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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 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,



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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.

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



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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.

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.



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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 incidental building	Factory Buildings	Roads and canals	Plant & Machinery	Water supply	Generator	Laboratory Equipments	Other equipments	Electrical Installation	Random Fridges & other equipments	IT Equipments	Vehicles	Telephone Installation	Insulation equipment	Components/ Parts	Total
Gross Block																	
As at 1 January, 2021	223,749,287	119,325,075	155,887,415	167,871,658	870,964,445	23,628,110	3,665,885	3,300,886	16,273,097	73,416,603	24,868,299	20,887,009	28,267,577	6,558,166	15,232,200	35,354,414	1,808,631,726
Additions made during the year	-	1,16,614	-	-	5,723,773	-	-	-	95,135	2,301,012	1,231,251	-	-	-	1,148,986	281,710	11,346,891
Sale/Disposals/Write-off	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
As at 31 December, 2021	223,749,287	119,472,220	155,887,415	167,871,658	876,688,218	23,628,110	3,665,885	3,300,886	16,368,832	75,719,695	26,099,850	20,887,009	28,267,577	6,558,166	16,381,186	35,536,124	1,919,768,617
Additions made/Reconstruction during the year	-	-	-	-	20,860,310	-	-	-	3,453,799	1,351,389	2,010,792	1,531,378	-	-	-	-	231,647,665
Sale/Disposals/Write-off	(51,90,000)	-	-	(735,151)	(1,553,676)	-	-	(72,530)	(620,525)	(1,351,389)	(3,505,195)	(4,880,759)	-	(4,354,804)	(13,244,560)	-	(35,209,187)
As at 31 December, 2022	422,252,774	119,472,220	155,887,415	167,136,507	896,000,852	23,628,110	3,665,885	3,228,356	19,012,103	74,568,306	24,745,447	17,437,628	28,267,577	2,201,362	3,116,826	35,536,124	2,016,179,196
Accumulated depreciation																	
As at 1 January, 2021	-	59,096,835	48,401,597	79,961,606	637,476,837	11,811,886	3,665,884	2,257,431	11,050,889	62,092,814	19,050,700	15,106,355	12,531,540	6,437,156	14,040,413	14,319,790	1,019,116,332
Additions made during the year	-	3,739,779	4,000,666	6,833,098	40,604,282	1,033,565	-	184,070	943,690	2,800,201	1,457,017	1,717,431	1,857,647	47,250	154,702	4,857,446	70,279,243
Sale/Disposals/Write-off	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
As at 31 December, 2021	-	62,836,613	52,402,263	86,795,604	698,081,120	12,845,750	3,665,884	2,441,500	12,006,580	65,793,016	20,537,725	16,843,785	14,388,788	6,484,306	15,095,115	19,177,236	1,089,395,575
Additions made during the year	-	3,734,545	4,000,666	6,833,098	40,085,106	1,033,565	-	183,665	1,383,340	1,998,752	1,500,107	1,511,090	1,852,666	-	264,843	3,698,563	66,040,209
Sale/Disposals/Write-off	-	-	-	(44,459)	(1,383,296)	-	-	(31,650)	(620,551)	(1,301,199)	(3,062,178)	(4,331,734)	-	(4,281,097)	(13,142,047)	-	(24,865,977)
As at 31 December, 2022	-	66,571,358	56,402,929	93,165,003	736,784,930	13,879,615	3,665,884	2,593,821	12,749,569	66,661,570	18,985,754	14,029,140	16,235,474	2,201,349	2,117,912	22,875,799	1,128,869,807
Written Down Value/Net Block																	
As at 1 January, 2021	-	72,900,962	99,184,486	73,990,024	150,217,923	9,746,695	1	674,815	6,262,519	7,906,735	5,799,092	3,608,887	12,052,103	13	998,014	12,760,325	887,309,390
Additions made during the year	-	76,635,806	103,185,152	84,076,254	178,611,098	10,782,560	1	859,336	4,362,253	10,266,679	5,562,124	3,743,234	13,873,790	73,770	1,256,071	16,338,888	710,373,042
Sale/Disposals/Write-off	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
As at 31 December, 2021	-	149,536,768	182,369,638	158,066,278	328,829,021	19,529,255	1	1,534,151	10,624,772	18,173,414	11,361,216	7,352,121	25,925,893	83	2,254,085	29,104,213	1,597,682,432
Additions made during the year	-	76,635,806	103,185,152	84,076,254	178,611,098	10,782,560	1	859,336	4,362,253	10,266,679	5,562,124	3,743,234	13,873,790	73,770	1,256,071	16,338,888	710,373,042
Sale/Disposals/Write-off	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
As at 31 December, 2022	-	226,172,574	285,554,790	242,142,532	507,440,119	30,311,815	1	2,393,487	14,986,995	28,440,093	16,923,340	11,095,355	39,799,683	83	3,510,156	45,443,101	2,308,055,474

5. Capital work in progress (including Capital Stock) and Intangible Assets

Particulars	Capital stock in progress (including capital stock)	Intangible Assets
As at 1 January, 2021	108,986,461	7,863,539
Additions made during the year	158,857,338	4,410,130
Sale/Disposals/Write-off/Capitalization	(6,800,197)	-
As at 31 December, 2021	260,043,602	12,273,669
Additions made during the year	48,497,606	-
Sale/Disposals/Write-off/Capitalization	(19,745,793)	-
As at 31 December, 2022	288,795,415	12,273,669

Accumulated depreciation

As at 1 January, 2021	5,132,743
Additions made during the year	1,109,133
As at 31 December, 2021	6,241,876
Additions made during the year	1,277,439
As at 31 December, 2022	7,519,315
Written Down Value/Net Block	
As at 31 December, 2021	289,791,800
As at 31 December, 2022	277,640,179



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6. Long-term loans & advances

(Amount in Nu.)

Particulars	As at 31 December, 2022	As at 31 December, 2021
(Unsecured, considered good)		
Loan to employees (non-current portion)	940,405	7,813,457
Total	940,405	7,813,457

7. Other receivables

(Amount in Nu.)

Particulars	As at 31 December, 2022	As at 31 December, 2021
(Unsecured, considered good)		
Security Deposits		
- Considered good	2,277,783	1,647,562
- Considered doubtful	974,815	-
Less: Provision for doubtful security deposits	(974,815)	-
Deposit against Employee Insurance Policy (Refer Note 42.2)	90,414,034	85,246,708
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	17,367,186	9,398,464
Total	195,059,003	181,292,734

8. Non-current tax assets

(Amount in Nu.)

Particulars	As at 31 December, 2022	As at 31 December, 2021
Tax Deducted at Source	1,401,528	534,935
Total	1,401,528	534,935

9. Inventories

(Amount in Nu.)

Particulars	As at 31 December, 2022	As at 31 December, 2021
(As taken, valued and certified by the management)		
Raw materials	150,978,352	124,292,114
Fuel - Coal	83,133,964	31,915,171
Stores and Spares	141,957,399	129,163,870
Work in progress		
- upto Clinker production	1,929,372	1,639,698
- clinker stock	144,465,439	98,682,713
- PC pit stock	58,801,952	84,478,825
- upto Cement production	-	4,841,290
Finished Stock - Cement	21,662,041	10,718,934
Total	602,928,519	485,732,615



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10. Trade & other receivables

(Amount in Nu.)

Particulars	As at 31 December, 2022	As at 31 December, 2021
(Unsecured, considered good unless otherwise stated)		
Trade receivables	8,095,930	26,553,614
Environment Restoration Bonds	9,060,570	20,601,195
Unamortised mining cost (current portion)	2,175,209	1,998,951
Other receivables	5,454,439	2,382,765
Total	24,786,148	51,536,524

11. Short-term loans & advances

(Amount in Nu.)

Particulars	As at 31 December, 2022	As at 31 December, 2021
(Unsecured, considered good)		
Loans to employees (current portion)	2,720,395	1,953,364
Advances to employees	459,161	447,227
Total	3,179,556	2,400,591

12. Cash & Bank balances

(Amount in Nu.)

Particulars	As at 31 December, 2022	As at 31 December, 2021
<u>Cash and cash equivalents</u>		
- Cash in hand	86,667	141,804
- Balances with Banks in current accounts	3,436,911	95,511,117
<u>Other bank balances</u>		
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	1,133,133	1,217,882
Total	4,656,711	136,877,376



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13. Other Current Assets

(Amount in Nu.)

Particulars	As at 31 December, 2022	As at 31 December, 2021
(Unsecured, considered good unless otherwise stated)		
<u>Advance to supplier, contractors and others</u>		
- Considered good	13,565,811	27,541,798
- Considered doubtful	5,794,947	1,964,504
Less: Provision for doubtful advances	(5,794,947)	(1,964,504)
Prepaid Expenses	751,099	944,940
Total	14,316,910	28,486,738

14. Assets held for sale

(Amount in Nu.)

Particulars	As at 31 December, 2022	As at 31 December, 2021
<u>Property, plant and equipment</u>		
- Plant & Machinery	-	2,751,511
- Vehicles	-	1,717,171
Total	-	4,468,682

14.1 Some items of property, plant & equipment has been classified as assets held for sale during the earlier year/s. The Company had classified such assets at the lower of the carrying amount and estimated net realizable value less cost to sell. The estimated realizable value had been calculated based on the present market value derived from the external sources and the present asset condition considering fair value was 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, 2022	As at 31 December, 2021
Authorized:		
<u>Equity share capital</u>		
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, 2022	As at 31 December, 2021
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, 2022	As at 31 December, 2021
Secured Borrowings		
Term loan from 'National Pension and Provident Fund' (NPPF) (Refer note 16.2)	180,000,000	180,000,000
Working capital loans from:		
- National Pension and Provident Fund (NPPF) (Refer note 16.3)	214,042,975	149,583,743
- Bank of Bhutan (BOB) (Refer note 16.4)	35,053,604	-
Interest accrued and due on borrowings	49,940,142	32,539,265
Total	479,036,721	362,123,008



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(Amount in Nu.)

16.1 Borrowings analyzed as follows:	As at 31 December, 2022	As at 31 December, 2021
Current portion	309,036,721	192,123,008
Non-current portion	170,000,000	170,000,000
Total	479,036,721	362,123,008

16.2 Term loans from NPPF

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 lised insurance policies) and carry fixed rate of interest of 9.30% per annum and is 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) in the current year too i.e. upto 30th June, 2023; therefore, last installment now stands due on 30th June, 2032.

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 rate of interest ranging from 8.30% to 10.30% per annum.

16.4 Working capital loan from BOB

Working capital loan is secured by pari-passu charge on securities already mortgaged with NPPF (as mentioned above) to a value of Nu. 100.00 million and carry rate of interest of 9.97% per annum.

17. Provisions

(Amount in Nu.)

Particulars	As at 31 December, 2022	As at 31 December, 2021
<u>Provision for employee benefits:</u>		
- Gratuity	135,654,624	148,352,986
- Leave encashment	10,295,412	12,075,180
- Carriage charge / Transfer grant	7,042,796	-
- Repatriation allowance	7,835,548	8,112,793
- Leave travel concession	3,181,950	9,375,314
Provision for decommissioning liability	11,481,168	10,456,723
Total	175,491,498	188,372,996

- 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, 2022	As at 31 December, 2021
As at beginning of the year	10,456,723	9,452,653
Add: Additions during the year	1,024,445	1,004,070
Less: Reversal during the year	-	-
As at end of the year	11,481,168	10,456,723



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The lease period of Uttarey mines had been expired on 31.12.2020, Kalapani Mines had been expired on 10.09.2022 and Pugli Mines had been expired on 31.12.2022 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 amounts are kept as it is and will be incurred/adjusted accordingly.

17.2 Provisions analyzed as follows:	As at 31 December, 2022	As at 31 December, 2021
Current portion	34,165,998	45,907,348
Non-current portion	141,325,500	142,465,648
Total	175,491,498	188,372,996

18. Deferred tax liabilities (net)

(Amount in Nu.)

Particulars	As at 31 December, 2022	As at 31 December, 2021
Deferred tax liability		
Property, plant & equipment	43,862,038	39,695,526
Provision for employee benefits	3,043,960	2,294,275
Total Deferred tax liability	46,905,998	41,989,801
Deferred tax assets		
Provision for decommissioning liability	2,870,292	2,614,180
Total Deferred tax assets	2,870,292	2,614,180
Deferred tax liabilities (net)	44,035,706	39,375,621
Net Impact on Statement of Comprehensive Income	(4,660,085)	(16,558,153)

- 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 & other payables

(Amount in Nu.)

Particulars	As at 31 December, 2022	As at 31 December, 2021
Trade payables:		
- suppliers	73,790,489	39,955,658
- contractors	20,965,061	27,720,076
Payable to employees		
- Salary	620,929	997,958
- Others	1,011,583	1,003,809
Security deposits		
- Stockists and dealers	41,595,577	43,315,950
- Contractors	3,004,016	6,152,157
- Employees	278,557	309,280
Commission payable to stockists and dealers	11,535,640	13,282,868
Accrued expenses	1,557,020	431,501
Total	154,358,872	133,169,257



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20. Other current liabilities

(Amount in Nu.)

Particulars	As at 31 December, 2022	As at 31 December, 2021
Advance from customers	12,996,236	7,822,153
Unclaimed Dividend	4,017,604	4,079,673
Payable to Government Authorities	5,861,082	2,509,240
Income tax demand payable	-	1,449,740
Total	22,874,922	15,860,806

21. Revenue from operations

(Amount in Nu.)

Particulars	For the year ended 31 December, 2022	For the year ended 31 December, 2021
Revenue from sale of Cement	499,794,235	909,219,120
Total	499,794,235	909,219,120

22. Other Income

(Amount in Rs.)

Particulars	For the year ended 31 December, 2022	For the year ended 31 December, 2021
Interest income on:		
- Fixed deposits	7,277,761	6,270,653
- Delay payment from Customers	-	1,021,086
- Employee loans/advances	189,002	621,971
- Others	1,020,521	933,922
Bonus/Benefit accrued on Employee Insurance Policies (Refer Note 42.2)	5,269,283	6,078,168
Liabilities / Provisions no longer required written back	3,123,484	3,536,036
Rent and Hiring charges received	16,661,537	7,928,718
Liquidated damages/penalties	6,347,825	3,259,729
Other miscellaneous income/recoveries	6,685,371	3,924,124
Total	46,574,784	33,574,407



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23. Cost of materials consumed

(Amount in Nu.)

Particulars	For the year ended 31 December, 2022	For the year ended 31 December, 2021
<u>Raw materials</u>		
- Limestone	102,506,671	128,756,256
- Calc Tufa	1,305,058	1,622,169
- Sandstone	125,988	59,652
- Iron Ore	315,002	928,476
- Gypsum	10,838,780	20,857,484
- Fly ash	33,121,557	71,458,258
- Clinkers	-	23,524,148
- Slag	1,077,215	27
	-	
<u>Packing materials</u>	19,461,706	47,743,698
Total	168,751,977	294,950,168

24. Other manufacturing expenses

(Amount in Nu.)

Particulars	For the year ended 31 December, 2022	For the year ended 31 December, 2021
Stores and spares consumed	35,780,679	38,947,903
Power consumed	52,007,868	68,400,729
Coal consumed	152,317,926	261,417,021
Shortage of coal written off (Refer note 42.10)	40,202,794	-
<u>Repair and maintenance:</u>		
- Buildings and Roads	8,394,918	8,313,192
- Plant and Machinery	6,208,420	4,297,441
Freight and transportation expenses	2,269,955	4,151,184
Total	297,182,560	385,527,470

25. Changes in inventories of finished goods and work in progress

(Amount in Nu.)

Particulars	For the year ended 31 December, 2022	For the year ended 31 December, 2021
Inventories at the end of the year:		
- Work-in-progress	205,196,762	189,642,526
- Finished goods	21,662,041	10,718,934
	226,858,803	200,361,460
Inventories at the beginning of the year:		
- Work-in-progress	189,642,526	182,183,424
- Finished goods	10,718,934	35,631,712
	200,361,460	217,815,136
Increase in inventories	(26,497,343)	17,453,676



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26. Employee benefit expenses

(Amount in Nu.)

Particulars	For the year ended 31 December, 2022	For the year ended 31 December, 2021
Salaries, wages, bonus and other allowances	145,829,355	150,767,577
Contribution to gratuity, leave encashment etc.	29,138,316	26,690,817
Contribution to provident fund	10,347,238	10,896,924
Staff welfare expenses	3,175,044	4,923,040
Total	188,489,953	193,278,358

27. Finance cost

(Amount in Nu.)

Particulars	For the year ended 31 December, 2022	For the year ended 31 December, 2021
<u>Interest expense on:</u>		
- Term loans	16,740,000	16,740,000
- Working capital loans	12,206,603	6,237,301
- Others	1,344,277	863,350
Less: Interest capitalised related to AAC Project	(16,740,000)	(16,740,000)
	13,550,880	7,100,651
Bank charges	300,542	104,073
Total	13,851,422	7,204,724

28. Selling and transportation expenses

(Amount in Nu.)

Particulars	For the year ended 31 December, 2022	For the year ended 31 December, 2021
Transportation and loading/unloading expenses	19,165,137	7,349,850
Commission paid to stockists and dealers	14,092,965	31,063,450
Sales promotion expenses	226,115	493,365
Total	33,484,217	38,906,665



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29. Other expenses

(Amount in Nu.)

Particulars	For the year ended 31 December, 2022	For the year ended 31 December, 2021
Rent, rates & taxes	238,487	292,387
Travelling and conveyance expenses	3,780,610	1,710,979
Printing and stationery expenses	803,618	645,459
Postage and telephone expenses	787,660	1,027,485
Insurance expenses	4,722,511	4,439,459
Laboratory expenses	738,234	493,419
Repair and maintenance - others	1,912,438	1,365,182
Advertisement expenses	552,956	290,454
Mining cost amortization	525,214	525,214
Audit Fees (incl. expenses)	165,838	148,838
Directors' & Invitees Sitting Fees	634,000	774,250
Board Meeting Expenses	51,448	33,759
Depot expenses	209,068	180,296
BIS fees	676,218	450,702
Entertainment Expenses	708,556	779,489
Bhutan Sales Tax Paid	151,932	161,046
Donation	108,172	89,869
Corporate Social Expenses	460,310	972,287
Loss on sale of assets held for sale	508,770	-
Property, plant and equipment written off	1,180,087	-
Provision on doubtful advances/receivables	4,805,258	-
Balances written off	-	26,655
Obsolete spares written off	229,603	83,601
Other miscellaneous expenses	1,162,974	841,274
Total	25,113,962	15,332,101



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30. Earning per share

(Amount in Nu.)

Particulars	For the year ended 31 December, 2022	For the year ended 31 December, 2021
Profit after income-tax (in Nu.)	(227,935,462)	(103,940,180)
Weighted average number of ordinary shares (in numbers)	34,000,070	34,000,070
Basic/Diluted Earnings per Share	(6.70)	(3.06)

31. Income taxes

31.1 Deferred tax liability for the year ended 31st December, 2022 is as shown below:

Particulars	Tax base	Book base	(DTL)/DTA
Property, plant & equipment	299,903,410	475,351,560	(43,862,038)
Provision for decommissioning liability	-	11,481,168	2,870,292
Provision for gratuity	163,483,258	135,654,624	(6,957,159)
Provision for leave encashment	9,520,961	10,295,412	193,613
Provision for Carriage Charges	-	7,042,796	1,760,699
Provision for Repatriation Allowance	-	7,835,548	1,958,887
Deferred Tax Liability for the year ended 31st December, 2022			(44,035,705)
Deferred Tax Liability as at 31st December, 2022			4,660,084
Deferred Tax Liability as at 31st December, 2021			(39,375,621)

31.2 Reconciliation 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	2022	
	Carrying Amount	CIT (25%)
Current tax on profit for the year	-	-
Reconciliation of Tax on accounting profit.		
Profit Before Income Tax	(223,275,377)	-
Tax calculated at CIT rate 25%		
Adjustments:		
Selling expenses	226,115	-
Admissible expenses	-	-
Medical	481,496	-
Leave encashment	5,430,856	-
Donation	568,482	-
Gratuity	5,807,743	-
Gift compliment/Entertainment	28,100	-
Provision on doubtful advances/receivables	4,805,258	-
Written off	40,202,794	-
Obsolete Stores & spares written off	229,603	-
BAS adjustment		
Interest income on Environment Restoration Bond	1,020,521	-
Interest cost of Decommissioning Liability	1,344,277	-
Impact due to depreciation	2,638,684	-
Unused losses carried forward	160,491,447	-
Total Taxable Income	-	-
Reconciliation with Tax expenses as above	-	-



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32. Fair Value Measurements

Financial instruments by category

Particulars	As at 31 December, 2022			As at 31 December, 2021		
	FVPL	FVOCI	Amortised cost	FVPL	FVOCI	Amortised cost
Financial assets						
Long term loans & advances	-	-	940,405	-	-	7,813,457
Other receivables	-	-	195,059,003	-	-	201,893,929
Trade and other receivables	-	-	24,786,148	-	-	30,935,330
Short term loans & advances	-	-	3,179,556	-	-	2,400,591
Cash & Bank balances	-	-	4,656,711	-	-	136,877,376
Total financial assets	-	-	228,621,823	-	-	379,920,683
Financial liabilities						
Borrowings	-	-	479,036,721	-	-	362,123,008
Trade and other payables	-	-	154,358,872	-	-	133,169,257
Total financial liabilities	-	-	633,395,592	-	-	495,292,265

(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.



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 institutions.

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, 2022 (Gross)	8,095,930	-	-	8,095,930
Less: Provision for doubtful debts	-	-	-	-
Trade receivables as on 31 December, 2022 (Net)	8,095,930	-	-	8,095,930

Particulars	Less than one year	More than one year	More than 3 years	Total
Trade receivables as on 31 December, 2021 (Gross)	265,535,614	-	-	265,535,614
Less: Provision for doubtful debts	-	-	-	-
Trade receivables as on 31 December, 2021 (Net)	265,535,614	-	-	265,535,614

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 30. 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 31st December, 2022	Less than 1 year	More than 1 years	Total
Trade and Other Payables	154,358,872	-	154,358,872
Borrowings	309,036,721	170,000,000	479,036,721
Total financial liabilities	463,395,593	170,000,000	633,395,593

Contractual maturities of financial liabilities 31st 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



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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, 2022	As at 31 December, 2021
	INR	INR
Financial assets	23,352,345	46,440,928
Financial liabilities	70,538,793	33,285,421
Net exposure to foreign currency risk	(47,186,448)	13,155,507

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			Leave Encashment			Repatriation Allowance		Carriage Charges	
		As at 31 Dec, 2022	As at 31 Dec, 2021	As at 31 Dec, 2022	As at 31 Dec, 2021	As at 31 Dec, 2022	As at 31 Dec, 2021	As at 31 Dec, 2022	As at 31 Dec, 2021	As at 31 Dec, 2022	As at 31 Dec, 2021
1	DBO at end of prior period	148,352,986	166,835,893	12,075,180	11,297,215	8,112,793	8,061,012	-	-	-	-
2	Current service cost	7,662,202	8,019,096	919,389	777,965	897,917	1,060,427	983,023	983,023	983,023	983,023
3	Interest cost on the DBO	11,346,037	12,723,527	650,052	238,944	629,642	625,632	-	-	-	-
4	Past service cost - plan amendments	-	-	-	-	-	-	6,164,773	6,164,773	6,164,773	6,164,773
5	Actuarial (gain)/loss - experience	(20,389,971)	(23,714,202)	4,279,057	8,071,470	(1,320,270)	(1,153,046)	-	-	-	-
6	Actuarial (gain)/loss - demographic assumptions	1,738,413	-	270,794	-	-	-	-	-	-	-
7	Actuarial (gain)/loss - financial assumptions	-	72,274	-	-	-	-	-	-	-	-
8	Benefits paid directly by the Company	(13,055,043)	(15,583,602)	(7,899,060)	(8,310,414)	(484,534)	(481,232)	(105,000)	(105,000)	(105,000)	(105,000)
	DBO at end of current period	135,654,624	148,352,986	10,295,412	12,075,180	7,835,548	8,112,793	7,042,796	7,042,796	7,042,796	7,042,796

B	Statement of Comprehensive Income	As at 31 Dec, 2022	As at 31 Dec, 2021	As at 31 Dec, 2022	As at 31 Dec, 2021	As at 31 Dec, 2022	As at 31 Dec, 2021	As at 31 Dec, 2022	As at 31 Dec, 2021	As at 31 Dec, 2022	As at 31 Dec, 2021
		As at 31 Dec, 2022	As at 31 Dec, 2021	As at 31 Dec, 2022	As at 31 Dec, 2021	As at 31 Dec, 2022	As at 31 Dec, 2021	As at 31 Dec, 2022	As at 31 Dec, 2021	As at 31 Dec, 2022	As at 31 Dec, 2021
1	Current service cost	7,662,202	8,019,096	919,389	777,965	897,917	1,060,427	983,023	983,023	983,023	983,023
2	Past service cost - plan amendments	-	-	-	-	-	-	6,164,773	6,164,773	6,164,773	6,164,773
3	Service cost	7,662,202	8,019,096	919,389	777,965	897,917	1,060,427	7,147,796	7,147,796	7,147,796	7,147,796
4	Net interest on net defined benefit liability / (asset)	11,346,037	12,723,527	650,052	238,944	629,642	625,632	-	-	-	-
5	Immediate recognition of (gains)/losses - other long term employee benefit plan	-	-	4,549,851	8,071,469	-	-	-	-	-	-
	Total Cost recognized during the year	19,008,239	20,742,623	6,119,292	9,088,378	1,527,559	1,686,059	7,147,796	7,147,796	7,147,796	7,147,796
	Cost recognized in Inventory	2,661,153	2,903,966	856,701	1,272,369	213,858	168,676	1,000,691	1,000,691	1,000,691	1,000,691
	Cost recognized in P&L	16,347,086	17,838,657	5,262,591	7,816,009	1,313,701	1,517,383	6,147,105	6,147,105	6,147,105	6,147,105



C	Defined Benefit Cost	As at 31 Dec, 2022	As at 31 Dec, 2021	As at 31 Dec, 2022	As at 31 Dec, 2021	As at 31 Dec, 2022	As at 31 Dec, 2021	As at 31 Dec, 2022	As at 31 Dec, 2021	As at 31 Dec, 2022
1	Service cost	7,662,202	8,019,096	919,389	777,965	897,917	1,060,427	7,147,796		
2	Net interest on net defined benefit liability / (asset)	11,346,037	12,723,527	650,052	238,944	629,642	625,632	-		
3	Actuarial (gains)/ losses recognized in OCI	(18,651,559)	(23,641,928)	-	-	(1,320,270)	(1,153,046)	-		
4	Immediate recognition of (gains)/losses – other long term employee benefit plan	-	-	4,549,851	8,071,470	-	-	-		
	Defined Benefit Cost	356,680	(2,899,305)	6,119,292	9,088,379	207,289	533,013	7,147,796		
D	Development of Net Financial Position									
1	Defined Benefit Obligation (DBO)**	135,654,624	148,352,986	10,295,412	12,075,180	7,835,548	8,112,793	7,042,796		
2	Fair Value of Plan Assets (FVA)	-	-	-	-	-	-	-		
3	Funded Status (Surplus/(Deficit))	(135,654,624)	(148,352,986)	(10,295,412)	(12,075,180)	(7,835,548)	(8,112,793)	(7,042,796)		
	Net Defined Benefit Liability	(135,654,624)	(148,352,986)	(10,295,412)	(12,075,180)	(7,835,548)	(8,112,793)	(7,042,796)		
E	Reconciliation of Net Financial Position									
1	Net defined benefit liability at end of prior period	148,352,986	166,835,893	12,075,180	11,297,215	8,112,793	8,061,012	-		
2	Service cost	7,662,202	8,019,096	919,389	777,965	-	-	7,147,796		
3	Net interest on net defined benefit liability/ (asset)	11,346,037	12,723,527	650,052	238,944	897,917	1,060,427	-		
4	Immediate recognition of (gains)/losses – other long term employee benefit plans	(18,651,558)	(23,641,928)	4,549,851	8,071,470	629,642	625,632	-		
5	Amount recognized in OCI	(13,055,043)	(15,583,602)	-	-	(1,320,270)	(1,153,046)	-		
6	Benefit paid directly by the Company			(7,899,060)	(8,310,414)	(484,534)	(481,232)	(105,000)		
	Net defined benefit liability at end of current period	135,654,624	148,352,986	10,295,412	12,075,180	7,835,548	8,112,793	7,042,796		
F	Other Comprehensive Income (OCI)									
1	Actuarial (gain)/loss due to liability experience	(20,389,971)	(23,714,202)	4,279,057	8,072,497	(1,320,270)	(1,153,046)	-		
2	Actuarial (gain)/loss due to liability assumption changes	-	72,274	-	-	-	-	-		
3	Actuarial gain or loss due to change in demographic assumption	1,738,413	-	270,794	(1,027)	-	-	-		
4	Actuarial (gain)/loss arising during period	(18,651,558)	(23,641,928)	4,549,851	8,071,470	(1,320,270)	(1,153,046)	-		
5	Return on plan assets (greater)/less than discount rate	-	-	-	-	-	-	-		
6	Actuarial (gains)/ losses recognized in OCI	(18,651,558)	(23,641,928)	-	-	(1,320,270)	(1,153,046)	-		
7	Actuarial (gains)/ losses recognized as expense	-	-	4,549,851	8,071,470	-	-	-		



G	Expected benefit payments for the year ending	As at	As at	As at	As at	As at	As at	As at
		31 Dec, 2022	31 Dec, 2021	31 Dec, 2022	31 Dec, 2021	31 Dec, 2022	31 Dec, 2021	31 Dec, 2022
	Less than a year	17,310,613	25,812,375	1,179,706	1,503,981	780,747	1,191,325	692,013
	Between 1 - 2 years	17,495,640	17,442,234	1,060,067	1,112,040	819,967	1,028,647	750,207
	Between 2 - 5 years	50,492,979	47,879,059	3,440,862	2,661,683	2,645,793	2,514,740	2,339,847
	Over 5 years	75,630,173	331,805,143	5,916,871	16,588,522	4,211,879	4,142,077	3,807,103
(i)	Weighted average duration of defined benefit obligation	9.07 years	12.27 years	8.71 years	11.45 years	9.06 years	8.69 years	8.76
(ii)	Accrued Benefit Obligation	135,654,624	148,352,986	10,295,412	12,075,180	7,835,548	8,112,793	7,042,796
(iii)	Significant estimates: actuarial assumptions and sensitivity							
a	Discount Rate	As at 31 Dec, 2022	As at 31 Dec, 2021	As at 31 Dec, 2022	As at 31 Dec, 2021	As at 31 Dec, 2022	As at 31 Dec, 2021	As at 31 Dec, 2022
	Discount Rate at end of reporting date	8%	8%	8%	8%	8%	8%	8%
	Effect on DBO due to 0.5% increase in Discount Rate	(4,039,590)	(4,437,968)	(347,345)	(455,911)	(281,773)	(271,553)	(256,310)
	Effect on DBO due to 0.5% decrease in Discount Rate	4,259,189	4,703,874	368,607	489,000	300,476	288,937	273,548
b	Salary escalation rate	As at 31 Dec, 2022	As at 31 Dec, 2021	As at 31 Dec, 2022	As at 31 Dec, 2021	As at 31 Dec, 2022	As at 31 Dec, 2021	As at 31 Dec, 2022
	Salary escalation rate as at end of reporting date	6%	6%	6%	6%	6%	6%	6%
	Effect on DBO due to 0.5% increase in Salary escalation rate	8,099,484	5,190,592	767,806	529,305	627,565	602,744	577,350
	Effect on DBO due to 0.5% decrease in Salary escalation rate	(7,613,197)	(4,937,263)	(693,205)	(497,292)	(561,007)	(541,258)	(514,694)



c	Actuarial Valuation Assumptions	As at	As at	As at	As at	As at	As at
		31 Dec, 2022	31 Dec, 2021	31 Dec, 2022	31 Dec, 2021	31 Dec, 2022	31 Dec, 2021
	Method used	Projected unit credit					
	Discount rate	8%	8%	8%	8%	8%	8%
	Rate of increase in compensation level	6%	6%	6%	6%	6%	6%
	Rate of return on plan assets	-	-	-	-	-	-
	Expected average remaining working life of employees	15 years	15 years	12 years	12 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 Plans (Gratuity)

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

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

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

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service cost.



PENDEN CEMENT AUTHORITY LIMITED
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, 2022 (Receivables/ (Payables))	Amount outstanding as at 31 December, 2021 (Receivables/ (Payables))	Transactions during the year ended 31 December, 2022 (Debit/(Credit))	Transactions during the year ended 31 December, 2021 (Debit/(Credit))
1	Tenzin	Chief Executive Officer upto 31.07.2022	a. Salary & Allowances	-	-	1,151,035	1,903,626
			b. Other benefits	-	-	185,352	158,128
			c. Provident fund contribution	-	-	70,343	120,585
			e. Sitting fees	-	-	36,000	81,000
			Total	-	-	1,442,730	2,263,339
2	Yeshey Dorji	Interim Chief Executive Officer from 01.08.2022 to 05.10.2022	a. Salary & Allowances	-	-	272,458	-
			b. Other benefits	-	-	58,100	-
			c. Provident fund contribution	-	-	17,875	-
			e. Sitting fees	-	-	18,000	-
			Total	-	-	366,433	-
3	Karma Thinley	Chief Executive Officer w.e.f. 06.10.2022	a. Salary & Allowances	-	-	374,001	-
			b. Other benefits	-	-	4,080	-
			c. Provident fund contribution	-	-	24,933	-
			e. Sitting fees	-	-	9,000	-
			Total	-	-	412,014	-
4	Dungsam Cement Corporation Ltd.	DOC	Advance to supplier	-	4,802	-	-
5	Dungsam Polymers Limited	DLC	PP bag purchase	-	-	-	2,631,470
			Trade Payable	42,240	42,240	-	-
6	Bhutan Telecom	DOC	Telephone & Internet expenses	-	-	793,634	726,009
			Trade Payable	87,890	69,273	-	-
7	Bhutan Power Corporation Limited	DOC	Power supply	-	-	57,304,165	69,818,600
			Trade Payable	9,622,049	8,535,855	-	-
8	Bank of Bhutan Limited	DOC	Bank charges	-	-	300,542	104,073
			Interest income	-	-	12,734,089	6,800,000
			Interest receivable/accrued	11,973,852	12,801,093	-	-
9	State Trading Corporation Limited	DLC	Purchase of explosives & ICT products & Repairing charges	-	-	142,017	237,862
			Trade Payable	23,892	23,892	-	-
10	State Mining Corporation Limited	DOC	Purchase of Coal	-	-	76,915,656	18,116,915
			Purchase of Gypsum	-	-	6,766,633	16,672,553
			Trade Payable	12,000,871	5,717,001	-	-

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

Sitting fees paid to Board of Directors

Sl no	Directors	Role	As at 31 December, 2022	As at 31 December, 2021
1	Dasho Phuntsho Tobgay	Chairman	54,000.00	54,000.00
2	Dasho Dr. Sonam Tenzin	Chairman (Old)	-	27,000.00
3	Sonam Wnagyal	Member	-	9,000.00
4	Brigadier, Pema Dorji	Member	45,000.00	36,000.00
5	Lopen Pasang	Member	-	36,000.00
6	Lopen Ugyen Namgyel	Member	54,000.00	45,000.00
7	Dr. Sonam Phuntsho	Member	18,000.00	45,000.00
8	Ms. Leki Wangmo	Member	-	103,500.00
9	Kinga Lotey (DHI)	Member	-	31,500.00
10	Sonam Tenzin, DG	Member	45,000.00	-
11	Tshering Tashi, HRH Secretariat,	Member	40,500.00	35,000.00
12	Thinley Namgyel	Member	-	31,500.00
13	Yangchen Chhoeeden, Mohca	Member	27,000.00	85,500.00
14	Ugyen Lhendup, Dhi	Member	103,500.00	81,000.00
15	Tshering Om, NPPF	Member	49,500.00	-
16	Sonam Pelden, RIM	Member	63,000.00	-
Total			499,500.00	620,000.00

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.



PENDEN CEMENT AUTHORITY LIMITED

37. Contingent Liabilities

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

(Amount in Nu.)

S. no.	Nature of Contingent Liability	As at 31 December, 2022	As at 31 December, 2021
1	Bank Guarantee/s	2,027,132	2,012,400
	Total	2,027,132	2,012,400

38. Capital Commitments

The Company has below contractual commitments on account of capital expenditures relating to acquisition 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, 2022	As at 31 December, 2021
1	Towards Civil works	1,406,090	17,683,569
2	Towards Plant and Machinery	11,431,091	12,238,413
	Total	12,837,181	29,921,982

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	2022		2021	
		Quantity (MT)	Value (Nu.)	Quantity (MT)	Value (Nu.)
1	Bhutan	67,159	425,926,860	47,411	264,323,158
2	India	13,929	73,867,375	124,284	644,895,962
	Total	81,088	499,794,235	171,695	909,219,120

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

Sl no.	Name of Customer/Stockist	2022		2021	
		%age of total sales	Value (Nu.)	%age of total sales	Value (Nu.)
1	Aman Aggarwal	7.90%	39,482,550	32.39%	294,524,360
2	Sushil Aggarwal	6.56%	32,776,050	31.64%	287,710,315
3	Pema Cement Agent	18.59%	92,921,355	1.70%	1,548,400
	Total	33.05%	165,179,955	65.74%	583,783,075

40. Leases

The Company has taken certain lands / buildings for office premises and distribution centers on Operating Lease in its normal course of business which mainly do not contain any lock-in requirements and also no extension options after the initial contract period. During the year, amount of Nu. 238,487 (Previous year: Nu. 292,387) has been booked under 'Rent, rates and taxes' under 'Note 29 - Other Expenses'.



PENDEN CEMENT AUTHORITY LIMITED

41. Restatements

The financial statements as at 31 December, 2021 and 01 January, 2021 and Statement of comprehensive income for the year ended 31 December, 2021 has been restated in the year ended 31 December, 2022 due to certain rectifications/corrections as detailed below.

(Amount in Nu.)

Sl. no	Account	Restatement as at 01 January, 2021			Restatement as at 31 December, 2021			Restatement during the year 31 December, 2021			Remarks
		Before Restatement as at 01 January, 2021	Restatement as at 01 January, 2021	After Restatement 01 January, 2021	Before Restatement 31 December, 2021	Restatement as at 31 December, 2021	After Restatement 31 December, 2021	Before Restatement 31 December, 2021	Restatement during the year 31 December, 2021	After Restatement 31 December, 2021	
1	Deferred Tax Expenses	-	-	-	-	-	-	10,751,550	5,806,603	16,558,153	Deferred tax calculated as on reporting date which is different from earlier years and other change in related figure due to impact on other restatements
2	Deferred Tax Liabilities (net)	127,989,167	(105,171,699)	22,817,468	138,740,717	(99,365,096)	39,375,621	-	-	-	-
3	Retained Earning	170,411,449	95,490,404	265,901,853	75,960,453	86,001,220	161,961,673	-	-	-	-
4	Other Equity	-	-	-	2,806,881	1,153,046	3,959,927	-	-	-	Net impact of all restatements
8	Depreciation & Amortisation	-	-	-	-	-	-	68,970,922	2,477,755	71,448,677	Actuarial gain/loss on Employees Benefits recognised
10	Property, plant and equipment	566,559,076	233,592,251	800,151,327	504,939,804	16,567,137	521,507,031	-	-	-	Capitalisation of stand-by equipments carried as inventory of capital stock.
11	Capital work in progress (including accumulated depreciation)	120,599,013	(11,612,552)	108,986,461	277,610,179	(16,567,137)	261,043,042	-	-	-	-
12	Accumulated depreciation	1,017,496,049	1,620,283	1,019,116,332	1,085,297,537	4,098,038	1,089,395,575	-	-	-	-
	Revaluation Reserve	-	221,979,699	221,979,699	-	-	-	-	-	-	-
13	Provisions	196,884,615	8,061,012	204,945,627	180,260,203	8,112,793	188,372,996	-	-	-	-
14	Other comprehensive income/loss	-	-	-	-	-	-	(23,641,928)	(1,153,046)	(24,794,974)	Provision for Employee Benefits towards Repatriation Allowance
15	Cost of materials consumed	-	-	-	-	-	-	294,781,492	168,676	294,950,168	-
16	Employee benefits expenses	-	-	-	-	-	-	192,242,207	1,036,151	193,278,358	-
	Total	-	-	-	-	0	-	-	8,336,138	-	-



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, 2022 (Nu.)	As at 31 December, 2021 (Nu.)
- Salaries, Wages, Ex-gratia & Other Allowances & Benefits	26,324,400	33,510,840
- Stores and Spares consumed including maintenance charges and other direct expenses	4,106,298	3,307,907
- Contractors' Payment	21,541,894	18,523,735
- Other Expenses	10,286,404	1,148,967
Total	62,258,996	56,491,449

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. 90,414,034 as on the reporting date (after deducting death claims of Nu. 235,000 paid/payable till date (Previous year Nu. 135,000)) 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. 100,000 paid/payable during the year (Previous year: Nu. 135,000) have been reduced from the same and accounted for as 'Employee Benefit Expense' and the policy bonus / benefit of Nu. 5,267,326 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. 9,060,570 till 31.12.2022 (Till 31.12.2021 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 2020. During the year, the Department of Revenue and Customs (DRC), Royal Government of Bhutan had raised an additional CIT demand of Nu. 3,905,665 on re-assessment for the year 2019. Further, the Company has submitted an appeal letter to DRC on 17.10.2022 requesting to withhold the demand until the final report has been received from the Royal Audit Authority on the said matter. As per the management, there will be no liability require to be payable against the said demand.

42.5. The Company has purchased Land at Gelephu in the year 2011 which was freezed by Anti Corruption Commission. After completion of investigation, the case was registered with Royal Court of Justice, Gelephu Court ('Court') in 2021. During the year, the Court has ordered the seller to restitue amount of Nu. 5,150,000 to the Company and ordered the Company to transfer the ownership of the land back to the seller. Company has received the consideration amount and transferred back the land to the seller.

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. 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 which is still under progress and adopted after requisite approval and sanction.



42.9. There is stock of 17,209 MT. of PC Pit material, having value of Nu. 58,801,952 as at 31 December, 2022, which is majorly 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 Board has approved the proposal for the pyro process modification to control the PC Pit drop in the 205th Board Meeting on 16th August, 2022. The Board also directed to undertake the modification work coinciding with the annual maintenance in the July, 2023. Accordingly, the tendering process has started from 19th September, 2022 and two offer has been received and the Management is under the process of negotiating the terms and conditions of the contract with the lowest evaluated bidder. A final response has been received from the party on the 28th January, 2022. The Management will decide on these terms and conditions in the next Management Level Tender Committee. Further, management has also formulated proper costing method/techniques to ascertain its cost during the year and valued the same accordingly. In view of the management, the process of modification of the plant is in process to reduce the drop of PC Pit and the quantity lying at the year end will be consumed in the upcoming years. Therefore, as per the management value of the said inventory is appropriate and in view of the management there will be no material impact thereof.

42.10. Company has conducted physical verification of Coal on 01.12.2022, wherein stock of Coal as per survey was found short by 3,683.90 MT. Management has identified that prior to the year 2022, the physical verification of the raw materials including coal was done without considerations like the varying ground level for all the raw materials, total errors of 25% (5% instrument error and 20% other factors like ground level and contour) and 2% handling losses. All these factors were considered during the physical verification of the raw materials in the current year. Hence, the coal shortages have accumulated over the period of years.

Also, the coal usage, frequency of Plant breakdown, and hours of breakdown has been studied and found that the frequent breakdown has also led to the shortage of coal. This unavoidable waste has been incurred as the coal is required to start up and gain the required temperature for the production of the clinker. Additionally there are instrumental errors in the coal weigh feeders leading to erratic readings which were not considered, leading to differences between the book stock and physical stock.

Accordingly, management is in the process of identifying the exact reasons for such shortages and strengthening of the process of stock verification vis-a-vis booking of consumption on accurately and timely basis. Further, the said shortage of Nu. 40,202,794 has been written off during the year under note 29 - other expenses as 'shortage of coal written off'; however, in view of the management any further impact of the same will not be material.

42.11 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.

42.12. 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.

42.13. **Going Concern** - Accumulated losses have resulted in erosion of substantial net worth of the Company as Company has suffered huge losses during the current year and earlier year/s mainly due to Covid - 19 pandemic and shortage of quality coal and the Company has also resorted to borrowing of working capital loan because of these impacts.

During the year, Company has signed Memorandum of Understanding (MoU) with Eastern Coalfield Ltd. (Coal India Limited) for supply of coal and as since also received its first shipment. Company has also started to identify the vendors and procure good quality coal within Bhutan. Because of this, the performance of the Company has improved in November, 2022 and is expected to improve significantly.

Upto 31.12.2022, lease of all mines were already expired; however, renewal process of Penden Mine was initiated and already received public clearance on 27.01.2023 and Dzongkhag Tshogde is scheduled to convene before the end of February, 2023 from where the final approval will be granted based on the clearance from the public and the Gewog Tshogde. Also, the Company has already got the approval for the surface collection of limestone from Daling in Zhemgang from the Government wherein budget of Nu. 68.46 million has already been approved in 2023. The management has initiated several rounds of tendering for the transportation work and is also looking at the option of buying and deploying the transportation trucks by the Company. As a better option, Company is also exploring the limestone in Haurikhola, which is about 10 km away from Penden mines and a budget of Nu. 162.83 million is approved in this year's Budget.

Considering the above, and the future business planning vis-a-vis profitability and cash flow projections and the continued support of its lenders, business associates and workmen, the management is hopeful of improvement in its financial position / performance, and accordingly the financial statements have been prepared on a going concern basis.



42.14 The Company during the current year, to ensure the most relevant and fair information in its financial statements has chosen to present its land under property, plant and equipment and investment property at its fair / market value, which hitherto was presented at cost / carrying value. Accordingly, the Company has changed its accounting policy of valuation of land from Cost Model to Fair / Revaluation Model as per the BAS 16 - Property, Plant and Equipment, and accordingly based on the valuation reports of National Land Commission, the Company has measured / recognised its land at fair value retrospectively, from the beginning of the earliest comparative period i.e. from 01st January, 2021 onwards, and restated the comparative figures of the earlier year accordingly, in accordance with the 'BAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors'. The said change in the accounting policy has resulted in creation of the Revaluation Surplus of Nu. 221,979,699 with the correspondence increase in Other Equity, and increase in value of Land under Property, Plant and Equipment from Nu. 10,785,238 to Nu. 223,749,287 and Investment property from Nu. 1 to Nu. 9,015,652. as at the beginning of the earlier year i.e. as at 01st January, 2021, and no increase in the Total Comprehensive Loss, Other Equity and Property, plant and equipment and investment property for the earlier year 2021 as there was no change in the valuation.

43. Subsequent events

The Board of Directors has not propose any dividend in respect of financial year ended 31st December, 2022 as on date. However, the same shall be finalized by members in the General Meeting to be held on 10 March, 2023. 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


Gautam Bhutani
Partner
Membership No: 524485



Place : Thimphu

Date : 06 March 2023

For and on behalf of the Board of Directors


Chairman

Director


Chief Executive Officer

Director (FID)

Place : Thimphu

Date : 06 March 2023





COMPLIANCE CHECKLIST AND CALENDAR

PENDEN CEMENT AUTHORITY LIMITED
(Regn. No. L19901227BH02 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.		Sections of The Companies Act of Bhutan,	PARTICULAR	COMPLIANCE CHECKLIST			REMARKS
				YES	NO	NA	
INCORPORATION OF A COMPANY & SECURITIES							
							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 31.12.2021/31.12.2022. 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 Financial Statements 2021/2022- 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
1	28		Changes to Articles/Approval			✓	As informed, there is no such change during the year.
2	47		Change of name/Approval			✓	As informed, there is no such increase/consolidation/reduction of Share Capital; however, refer our comments
3	123		Increase or consolidation of share capital			✓	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	✓			
			(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 May for listed; others 31st July		✓		Company has informed that Annual Return was submitted on 28th May, 2022; however, acknowledgment in support of the same has been received on January 19, 2023 which did not mentioned any submission date; therefore, whether the same submitted on time or not couldn't be verified.
11	177		Annual General Meeting (Minutes)	✓			EGM was conducted on 28.09.2022
12	180		Extraordinary General Meeting (Minutes)	✓			1. During the year, AGM was conducted on 26.04.2022 and notice calling AGM was sent on 06.04.2022 i.e. 21 days notice not given.
13	185		Notice for calling general meeting				2. During the year EGM was conducted on 28.09.2022 and we noted as below: a. No notice calling EGM was circulated to every shareholder of the Company rather only consent obtained from 4 major shareholders to conduct the EGM. b. Said consent mail doesn't contains any concern/approval for conducting notice for a shorter period.



187	listed Co. - written as well as in media					EGM held during the year on 28.09.2022 and no notice of the said meeting was given to every shareholder and the auditor or auditors of the Company through widely circulated public media except consent obtained from 4 shareholders on 20/22.09.2022 through email.
14	Public Co./Private Co. - Written Notice					
15	Chairman of meeting (CEO cannot chair)					
192	Representation of corporations at meetings (appointed by Board Directors)					As informed, no representations of corporations at any of the meeting.
193	Ordinary and special resolutions (Minutes)					
195	Minutes of Annual General Meeting and Board Meetings (maintained ss.195-198)					During the year, 1 AGM (30th), 1 EGM and 5 BM's (203-207) were held. We noted as below: 1. Out of 5 BM's, date of signing was mentioned only on 2 BM's i.e. BM 206 and BM 207; further, BM 206 was held on 06.09.2022 and signed on 07.10.2022 and BM 207 was held on 12.11.2022 and signed on 13.01.2023 i.e. not signed within 30 days. 2. For other 3 BM's, where date of signing was not mentioned; compliance of the same whether signed within 30 days couldn't be verified. 3. AGM was held on 26.04.2022 and minutes were signed on 14.07.2022 i.e. not signed within 30 days.
199	Declaration and payment of dividend(199-209)					No dividend paid/declared in 2022
232	Books of account to be kept by company (location & time period)					
250	Board's report (signed by Chairman)					
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)					
260	Resignation of Auditors from office(Annual Resignation)					
266	Auditing standards (Audit using Auditing Standards issued by AASB)					
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)					
139	Additional directors					
140	Consent to act as directors					1. Consent of 1 Director i.e. Mr. Lopen Ugen Namgyel was filed in 358 days i.e on 20.05.2022 after date of appointment i.e on 27.05.2021. 2. Consent of 1 Director i.e. Mr Tenzin was filed in 264 days i.e on 03.05.2022 after date of appointment i.e. on 01.08.2022.
141	Certain persons not to be appointed as Directors					No resignation during the year: only retirement of Directors on completion of term; however, CEO is one of the Board Director and he has submitted his resignation on 30th May, 2022 .
142	Resignation by a director					
143	Removal of directors					
146	Board meetings (4)					BM 203 held on 19.04.2022 and BM 202 held on 07.12.2021 i.e. gap of more than 3 months as deferred due to Covid-19 pandemic.
152	Meetings for Public Cos & 2 Meetings for Pvt)					
	General powers of the board					



32	156	Restriction on powers of Board	✓				
33	210	Appointment of Chief Executive Officer (Max 5 years terms & 2 consecutive terms only)	✓				On resignation of the former CEO, the new CEO was appointed in the EGM dated 28th Sept. 2022 for a term of 3 years
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	✓				

Place: Thimphu

Dated: 06 March 2023

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



PENDEN CEMENT AUTHORITY LIMITED (A Royal Government of Bhutan Undertaking) COMPLIANCE CALENDAR STATUTORY AUDIT FOR THE YEAR ENDED ON 31 DECEMBER, 2022				
Sl No.	Activity	Sections of The Companies Act of Bhutan, 2016	Timeliness	Remarks
1	Submission of Annual Return	267	On or before 31st May	Company has informed that Annual Return was submitted on 28th May, 2022; however, acknowledgment in support of the same has been received on January 19, 2023 which did not mentioned any submission date; therefore, whether the same submitted on time or not could not be verified.
2	Annual General Meeting	177	On or Before 30th April	Yes, AGM was held on 26th April, 2022.
3	Notice Calling General Meeting	185	21 days before the AGM	1. During the year, AGM was conducted on 26.04.2022 and notice calling AGM was sent on 06.04.2022 i.e. 21 days notice not given. 2. During the year EGM was conducted on 28.09.2022 and we noted as below: a. No notice calling EGM was circulated to every shareholder of the Company rather only consent obtained from 4 major shareholders to conduct the EGM. b. Said consent mail doesn't contains any concern/approval for circulating notice for a shorter period.
4	Payment of Dividend	204	Within 30 days of declaration in AGM	No dividend declared in the year 2022.
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 1 Director i.e. Mr. Lopen Ugen Namgyel was filed in 358 days i.e. on 20.05.2022 after date of appointment i.e. on 27.05.2021. 2. Consent of 1 Director i.e. Mr Tenzin was filed in 264 days i.e. on 03.05.2022 after date of appointment i.e. on 01.08.2022.
9	Board Meetings	146 & 149	3 months after last Board Meeting	Yes, Board meetings for the year 2022 were conducted once in every three months as given under: 203rd-19.04.2022 204th-24.06.2022 205th-26.08.2022 206th-06.09.2022 207th-12.11.2022 Further, Quorum met in all the meetings. Except BM 203 held on 19.04.2022 and BM 202 held on 07.12.2021 i.e. gap of more than 3 months as deferred due to Covid-19.
10	Appointment of CEO	210	Every 5 years	CEO was appointed w.e.f. October 6, 2022 for initial period of 3 years.
11	Power of Regulatory Authority to accord approval	412	Approval of Regulatory Authority	Yes
12	Appointment of Company Secretary	213	As prescribed by CO. Act.	Yes
13	Statutory Record and Inspection	228	All times	Yes

Place: Thimphu
Dated: 06 March 2023

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

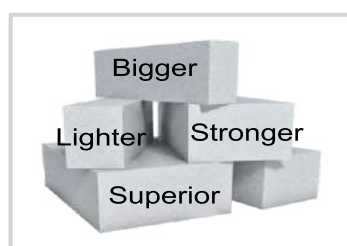


(Gautam Bhutani)
Partner
M. No. 524485



Since 1982

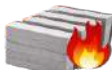
PENDEN AAC ECO-BLOCKS



Eco-friendly



Faster Construction



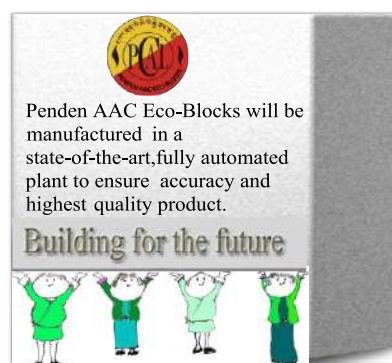
Fire Proof



Sound Proof



Thermal Insulation



Domestic Market

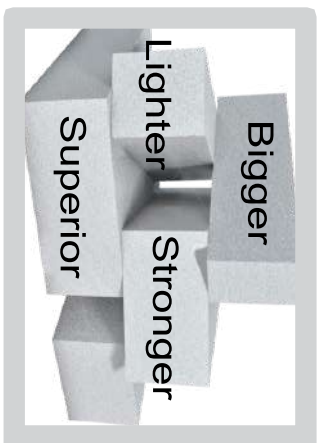
SN	Point of Sale	Location	Contact No.
1	Factory, Head Office-Gomtu	Phuentshopelri Gewog, Gomtu	05-371118
2	Phuentsholing Regional Depot	Khamsang Lam 3, Damdara. Plot no. LPGT-59	05-252883
3	Gelephu Regional Depot	W Ngojang Zhung Lam, Gelephu. Plot no. GP-17	06-251605
4	Samdrup Jongkhar Regional Depot	Industrial area, Near Truck Parking	07-251790

Export Market

SN	Stockiest	Location	Contact No.
1	Sushil Agarwal	Main Road, Birpara, Dist. Alipurduar, West Bengal	+91 9735488588
2	Aman Agarwal	Debigarh Pally, Birpara. District-Alipurduar, West Bengal	+91 9733137197



PENDEN AAC ECO-BLOCKS



Eco-friendly



Faster Construction



Fire Proof



Thermal Insulation



Sound Proof

Penden AAC Eco-Blocks will be manufactured in a state-of-the-art, fully automated plant to ensure accuracy and highest quality product.

Building for the future

