

Natural Resources Development Corporation Limited



NRDCL

a **dhi** Company

ANNUAL REPORT 2021



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“As a developing country, we have limited resources. We must manage our available resources wisely, minimize waste, and ensure that all our resources are directed at improving the wellbeing of the people, and in fulfilling our national vision”

- His Majesty The King Jigme Khesar Namgyel Wangchuck



THE YEAR IN REVIEW

On behalf of the Natural Resources Development Corporation Limited (NRDCL) Management, I would like to present its Annual Report for the year 2021 highlighting the overview of activities, achievements and challenges.

Numerous challenges were posed by the COVID-19 pandemic during the year. Nevertheless, NRDCL in its own small ways, continued to work towards professional management of natural resources in its noble pursuits of making the resources such as timber, sand and stone available, accessible and affordable to the people of Bhutan and supporting in the nation building process. Along the line of achieving its mandates, the company's revenue increased to Nu. 764.145 million in 2021 from Nu. 630.324 million in 2020. The company paid Nu. 20.691 million as royalty and Nu. 6.158 million as tax in 2021. Profit before tax stood at Nu. 7.242 million in 2021.

One major development the company saw during the year was the amalgamation of the erstwhile



Wood Craft Centre Limited with NRDCL in April 2021, which led to expansion in the size and activities of the company. The amalgamation was conceived aptly at a time when there was a need for strategic business alignment, resource optimization and bringing operational efficiency and synergy in the business of similar product line. However, the transition phase of the amalgamation was challenging in view of WCC not to do core furniture making and at the same time required to protect the employment of all its staff. The focus of WCC changed from furniture-making to construction joineries and other value-added timber products. Further, the import of rubber wood has been totally stopped and substituted with local timber.

On the whole, the business of NRDCL, as a supplier of construction materials, was severely affected, especially when the construction sector was heavily impacted by the pandemic. As a result, both the production and disposal targets for its products could not be achieved and consequently, the company faced financial constraints to adequately support its investment opportunities. The company had to adopt various strategies to



ensure that the stock, particularly timber, was not completely deteriorated. To minimize the loss, old timber stock was offered for sale based on aging, but the sales did not pick up. On the other hand, media and public exerted pressure on deteriorating timber quality. In order to avoid deterioration of 1.024 million cft. of unsold timber stock, the management strategized to saw the logs and preserve the sawn timber in sheds using natural seasoning techniques. At the same time, sale of the timber at discounted rates continued. Sawing of timber was carried out with a special approval from the Department of Forests and Park Services engaging private sawmills in the depots.



While the ripple effects of the pandemic were visible in multiple forms, the situation also presented an opportunity to the company to re-align some of its business practices and systems. With the poor market for timber due to the pandemic and the amalgamation of WCC with NRDCL, the company took up the opportunity to optimally utilize the unsold timber by value-adding into construction joineries, which if successful, will address dependence on acute labour shortage, clean and healthy construction sites. Further, with the merger of WCC with NRDCL and Government's directives on Integrated Wood-based Industry, the company also decided to get the fundamentals right in terms of higher capacity sawmill and seasoning of timber. Some of these machines are expected to be functional from the mid of 2022.

front, efforts were made to sustain the activities, especially through the supply of boulders for export in the southern belt. Despite movement restrictions, frequent transportation issues in India and numerous challenges and problems, the company made continuous efforts to export boulders departmentally from Phuentsholing and Gelephu during the year. Departmental export from Gelephu was initiated with the engagement of an



On the sand and stone



agent, and from Phuentsholing, it was initiated by connecting with customers in Bangladesh directly. However, it could not pick up well due to difficult situation posed by the pandemic including movement restriction and challenges along the routes through India to Bangladesh.

As part of its digital transformation, the ERPNext system and *My Resource* app were continuously improved and enhanced for resources optimization, scale and efficiency. Vehicle Tracking System was put in place beginning 2021 by installing GPS in all pool vehicles and machines with mobility options. Such system is directly translating to resource optimization, cost control and prudent use of vehicles/machines for intended purpose.

On its social mandates, the company undertook its ancillary activities like plantation programs, environment protection & promotion, forest road construction activities and firewood supply with consistent efforts. To address the challenges faced by the public during difficult times, NRDCI introduced a firewood retail outlet at *Hejo* cremation ground which became functional

from April 2021, and also took over the supply of kidu firewood at the end of the year. Similar arrangements were put in place at Wang Service Centre for the supply of firewood to *Hongtsho* and *Charkilo* crematoriums. The Company received positive feedback for such initiatives. Further, as a timely support to the government to deal with the COVID-19 pandemic, the company also took proactive initiatives in supplying required sawn timber for the construction of quarantine facilities along the southern belt of the country. As part of the CSR, the company supported the construction of two Footpath Bridges along the Trans Bhutan Trail opposite to *Memelakha*. The construction was taken up departmentally by using glulam timber.

As we continue in our endeavor in natural resources management with renewed energy, integrity and commitment, I would like to thank all our valued customers for being with us and providing us with the platform to grow and improve in our business system. I also take this privilege to thank the DHI and the NRDCI Board for all the guidance and support in closing the year 2021 on a positive note. I am equally thankful to the DoFPS, MoAF and all





other relevant stakeholders for their continued cooperation and support in enabling us to collectively support nation building. I thank all the employees of the company for their unwavering efforts and hard work despite numerous challenges faced in the year 2021. I on behalf of the employees of the company and on my own behalf, would like to rededicate our services to the *Tsawa-Sum* and

look forward to having a successful year 2022.

Kadrincheyla

(Bachu Phub Dorji)

Chief Executive Officer



VISION

"To be the premier institution in providing reliable and quality natural resource products and services to support nation building"

VISION

MISSION

"Be the professional agency known for sustainably harvesting, marketing and equitably distributing the nation's natural resources ensuring availability, accessibility and affordability"

MISSION

VALUES

VALUES

- i. **Transparency and Accountability:** Be disciplined, transparent and accountable for our actions, decisions, behaviours, attitude and results
- ii. **Integrity and Honesty:** Be fair, honest and ethical in what we seek to do, how we deliver as an organization, and have zero tolerance to corruption.
- iii. **Productivity and Efficiency:** Strive for high-levels of productivity and efficiency
- iv. **Innovation and Creativity:** Be creative and innovative in improving the products, services, and technologies to realize our strategic goals (vision, mission and objectives)
- v. **Commitment and Teamwork:** Be personally committed and take pride in working as a team with common values and goals.
- vi. **Respect and Fairness:** Hold others in high esteem and treat all with respect, equality and fairness. Do not take advantage of people including co-workers. View people as an end in themselves, not a means to an end.
- vii. **Health and Safety:** Be conscientious in promoting and ensuring the well-being, health and safety of our people, community and environment.
- viii. **Excellence in Service Delivery:** Recognize that we exist to serve and strive for excellence in customer service delivery.
- ix. **Professionalism:** Be professionally committed to and mindful towards management and utilization of the natural resources and environment, ethically and sustainably for present and future generations.

COMPANY PROFILE

Natural Resources Development Corporation Limited (NRDCL) was established in November 2007 based on an Executive Order of the Royal Government of Bhutan, which was issued in response to the Royal Command conveyed to the 87th session of the National Assembly. However, its history dates back to 1979 when it was created as the Logging Division under the Department of Forest, Ministry of Agriculture. In 1984, the Logging Division was transitioned into a State-Owned Enterprise known as the Bhutan Logging Corporation. BLC evolved into the Forestry Development Corporation Limited (FDCL) in 1996 with the assignment of additional commercial mandates, before setting into its present state as the NRDCL in 2007.

NRDCL is a fully-owned Druk Holding and Investments (DHI) company. The company is governed by the Articles of Incorporation under the Companies Act of the Kingdom of Bhutan 2016.

With the amalgamation of erstwhile Wood Craft Centre Limited (WCCL) with NRDCL in April 2021, the activities of NRDCL have expanded and the authorized share capital has increased from Nu. 300 million to Nu. 800 million.

Company's activities in the line of timber, sand, stone and timber related products are spread across the country. Its field activities are managed by four Regional Offices, two Branches and two Service Centres as detailed below with administrative head office in Thimphu.

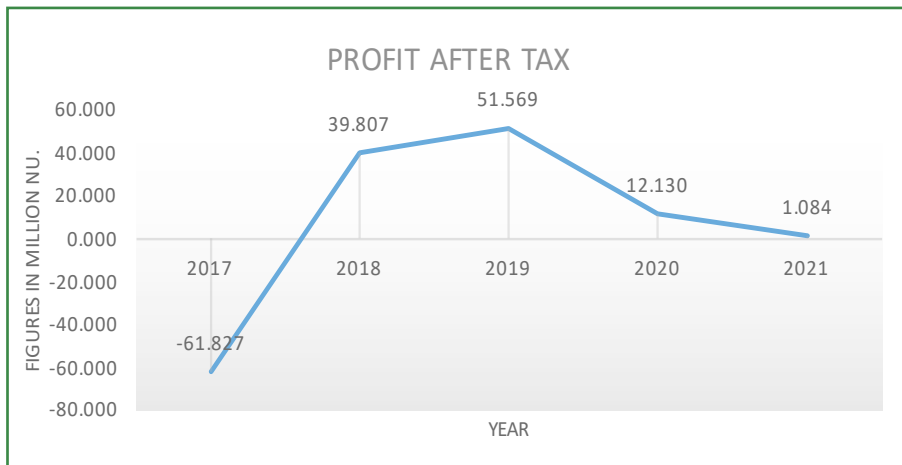
#	Name of Region/Branch/Centre	Activities/Products	Coverage/Operational Area
1	Rinpung Region	Timber, Sand & Stone (except sand business from Wangdue under Sha Branch)	Thimphu, Paro, Haa, Wangdue, Punakha, Gasa, Dagana & Tsirang
2	Phuentsholing Region	Timber, Sand & Stone	Chhukha, Samtse & Lhamoizingkha (Dagana)
3	Jakar Region	Timber, Sand & Stone	Bumthang, Trongsa & Zhemgang
4	Zhonggar Region	Timber, Sand, Stone & Joinery Products	Mongar, T/Yangtse, T/Gang, Lhuentse, P/Gatshel & S/Jongkhar
5	Sha Branch	Sand	Wangdue
6	Gelephu Branch	Timber, Sand & Stone	Sarpang
7	Wood Craft Centre (WCC)	Timber related value-added products	Operational from Lanjophaka, Thimphu
8	Wang Service Centre (WSC)	Wood Joinery Products, Briquette & Sawn Timber Outlet	Operational from Ramtokto, Thimphu

A GLANCE AT THE COMPANY'S PERFORMANCE IN THE LAST FIVE YEARS

REVENUE	
Year	Revenue
2017	459.013
2018	681.665
2019	787.393
2020	630.324
2021	764.145



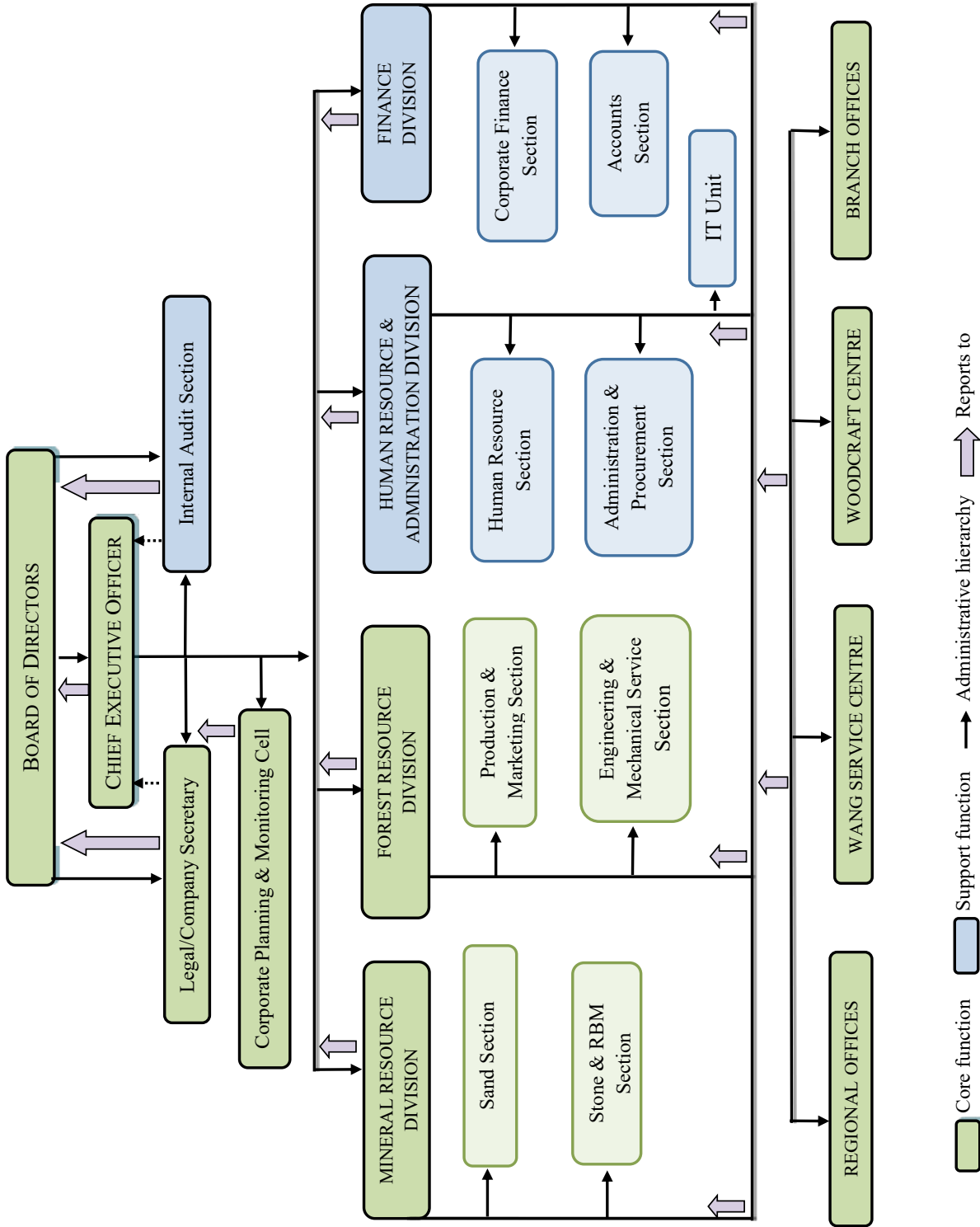
PROFIT AFTER TAX	
Year	PAT
2017	-61.827
2018	39.807
2019	51.569
2020	12.130
2021	1.084



CORPORATE INCOME TAX	
Year	CIT
2017	9.926
2018	17.629
2019	26.832
2020	7.279
2021	6.158



ORGANIZATION STRUCTURE



BOARD OF DIRECTORS



Dasho Karma Tshiteem is the Chairman of NRDCL Board. Dasho serves as the Head of the National Service Core Working Group. Prior to that, Dasho has served in various capacities in the Royal Government of Bhutan such as the Member of the Internal Government, 2018, Chairman of the Royal Civil Service Commission and the Secretary of the Gross National Happiness Commission. Dasho has also served in many other important managerial positions in public service and also holds additional portfolios in various committee and boards including The Royal Academy and the Royal Institute of Governance and Strategic Studies. Dasho was awarded the Red Scarf by His Majesty the King on 17 December, 2015. He has MBA from University of Canberra, Australia.



Mr. Rinzin Dorji joined the Board in March 2021 and serves as an Independent Non-Executive Director of NRDCL Board. He is currently serving as the Chief Executive Officer of Bhutan Agro Industries Limited. Prior that, he had served as the Secretary of Ministry of Agriculture & Forests and shouldered various other important portfolios in the Government. He received his Master in Public Administration from Virginia Commonwealth University, United States of America and Bachelor degree from Punjab University, India.



Mr. Karma Tenzin joined the Board from November 2020 and serves as an Independent Non-Executive Director of NRDCL Board. His Majesty The King appointed Karma Tenzin as a Zimpon Wogma on 10 November 2016. Previously, he served as Livestock Officer under Department of Livestock and also served at the National Cold Water Fishery Centre, Haa. He was also the Project Coordinator of the Royal Projects Coordination Office under the Ministry of Agriculture and Forests. He has a Bachelor Degree from Sherubtse College, Kanglung and Master Degree in Biology (Environmental Fisheries) from the University of New Brunswick, Canada.



Dr. Damber Singh Kharka served as a Non-Independent, Non-Executive Director on NRDCL Board. Currently, he is serving as the Managing Director at M/s Ugyen Trading House. Prior to that, he served as the Director for Corporate Performance Department at DHI. He has a PhD in Finance from Haryana School of Business and also a PhD in Business Administration from California Metropolitan University, USA. He has Master in Economics from UNB, Canada. He has more than 30 years of work experience in the field of Finance, Corporate Governance, Corporate Capacity Development, Business and Management disciplines.



Mr. Rinchen Wangdi joined the Board from March 2020 and serves as an Independent Non-Executive Director on NRDCL Board. He is currently serving as the Director of the Gross National Happiness Commission. He received his Master Degree in Development Economics from Australian National University (ANU), Canberra, Australia. He has Bachelor of Arts from Sherubtse College, Kanglung.



Mr. Chencho joined the Board in March 2021 and serves as an Independent Non-Executive Director of the NRDCL Board. He is currently serving as the Cabinet Director and Principal Secretary to Hon'ble Prime Minister. He received his Master in Applied Science (Information System) RMIT University, Australia and Bachelors in Information Technology from Sherubtse College. Before joining to the Prime Minister's Office, he served as a Chief Program Officer in GNHC.



Mr. Bachu Phub Dorji joined NRDCL as its Chief Executive Officer in November 2020. Prior to joining NRDCL, he had the privilege of serving as the Managing Director of Kuensel Corporation Ltd., an Advisor in the 2nd Interim Government, a Commissioner for RCSC and a Militia Officer. He has Master in Infrastructure Management and Post Graduate Diploma in Development Administration from Australian National University, Australia.

MANAGEMENT TEAM



Bachu Phub Dorji
Chief Executive Officer

Mr. Bachu Phub Dorji joined NRDCL as its Chief Executive Officer in November 2020. Prior to joining NRDCL, he had the privilege of serving as the Managing Director of Kuensel Corporation Ltd., an Advisor in the 2nd Interim Government, a Commissioner for RCSC and a Militia Officer. He has Master in Infrastructure Management and Post Graduate Diploma in Development Administration from Australian National University, Australia.



Sonam Chopel
General Manager
Finance Division

MBA from University of
Canberra, Australia



Ashit Chhetri
General Manager
HR & Admin. Division

MSc. in Natural Resource
Management from Mahidol
University, Thailand



Deo Kr. Biswa
General Manager
Forest Resources Division

MBA from Utkal University,
Bhubaneswar, India



Dorji Wangmo
General Manager
Mineral Resources Division

Master in Management from
University of Canberra, Australia



Sangay Choden
Company Secretary
Office of the Company Secretary

PGDNL, BA (LLB Hons.)



Karma Wangdi
Head/Sr. Analyst
Corporate Planning & Monitoring Cell

MBA, B Com (Hons.)

DIRECTORS' REPORT

To the Shareholder,

As the Chairperson of the Board of Directors of Natural Resources Development Corporation Limited (NRDCL), I, on behalf of the Board of Directors and management would like to present the Directors' Report for the year ending 31st December 2021.

The Company is entrusted with a critical mandate whereby in addition to the social mandate of ensuring the nation's natural resources are made available, accessible and affordable to general public, NRDCL is also mandated to generate revenue to be able to sustain its activities and provide returns to the shareholder. Towards fulfilment of this overarching mandate, the Board, management and the employees of NRDCL endeavours to perform its best to achieve the overall objectives through the continuous support of the shareholder and other stakeholders.

Since the advent of COVID-19 in 2020, the ongoing pandemic continuous to hinder the economy nation-wide, particularly the construction sector. NRDCL as one of the main suppliers of construction materials such as timber, sand, stone and other value added products has been especially affected. Consequently, most of the physical targets could not be achieved during the year because of the lack of demand. In turn, this has affected the overall revenue. The details of physical and financial performances under category of each product are presented separately in the later part of the report.

A highlight on a few of the general key achievements and challenges faced by the company during 2021 are presented as follows:

Highlights of key achievements for fulfilment of its mandates

- With the amalgamation of erstwhile Wood Craft Centre Limited (WCCL) with NRDCL w.e.f 1st April 2021, the previous activities of NRDCL were expanded and the authorised share capital of NRDCL was increased to Nu. 800.00 million from 300.00 million. While erstwhile WCCL played a critical role to promote wood-based industry (furniture making) in the past, NRDCL plans to discontinue with the furniture production and marketing business and to focus on the production and marketing of construction joineries and other related value-added products. Accordingly, a way forward for WCC was approved for implementation. Furthermore, the import of rubber wood has been completely stopped and the use of local timber is being promoted.
- Upon endorsement of the NRDCL Board to engage in production and marketing of construction joineries and other value-added products, samples of doors, windows and by-products were produced and advertised, and a showroom is being developed. The market response is found to be promising. A formal agreement was signed between the management and Gyalsung Infra Project to manufacture

and supply window frames and cornices worth Nu. 1.6m for construction of classroom buildings at Jiba, Khotokha. This was done in anticipation that more work will be given to NRDCL in different phases after completing this supply. Further, a contract was signed with the Ministry of Works and Human Settlement to supply energy efficient doors and windows worth Nu. 2.19m.

- With NRDCL targeting the production of value added wooden products following the merger of Wood Craft Centre, it has become imperative to upgrade the existing small sawmills at Wang Service Centre to a modern integrated sawmill which provides for fulfilment of the company's mandate of making resources available, accessible and affordable to the public. Therefore, the management carried out a study on the establishment/upgradation of modern integrated sawmill and had also initiated the procurement of Mebor Branded Industrial Sawmill (HTZ1200 Plus) from Slovenia.
- The management also carried out a study on the establishment of bigger capacity seasoning kiln due to the deficiencies in the existing seasoning kilns (3) which were not able to meet the requirement of seasoned timber for the joinery units and Glue-lam plant. Therefore, through the endorsement of the Board, the management had initiated the procurement of two SAGA Vacuum Dryer from China.
- NRDCL is bestowed with an important role to support the construction works of the Gyalsung Projects since 2020. NRDCL continues to supply the construction materials such as timber, sand, stone, etc., to Gyalsung Infra Projects at cost, foregoing its profit in the interest of nation. During the year 2021, NRDCL had supplied **10,493.34 Cft** of logs to Gyalsung Project by Zhonggar and Phuentsholing Region. The revenue forgone in 2021 is **Nu. 5.393 million** (Aggregates – Nu. 5.201 million and timber – 0.192 million).
- In June 16, 2021 the management had executed an agreement with Gyalsung Infra Project wherein the 70 TPH stone crushing plant belonging to NRDCL is installed at the Project site at Jiba, Khotokha, Wangdue for crushing of stone aggregates for the Project. The Project makes payment to NRDCL for the crushed stone aggregates on the basis of volume of finished products.
- In 2021, during the time of emergency, NRDCL had supplied **34,115.66 Cft** of varying sizes of sawn timber from different Regions for the construction of COVID-19 quarantine facilities in the South namely, Phuentsholing, Gelephu and Samdrupjongkhar. This was done with special approval of DoFPS to engage private sawmills in the various depots.
- As a part of Corporate Social Responsibility, NRDCL had constructed a firewood retail outlet at Hejo crematorium ground. It was operational from April, 2021 whereby firewood for cremation purpose is made readily available and affordable to the public. The NRDCL has been also asked to manage the Kidu firewood. A similar arrangement was made for supply of firewood to Hongtsho and Charkilo cremation ground for which the supply is met from Wang Service Centre at Ramtokto.
- NRDCL had executed massive sanitation works in blue pine dieback areas under Haa – 164.38 Hectare (ha.), Chukha – 417.22 ha., Thimphu – 1,178.01 ha., Paro – 1,395 ha., with very limited returns owing to pole sized, poor quality of timber resulting in low demand from customers. Despite the projected loss

of Nu. 12.6 M and tremendous pressure on NRDCL, the management and Board concurred to take up the operation, considering its paramount national importance.

- On 01.12.2020, the management was informed by the Department of Agricultural Marketing & Co-operatives (DAMC), MoAF on the requirement of 600,000 wooden boxes for packaging of fruits for export purpose. The management initiated the sample production and after approval by DAMC, NRDCL could produce around 1700 boxes. Owing to the intricacy of the job, the actual price for boxes was worked at Nu.99/box. In 2021, the management learnt that the Wood Based Industry members were given subsidy of Nu.10/box for supplying of boxes whereas, NRDCL was not aware on the subsidy part. Although, there is a huge potential to produce the wooden boxes domestically with readily available raw materials, the pricing has been a concern. Therefore, the management is currently reviewing the costing for making of boxes with good timber and also, with timber residues.
- NRDCL had carried out internal study on the properties, usability and seasoning/treatment of broadleaved and mixed conifer timber in order to preserve the timbers for future use.
- In order to cut unnecessary expenses and to monitor machinery utilisation, the management had implemented and installed vehicle tracking devices (*k tracker*) for all vehicles and mobile machineries of NRDCL.
- With the merger of Wood Craft Centre with NRDCL, the management in consultation with all the staff had enhanced and implemented the new staff welfare scheme 2021 to give equal opportunities and benefits to all the employees, irrespective of their grade.
- The COVID-19 had affected the demand for timber resulting in huge accumulation of unsold timbers in the respective depots in 2021. To prevent the deterioration of such timbers, the Board and management strategized towards preservation of timber for which the Department of Forest and Park Services had approved deploying of sawmills to depots to saw timbers of 2020 and earlier. Accordingly, the regions had constructed sheds and stacked sawn timbers targeting preservation and natural seasoning. Meanwhile, the management continues to sell the old stocked timbers at appropriate discounted rates to interested customers based on year wise age analysis of timber and to avoid the risk of not getting any monetary return from the deteriorated timbers. In 2021, the company sold 368,183.74 Cft of old and deteriorating timber at reduced amount of Nu. 40,743,206.46, which is about 33 percent below if sold at the NRPC rate.
- In an unfortunate incident, Wood Craft Centre had a fire mishap on 30.10.2021. As per the investigation report prepared by police, the cause of fire was revealed to be a short circuit. NRDCL received the insured sum of Nu.17.8M from RICBL.

The report on the operational and financial performance of the company for the year 2021 is presented below.

1. Operational Report

The product-wise production and disposal report for 2021 vis-à-vis 2020 and 2019 are presented in the table below.

#	Particulars	Annual Target	2021		2020	2019
			Achievement (Quantity)	Achievement %	Achievement (Quantity)	Achievement (Quantity)
Core products						
1	Timber Production (cft.)	2,334,133.52	1,554,399.48	66.59	2,693,875.03	2,509,837.00
2	Timber Disposal (cft.)	2,377,494.00	1,866,326.13	78.49	1,687,893.35	2,128,936.93
3	Sand Production (m ³)	517,668	381,675.11	73.72	491,021.45	516,999.33
4	Sand Disposal (m ³)	527,668	391,155.96	74.12	467,522.66	478,885.99
5	Stone Production (cft)	32,361,842.00	23,079,963.83	71.31	16,158,282.42	26,137,086.11
6	Stone Disposal (cft)	32,861,841.95	22,696,454.96	69.06	13,019,298.54	25,311,132.94
7	Stone Chips Production (cft)	4,832,399	3,048,134.18	63.07	701,571.35	940,784.40
8	Stone Chips Disposal (cft)	4,832,399	2,716,767.13	56.21	704,727.26	931,824.83

1.1. Timber

- a. Timber production in 2021 was 1.55 million cft against the target of 2.33 million cft.
- b. Total revenue of Nu. 315.187 million was earned from the sale of timber in 2021 against the target of Nu.396.857 million as compared to revenue earning of Nu.295.694 million in 2020.
- c. The closing stock of log, pole and hakaries stood at 1.024 million cft. and total sawn timber and block timber 0.138 million cft. at the end of 2021.
- d. The lack of uniformity in rates of timber sourced from private and community hinders the reputation of the company. Routing of all timber including timber from private and community forestry through one window would enable single pricing in the market.
- e. There is no freehand in terms of marketing and distribution of all timbers extracted by the company although NRDCL invests heavily in machineries for scientific logging from various parts of the country. 50% of timber is allotted to Association of Wood Based Industries and the other 50% has to be supplied through close coordination with the DoFPS. However, the AWBI refused to lift their share of timber due to market issues.
- f. As stated in the Performance Audit report, 2021 on operations of NRDCL, the Forest Facts and Figures (2019) of DoFPS reveals that the NRDCL operates only around 30% of the total

timber allotted annually for extraction. The remaining 70% is extracted by other parties (Rural allotment) under the Subsidized Rural Timber Supply Program, the Community Forest initiative, from Private Forests and Local Forest Management Areas.

1.2. Sand

- a. Sand extraction in 2021 was 381,675.11 m³ against the target of 517,668 m³ and disposal 391,155.96 m³ against the target of 527,668 m³.
- b. Total revenue of Nu.100.664 million was earned from sale of sand in 2021 against the target of Nu.246.529 million as compared to revenue earning of Nu.189.288 million in 2020.
- c. With the COVID-19 pandemic hitting the construction industry hard and bringing it to a near halt, the demand for sand started declining significantly from 2020. The company is still facing challenges in terms of production and disposal of sand due to the COVID-19 pandemic.

1.3. Stone

- a. Stone/boulder extraction in 2021 was 23,079,963.83 million cft. against the target of 32,361,842.00 million cft and disposal was 22,696,454.96 million cft. against the target of 32,861,841.95 million cft.
- b. Total revenue of only Nu.127.906 million was earned from sale of stone in 2021 against the target of Nu.257.610 million as compared to revenue earning of Nu. 33.441 million in 2020.

1.4. Stone Chips

- a. Stone chips production in 2021 was 3,048,134.18 million cft. against the target of 4,832,399 million cft. and disposal was 2,716,767.13 million cft. against the target of 4,832,399 million cft.
- b. Total revenue of Nu.50.565 million was earned from the sale of stone aggregates in 2021 against the target of Nu.104.254 million as compared to revenue earning of Nu. 21.252 million in 2020.

The Board would also like to present the report on NRDCL's other important activities which arise from its social mandates and are of long-term significance, as follows:

#	Particulars	Annual Target	2021		2020	2019
			Achievement (Quantity)	Achievement %	Achievement (Quantity)	Achievement (Quantity)
1	Glue Laminated Timber - Production (cft.)	6,000.00	1,344.14	22.40	5,281.22	987.00
2	Joinery- Production (sq ft.)	292,100.00	230,297.87	78.84	198,324.38	155,585.95
3	Joinery- Disposal (sq. ft.)	292,100.00	213,691.31	73.15	167,333.18	109,187.59
4	Bhutanese Craft/ Construction Joinery -Production (in Nos.)	8,125.00	6,186.00	76.13	-	-
5	Bhutanese Craft/ Construction Joinery -Disposal (in Nos.)	7,500.00	7,450.00	99.33	-	-
6	Woodchips- Production & Supply (MT)	4,108.5	342.88	8.34	1,111.64	2,774.45
7	Firewood- Production & Supply (m3)	38,817.00	44,477.19	114.58	32,124.38	37,537.54
8	Briquette Production (kg)	300,000.00	152,940.00	50.98	179,700.00	261,060.00
9	Briquette Disposal (kg)	300,000.00	167,820.00	55.94	334,560.00	196,290.00
10	Plantation Creation (Ha.)	41.25	53.66	130.08	66.27	39.91
11	Seedling- Production (Nos.)	212,000.00	186,846.00	88.13	175,735.0	231,676.00
12	Road Construction (km)	24.95	5.47	21.92	11.83	11.83

1.5. Glue Laminated Timber

1,344.14 cft (117 nos) beams of various sizes of glu-laminated timber were produced at the Glu-lam Unit at Pangbisa, Paro against the target of 6,000.00 cft. These beams were produced mainly for supply to the Royal Academy Project, Pangbisa, Law College, Bridge Construction in Thimphu and other important Government Projects.

1.6. Joinery Products

Produced 230,297.87 sq. ft. (including other products like doors and windows) and disposed 213,691.31 sq. ft. of joinery (flooring and panelling including other ancillary products) respectively against the target of 292,100.00 sq. ft. from the joinery unit in Ramtokto, Thimphu and Lingmithang, Mongar. The revenue earning from sale of joinery products was Nu.17.970 Million against the target of Nu.22.820 Million.

1.7. Bhutanese Crafts/ Construction Joinery

Produced 6,186 Nos. of Bhutanese crafts/ construction joinery against the target of 8,125 Nos. and the disposal was 7,450 Nos. against the target of 7,500 Nos.

1.8. Woodchips

A volume of 342.88 MT of woodchips was produced and sold against the target of 4,108.5 MT in 2021. Revenue of Nu. 0.123 million was earned from sale of woodchips in 2021 against the target of Nu.7.547 million as compared to revenue earning of Nu. 5.069 million in 2020.

1.9. Firewood

Production and supply of firewood was 44,477.19 m³ against the target of 38,817.00 m³ in 2021. Firewood supply was done based on demand and subject to availability of lops and tops or forest residue after extraction of prime timber. Similarly, the company managed the supply of firewood during the two lockdowns to various agencies and individuals engaged in COVID-19 duty across various Dzongkhags.

1.10. Briquette

152,940.00 kg sawdust briquettes were produced and 167,820.00 kg disposed against the target of 300,000.00 kg in 2021.

1.11. Plantation and Maintenance

A total of 53.66 hectares of plantation was carried out in 2021 against the target of 41.25 hectares. A total amount of Nu. 7.712 million was spent for the creation and maintenance of plantation in 2021.

1.12. Seedling Production

186,846 Nos. of seedlings were produced against the target of 212,000 Nos. in 2021.

1.13. Road Construction

Roads are constructed to get access to the operation sites and facilitate timber harvesting. NRDCL took a cautious approach to curtail the overall investment on road construction for 2021 due to poor financial position of the company owing to low demand for construction materials. Road construction could also be deferred due to the huge stock of unsold timber in different depots of NRDCL as well as the slowdown/halt in timber harvesting for the year 2021 as per the decision of co-ordination meeting held between DoFPS and NRDCL in January 2021.

5.47 km of road construction was completed against the target of 24.95 km at a cost of Nu. 13.060 million. Approximately, Nu. 4.203 million was spent on maintenance.

2. Financial Report

The highlights of the financial performance of the company in 2021 is presented below:

2.1. Revenue, OpEx, PAT and Dividend trend

Overall revenue for the company has increased by Nu. 133.821 million in 2021 as compared to 2020. The increase in the revenue is mainly because of: i) Amalgamation of Wood Craft Centre (WCC) w.e.f. April 1, 2021 which has contributed an additional revenue amounting to Nu. 64.188 million, ii) Increase in the sales of stone by Nu.94.465 million as compared to 2020, iii) increase in the sales of stone chips by Nu. 29.313 million with the establishment of additional crusher plants, and iv) nominal increase in the revenue from sale of timber, joinery products and firewood. However, there is a huge drop in the revenue from sale of sand by Nu. 88.623 million.

There is corresponding increase in the overall expense for the company by Nu. 145.988 million in 2021 as compared to 2020 mainly on account of amalgamation of WCC, increase in production and sales of stone and stone chips and change in (decrease) in inventories. During the year the company has earned profit after tax (PAT) of Nu. 1.084 million only as compared to Nu. 12.130 million in 2020.

Nu. in million			
Particulars	2021	2020	Increase/ (Decrease)
Revenue			
Sales	720.955	592.832	128.123
Other Income	43.190	37.492	5.698
Total	764.145	630.324	133.821
Expense			0.000
Cost of sales	657.837	524.360	133.477
Operating expense	99.066	86.555	12.511
Total	756.903	610.915	145.988
Profit before tax	7.242	19.409	-12.167
Tax (assessed)	6.158	7.279	-1.121
Profit After Tax (PAT)	1.084	12.130	-11.046

- a. In the past five years (2017 to 2021), the revenue has grown from Nu. 459.013 million to Nu. 764.154 at a compounded annual growth rate (CAGR) of 13.59%.
- b. Timber is still the major contributor to the overall revenue although the trend seems to be a declining. The percentage share of revenue is sliding down from 60% in 2017 to 41% in 2021. Revenue from stone and Joinery has picked up from 5% of the total revenue in 2017 to 17% in 2021. Revenue from sand has decreased in the past two years (2020 and 2021) because of market issue and the reduction is mainly on account of transportation cost.

- c. The company noted fluctuating trend in the capital expenditure (CapEx) in the past 5 years depending on the need for/and nature of investment.

2.2. Financial summary for five years

In Million Nu

Year	2017	2018	2019	2020	2021
Revenue	459.013	681.665	787.393	630.324	764.154
Expenses excluding dep. and interest	448.354	555.351	637.129	524.875	653.012
Tax	9.926	17.629	26.832	7.279	6.158
Profit After Tax (PAT)	-61.827	39.807	51.569	12.130	1.084
Dividend			6.750		9.000
Revenue per employee	1.26	1.73	1.89	1.40	1.44
PAT per employee	-0.17	0.10	0.12	0.03	0.00
Number of employees	363	393	417	450	531

Revenue composition trend in % - Product-wise

Particular	2017	2018	2019	2020	2021
Timber	60.51%	45.92%	43.85%	46.91%	41.25%
sand	21.16%	29.87%	31.63%	30.03%	13.17%
stone	4.86%	8.34%	9.58%	5.31%	16.74%
stone chips	4.54%	2.27%	2.37%	3.37%	6.62%
Joinery	0.00%	0.55%	1.11%	2.13%	10.75%
Others	8.93%	13.05%	11.45%	12.25%	11.47%
	100.00%	100.00%	100.00%	100.00%	100.00%

2.3. Summary of expenditure for five years

The Compounded annual percentage growth in OpEx is almost at par with the percentage growth in revenue. CAGR of revenue for the past 5 years is 13.59% with corresponding CAGR of 9.86% for OpEx. It is very clear that the prices for NRDCL products are highly regulated and also the result of delay in the review of the prices.

Particular	2017	2018	2019	2020	2021
OpEx	448.354	555.619	640.207	524.875	653.013
Depreciation	57.596	63.647	69.58	84.029	97.677
Finance cost	4.964	4.963	6.244	2.011	6.214
CapEx	67.891	104.207	87.863	125.100	122.6
Total	578.805	728.436	803.894	736.015	879.504

2.4. Revenue and OpEx growth comparison

NRDCL's major cost is on OpEx that takes up close to 85% of the total cost. There is a direct correlation between OpEx growth and reduction in PAT. For instance, the OpEx growth in 2017 is much higher than revenue growth and the company had incur loss. During the year 2020 both revenue and OpEX has decreased but the percentage of OpEx decrease is lower than the revenue which is mainly because of the certain fixed cost the company has to bear. Similarly, during the year 2021 the growth in revenue and OpEx is almost at par which is mainly because the company had to sale its products especially timber at discounted rate owing to lack of market & due to high risk in deterioration of timber quality and huge reduction in the inventories as a result scaling down in the production.

Particulars	2017	2018	2019	2020	2021
Revenue	6%	49%	16%	-20%	21%
OpEx	28%	24%	15%	-18%	24%

2.5. Summary of Cash Flow for five years

Particulars	2017	2018	2019	2020	2021
Cash inflow/(outflow) from Operating activities	98.253	32.284	66.775	20.894	54.761
Cash inflow/(outflow) from Financing Activities	27.106	(21.428)	17.047	85.368	31.891
Increase/(Decrease) in cash	125.359	10.856	83.822	106.261	86.652
Cash inflow/(outflow) from Investing Activities	(53.977)	(79.643)	(94.831)	(124.036)	(67.733)
Increase/(Decrease) in cash	71.382	(68.787)	(11.009)	(17.775)	18.919

2.6. Key Financial Ratios

A. Ratio Assessing Profitability					
Ratio	Profitability	2021	2020	2019	
Return on Investment	(EBIT/Net Assets or Net worth) * 100	2.01	3.33	14.63	
Operating Profit	(Operating Profit excluding financial charges)/Net Sales *100	1.76	3.40	10.75	
Net Profit Ratio	Net Profit before Tax/Net Sales*100	0.95	3.08	9.96	
B. Ratio Assessing Financial Health					
Ratio	Financial Health	2021	2020	2019	
Capital Turnover Ratio	Net Sales/(Average Capital employed (Less Capital Reserve))	1.14	0.98	1.36	
Fixed Assets Turnover Ratio	Net Sales/Net Fixed Assets	1.92	1.19	1.61	
Stock Turnover Ratio	Cost of Goods sold including selling expenses/Average Inventory	2.26	2.43	4.41	
Current Ratio	Current Asset/Current Liabilities	3.03	2.03	2.15	
Liquid Ratio	(Current Assets Less Inventory less Pre-paid Expenses)/(Current Liabilities Less Bank Overdraft)	1.09	0.76	1.08	

3. Audit Report

The company's books of accounts for the financial year 2021 were audited by M/s Gosh & Associates, Chartered Accountant, Kolkata, India. Audit was conducted virtually. For the financial year, the company did not have any material audit observation in Audit report.

Under the Management Report some recommendatory observations were made on account of pending dues collection, pending goods delivery against advance received, and unsold timber with poor quality.

4. Dividend

The AGM approved and declared dividend of 5% of Share Capital (i.e., Nu. 150.000 M) amounting to Nu.7.50 million for the financial year 2020.

5. Corporate Governance Report

It is the Board's and company's continuing endeavour to engage in good corporate governance practices. Accordingly, the company complied with the requirements of the *Companies Act of the Kingdom of Bhutan 2016*, *Corporate Governance Code* of DHI and other statutory requirements.

Board size and composition

The Board of Directors was entrusted with the crucial responsibility of management of general affairs, strategic direction and performance of NRDCL. To that effect, it was vested with the requisite powers, authorities and duties. The management of NRDCL was headed by the Chief Executive Officer and has functional heads as its members who look after the management of the day-to-day affairs of the company.

The NRDCL Board was comprised of seven Board Directors, including the Chairman and the CEO. The size, composition and number of independent Directors were determined in keeping with the Board Charter – Section 2.2 and 2.3 of the CG Code. None of the Directors held more than a total of three directorships in other DHI owned companies. The CEO attended all board meetings, except when the CEO's terms and conditions are being evaluated. The CEO reported to the Board on the operation, management and performance of the company. Other members of the management team attended as and when required in order to provide the board with required information. The Board was assisted by a Company Secretary who was not a member of the Board.

Composition of the Board and attendance in 2021

Name of Director	Role	Profile	Date of appointment/ Reappointment	No. of Board Meetings attended
Dasho Karma Tshiteem	Chairman	Former Chairperson, Royal Civil Service Commission	Re-appointed in March 2021	Six
Mr. Karma Tenzin	Independent Non-Executive	Zimpon Wogma, His Majesty's Secretariat	Appointed in November 2020	Three
Mr. Rinchen Wangdi	Independent Non-Executive	Secretary, Gross National Happiness Commission	Appointed in March 2020	Five
Mr. Rinzin Dorji	Independent Non-Executive	Chief Executive Officer, Bhutan Agro Industries Ltd	Appointed in March 2021	Four
Mr. Chenchho	Independent Non-Executive	Director, Cabinet Secretariat	Appointed in March 2021	Four
Dr. Damber Singh Kharka	Non-Independent, Non-Executive	Former Director, CPD, DHI.	Re-appointed in March 2020	Five
Mr. Bachu Phub Dorji	Non-Independent Executive	Chief Executive Officer, NRDC	Appointed on 1 st November 2020	Six

In total, six Board meetings were conducted in 2021, maintaining the quorum requirements and the gaps between the meetings not exceeding three months in accordance with the Companies Act 2016 and DHI CG Code.

Notices including agenda with the necessary information and reference materials are sent to Board Directors before the meetings in keeping with the requirements of the CG Code. Additional meetings were held on shorter notice in the case of exigencies.

Board Committees and meetings

Three Board Committees were formed to assist the Board in executing its responsibilities. The power and responsibilities of each Committee was established in the applicable Committee Charter, which was approved by the Board. The Committee Charter outlined the terms and responsibilities of the committee. Board committees did not have a legal standing or a distinction from the Board itself, and worked only to make recommendations to support board decision-making.

The Board committees are:

- 1. Board Audit Committee:** Its primary function was to provide oversight of the financial reporting process, the audit process, the system of internal controls and compliance with laws and regulations.

The Board Audit Committee was comprised of three independent non-executive Directors as members and five meetings were held in 2021.

2. **Board Governance Committee:** Its primary responsibility is to review and make recommendations to the Board on issues related to policies, procedures, systems and the company's budget and business plans. It also functions as the HR and procurement committee of the Board.

The Board Governance Committee is comprised of three Directors as members including Chief Executive Officer and two meetings were held in 2021.

3. **Nomination and Governance Committee:** The NGC for the selection of CEO is carried out by the Board with board members representing from the DHI. The NGC is set up as and when required and follows procedures as streamlined within the DHI Guideline for Selection and Appointment of CEOs in DHI Owned Companies. No NGC meeting was conducted in 2021 as there was no requirement.

General Meetings

The Annual General Meeting was held on 18th March, 2021. No Extraordinary General Meeting was convened during the year.

Board Remuneration

Each board member received fees and reimbursement for reasonable costs related to their participation in board meetings and board committee meetings. Details of financial remunerations paid to Directors are set out in Note - 1 (para 37 A, B & C) of *Company Overview and Significant Accounting Policies*.

6. Corporate Social Responsibility

a. Firewood supply

The company supplied a total of **560 m³** of firewood to People's Project firewood amounting to Nu.464,160.00 during 2021. In addition, **80 m³** of firewood worth Nu. 66,800.00 has been supplied as part of Corporate Social Responsibility (CSR) for cremation purpose at Paro cremation ground. The company also handled the supply of firewood for COVID – 19 related requirements as CSR in many of the Dzongkhags.

b. Briquette production and marketing

One very important activity that the company continues to carry out as part of its corporate social responsibility is the production and supply of sawdust briquettes from its plant at Ramtokto, Thimphu. Purely a non-profit venture, sawdust briquettes are produced as a substitute for fuel wood in order to a) reduce the increasing pressure on our forest resources exerted by local demand for fuel wood (for heating & cooking) and b) to utilize sawdust (waste wood) from sawmills. Supply of briquette was extended to Boarding Schools under Chukha Dzongkhag in 2021.

c. Donations

In 2021, the company made donations amounting to a total of Nu. 195,000.00 for various social, religious and welfare purposes.

d. Construction and maintenance of forest roads

Many of the forest roads constructed by NRDCL for timber extraction in different regions are also planned to benefit the local communities, with positive socio-economic impacts to the communities concerned. Such roads are maintained by NRDCL even after completion of the operations.

Apart from the roads constructed by NRDCL, the company also contributes annually towards maintenance of farm roads which are used for log transportation.

7. Environment Protection and Promotion Activities

NRDCL complies with all the requirements of the environmental rules and regulations of the RGoB in carrying out its operations. Further, every effort is made to protect the environment and minimize impact of NRDCL operations on the natural environment and health of the ecosystem. Some of the activities that NRDCL carries out towards this are:

- a. Use of environment-friendly technology and processes in its operations such as mechanized logging operations, environment friendly road constructions, etc.
- b. In keeping with the constitutional requirement to maintain 60% of the areas under forest cover for all times to come and managing the natural resources on a sustainable basis, NRDCL has been investing in afforestation and reforestation activities.
- c. To maintain the general health and hygiene of the forests, NRDCL carries out sanitation/salvage operations as and when required.

8. Customer Service

The Customer Satisfaction Index (CSI) for 2021 is 3.70 in the scale of 1-5 as per the Customer Satisfaction Survey Report. It is the endeavour of the Board, management and employees of the company to render public service in the best way possible and achieve and uphold the very important and noble mandates and responsibilities entrusted to the company from the highest level – the Golden Throne.

9. Organizational and Human Resource Management and Development

In 2021, NRDCL had a total of 530 employees (455 regular, 36 contract, 29 ESP and 10 CPE) managing operations at the Head Office, four Regional Offices and two Branch Offices across the country which are

responsible for the operational activities. The company also has Wang Service Centre (WSC) and Wood Craft Centre (WCC) based in Thimphu focusing mainly on value-addition of timber products. WSC and WCC are equated with the NRDCL Branch Offices. The number of employees increased to 531 from 440 in 2021 mainly due to the amalgamation of erstwhile WCCL with NRDCL w.e.f April 2021.

10. Acknowledgement

The Board of Directors would like to express the deep appreciation and sincere gratitude to the Royal Government, Druk Holding & Investments (DHI), Department of Forests & Park Services (DoFPS), Department of Geology & Mines (DGM), National Environment Commission, National Land Commission Secretariat, Royal Academy Project, Dzongkhag administrations, Thromdes and local governments, rural communities and other concerned government and private agencies for their guidance, continued cooperation and support, feedback and encouragement which have been valuable for directing the course of the Company affairs and achievement of its various goals and objectives.

The Board would also like to extend appreciation for the leadership and guidance provided by the Chairman, DHI to the company towards fulfilling its very important mandates of making natural resources affordable, available and accessible.

Furthermore, the Board would also like to acknowledge the hard work and efforts of the management team and employees of NRDCL and thank them for their unfailing dedication and commitment towards achievement of the Company's vision, goals and objectives.

TASHI DELEK

For and on behalf of the Board.



(Karma Tshiteem)

Chairman

NRDCL Board

INDEPENDENT AUDITORS' REPORT



Ghosh & Associates

Chartered Accountants

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To
The Members of
Natural Resources Development Corporation Limited,
Thimphu, Bhutan

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Natural Resources Development Corporation Limited Thimphu, (The Company), which comprise the Statement of Financial Position as at December 31, 2021, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and Notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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



Emphasis of Matter

The assets, liabilities and undertakings of WCCL has been transferred to NRDCL at book value as on 31.12.2020. The financial statements of both WCCL and NRDCL the financial year 2020 have been audited and the accounting records of WCCL has been transferred to NRDCL from the effective date of merger. No adjustment has been made to the books values of the assets and liabilities of the transferor company when they are incorporated in the financial statements of the transferee company except to ensure uniformity of accounting policies. (Note No. 48 of the Notes on Accounts 2021).

Contingent Liability

The stone quarries leased from Department of Geology & Mines, Ministry of economic affairs has not been in operation for more than two years. As per the policy it is subjected to automatic termination of the contract. The company has the obligation to restore the harvested areas. As per the policy requirement, the company has opened joint account with the Department of Geology and Mines and deposited (details below) as security deposit for restoring the harvested areas. The actual liability for quarry restoration work is not ascertained. (Note No. 45 of the Notes on Accounts 2021).

Our opinion is not modified in respect of these matters.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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



- i. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide basis for our opinion. The risk of not detecting material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions misrepresentations, or override of internal control;
- ii. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for purpose of expressing an opinion on the effectiveness of the Company's internal control;
- iii. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- iv. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as going concern. If we conclude that material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Company to cease to continue as a Going concern; and
- v. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

We describe these matters in our audit report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to the public interest benefits of such communication.



Covid-19 Limitations Clause:

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

Hence our opinion expressed in the present report is based on the limited information, facts and inputs made available to us through electronic means by the management of the Company. However, we have exercised all the required audit procedures in accordance with the guidelines issued by IAASB in relation to audit and reporting amid Covid-19 pandemic.

Report on Other Legal and Regulatory Requirements

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

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

- 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 account as required by law have been kept by the Company insofar as it appears from our examination of those books;
- iii. The Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows dealt with by this report have been prepared in accordance with BAS; and
- iv. Based on the information, explanations and management representations received during the course of our audit, the Company has complied with other legal and regulatory requirements to the extent applicable to the Company.

For Ghosh & Associates

Chartered Accountants

Firm Reg No: 322016E

P Dutt

(P Dutt, Partner)

UDIN: 22305257AFQAPV866

Membership No.: 305257

Date: 25/03/2022

Place: Kolkata



NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED
REPORT ON MINIMUM AUDIT EXAMINATION REQUIREMENTS FOR 2021

The audit of Natural Resources Development Corporation Limited is carried out applying the International Standards on Auditing (ISA) as adopted and issued by the Accounting and Auditing Standards Board of Bhutan (AASBB).

The Statutory Audit reports made under the Companies Act of Bhutan 2016 and other relevant Acts and regulatory norms *inter alia*, contains the following:

General:

- a) The Company audited adhere to the Corporate Governance Guidelines and Regulations as applicable to them.
- b) The governing board/authority pursue a prudent and sound financial management practice in managing the affairs of the company.
- c) The financial statements are prepared applying the Bhutanese Accounting Standards issued by the Accounting and Auditing Standards Board of Bhutan (AASBB).
- d) The Company maintained proper books of accounts and financial statements are in agreement with the underlying accounting records.
- e) Adequate records as specified under Section 228 of the Companies Act of Bhutan 2016 have been maintained.
- f) All mandatory obligations social or otherwise, if any, entrusted are being fulfilled. The Company utilized funds worth Nu. 125,118 towards Green Compensatory Plantation during 2021.
- g) So far, the documents and records made available to it appears that the amount of tax is computed correctly and reflected in the financial statements.

Trading Company

1. The company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets; no material discrepancies were noticed on physical verification *except some of the equipments and machineries of Wood Craft Centre were not reflected in the system (Refer to point No. E.5 of the Management Audit Appraisal Report) and the Management is hopeful in disposing off those obsolete equipments and machineries by auction.*
2. None of the Fixed Assets were revalued during the year.
3. The physical verifications were conducted at reasonable intervals in respect of finished goods, stores, spares parts and raw materials by the Management.
4. The procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.



5. No significant material discrepancies were noticed on physical verification of stocks as compared to the book records *except the storing space of inventories and finished Goods of Wood Craft Centre is inadequate and items are stored in scattered form.*
6. The company has a reasonable system of recording receipts, issues and consumption of materials and stores and allocating materials consumed to the respective jobs, commensurate with its size and nature of its business.
7. Generally, the quantitative reconciliation is carried out at least at the end of accounting year in respect of all major items of inventories i.e. finished goods and raw materials. *However, we observed some instances of mismatch in the opening balances of Inventories in Wood Craft Centre (Please refer point No 23 of management Audit Report)*
8. The obsolete, damaged, slow moving and surplus goods/inventories has been determined and wherever the value is significant, adequate provisions are made.
9. The obsolete and surplus inventories are generally disposed of and proceeds from such disposals are accounted for appropriately.
10. Approval of Board/appropriate authority is obtained for writing off amounts due to material loss/discrepancies in physical/book balances of inventories including finished goods, raw materials, stores and spares.
11. On the basis of examination and records made available to us it appears that the valuation of Inventories are fair and proper in accordance with the applicable Accounting Standards issued by the Accounting and Auditing Standard Board of Bhutan (AASBB). The basis of valuation of stocks is the same as in the preceding year or if there is no deviation in the basis of valuation.
12. The rate of interest and the other terms and conditions of loans availed, if any, by the company secured or unsecured are *prima facie* not prejudicial to the interest of the company.
13. The company had not granted any loans to other parties which are *ultra-vires* to the Articles of Incorporation and other relevant Acts and regulations.
14. The loans/advances granted to officers/staff are in keeping with the provisions of service rules and generally no excessive/frequent advances are granted and accumulation of large advances against particular individual is avoided.
15. The company has established adequate system of internal controls to ensure completeness, accuracy and reliability of accounting records, carrying out the business in an orderly and efficient manner, to safeguard the assets of the company as well as to ensure adherence to the rules/regulations and system and procedures.
16. There is a reasonable system of authorization at proper levels, and an adequate system of internal control commensurate with the size of the company and nature of its business, on issue of stores and allocation of materials and labour to jobs.
17. There is system of competitive biddings, commensurate with the size of the company and the nature of its business, for the purchase of goods and services including stores, raw materials, plant and machinery, equipment and other assets, and for the sale of goods and services.
- 18(a) The transactions for purchases and sales of goods and services made in pursuance of contracts or arrangement entered into with the director(s) or any other party/parties related to the director(s) or with company or firms in which the director(s) are directly or indirectly interested have been made at prices, which are reasonable having regard to the prevailing market prices for such goods or services or at prices at which the transactions for similar goods



or services have been made with other parties. It is ensured that details of such transactions and amounts thereof are adequately disclosed in the financial statements.

- 18(b) Examination reveals that the transactions entered into by the company wherein the directors are directly or indirectly interested are prejudicial to the interest of the other shareholders and the company, the details thereof together with the likely financial impact if any are properly reported.
19. The expenses charged to the company accounts represent legitimate business expenses and no personal expenses are charged to the company.
20. Unserviceable or damaged stores, raw materials or finished goods if any are properly determined, and adjustments for losses if any have been made in the accounts.
21. There is a reasonable system of ascertaining and identifying point of occurrence of breakage/damages raw materials, packaging materials and finished products i.e., while in transit, during processing, during loading/ unloading, in storage and during handling etc. so that responsibility could be fixed and compensation sought from those responsible.
22. The company is maintaining reasonable records for production of finished goods, by-products and whether adequate physical safeguards exist to prevent unauthorized or irregular movement of goods from the company *except of Wood Craft Centre where there are instances of unplanned storage of finished goods (Please refer to point No.E.3 of the Management Audit Appraisal Report).*
23. The company is maintaining reasonable records for sales and disposal of realizable by-products and scraps where applicable.
24. The company is regular in depositing rates and taxes, duties, royalties, provident funds, and other statutory dues with the appropriate authority and if not, the extent of arrears should be disclosed. Whether the provision for corporate tax is adequate and that necessary adjustments have been made to compute amount of tax as per the prevailing tax laws, rules and regulations of Bhutan
25. There is no undisputed amount (if any) payable in respect of rates, taxes, duties, royalties, provident funds and other statutory deductions were outstanding, as per the last day of the financial year concerned, if so, the amounts of such outstanding dues.
26. The company has a reasonable system of allocating man-hours utilized to the respective jobs, commensurate with the size and nature of its business, if applicable.
27. There is a reasonable system of price fixation taking into account the cost of production and market conditions.
28. The credit sales policy is reasonable and proper credit rating of customers are carried out.
29. The system of screening commission agents is adequate where sales are made through commission agents and that the agency commission structure is in keeping with the industry norms/market conditions. Whether the company has a system of evaluating performance of each agent on periodic basis.
30. There is a reasonable system for continuous follow-up with debtors and other parties for recovery of outstanding amounts. Age-wise analysis of outstanding amounts is carried out for management information and the system of continuous follow-up is in place however the same needs to be strengthened as we observed some instances of old outstanding debtors were reflected in the Financial Statements.



31. The management of liquid resources particularly cash/bank and short-term deposits etc. are adequate and that excessive amount are not lying idle in non-interest bearing accounts, and withdrawals of loan amounts are made after assessing the requirements of funds from time to time and no excess amounts are withdrawn leading to avoidable interest burden on the company.
32. The activities carried out by the company are lawful and intra-vires to the Articles of Incorporation of the company.
33. The investment decisions are made subject to prior approval of the Board and investment in new projects are made only after ascertaining the technical and economic feasibility of such new ventures.
34. The company has established an effective budgetary control system.
35. Being involved in manufacturing activities input-output relationship can be established, standard costing system is established and the variance analysis carried out on periodic intervals and corrective action taken if warranted.
36. The details of remuneration, commission and other payments made in cash or in kind to the Board of Directors including the Chief Executive Officer or any of their relatives (including spouse(s) and child/children) *if any* by the company directly or indirectly are disclosed in the accounts.
37. The directives of the Boards have been complied with and there are no instances of non-compliance.
38. The officials of the company have not transmitted any price sensitive information, which are not to be publicly available, to their relatives/friends/associates or close persons.
39. Proper records are kept for inter unit transactions/services and arrangements for services made with other agencies engaged in similar activities.
40. Proper agreements are executed and that the terms and conditions of leases are reasonable and the same are applied if machinery/equipment are acquired on lease or leased out to others.
41. The sourcing of products for retailing has been done rightly from manufacturers and authorized dealers at most advantageous terms and prices.
42. The appropriate level of inventory levels are determined and maintained to avoid stock-out and overstocking situations.

In the case of Finance and Investment Company -Not Applicable

1. All matters specified above as may be relevant and applicable shall apply to financing and Investment Company.
2. Whether adequate documents and records are maintained in case, where the company has granted loans and advances and that agreement have been drawn up.
3. Whether proper records of the transactions and contracts have been maintained and whether timely entries have been made therein if the company is dealing or trading in shares, securities and other investments.
4. Whether reasonable records have been maintained for deposits of customers and interest payment thereof.



5. Whether the provisions are made for permanent diminution, if any, in the value of investment (shares).
6. Whether or not the financial institutions have complied with the requirements of Financial Services Act of Bhutan 2011 and any other applicable laws, rules and regulations and guidelines including prudential regulations issued by the Royal Monetary Authority of Bhutan (RMAB).
7. Whether or not the requirements relating to provisioning for the non-performing assets including loans and advances have been complied with.
8. Whether assets hypothecated against loans and advances have been physically verified, properly valued, mortgage deed executed and ensured that the assets are free of any prior lien or charges.
9. Whether or not the financial institutions have a system of monitoring of projects for which loans have been provided to ensure that loan amounts are used for the specified purposes and project activities are progressing satisfactorily.
10. Whether or not the disposal of assets taken over for repayment defaults etc. are made through open/sealed bids.
11. Whether the rescheduling of loans is carried out in accordance with the provisions of Prudential Regulations 2016.
12. Whether or not there is a system to ensure that additional loans are not granted to those who have defaulted payments of previous loans.
13. Whether proper procedures including Board's approval have been followed/obtained for write-off of loans during the year as may be applicable (details of total amounts of loan written off during the year to be reported).

In Case of Other Service Sector Companies- Not Applicable

1. All matters specified above as may be relevant and applicable shall apply to a Service Sector Company.
2. Whether the Company maintains a reasonable system of costing to ascertain the cost of its services and enable it to make proper pricing decisions for its services.
3. Whether proper records are kept for inter unit transactions/services and arrangements for services made with other agencies engaged in similar activities.
4. Whether proper agreements are executed and that the terms and conditions of leases are reasonable and the same are applied if machinery/equipments are acquired on lease or leased out to others.

Computerized Accounting Environment

1. The organizational and system development controls and other internal controls are adequate relative to size and nature of computer installations.



2. The adequate safeguard measures and back up facilities exist in the Company.
3. The Company follows adequate back up facilities and disaster recovery measures and that includes the system of keeping files in different locations.
4. The operational controls are adequate to ensure correctness and validity of input data and output information.
5. The measures to prevent unauthorized access over the computer installation and files are adequate.
6. The data migration during change over to new system are effectively managed to ensure completeness and integrity of data as well as smooth operation of the system.

Facts to be stated for unfavorable/qualified answers:

If conclusions to any of the matters referred to in the above paragraphs are unfavorable /qualified or where the auditors are unable to assess/comment the auditors should state the facts for such unfavorable or qualified answers as the case may be along with reasons where practicable. *Not Applicable.*

Compliance of Companies Act

The company being a "Public Company" has complied with the requirements of Companies Act of Bhutan.

The Authorized Capital of the Company as mentioned in the Articles of Incorporation is Nu 800 Million consisting of 8,000,000 equity shares of Nu 100 each.

During the year, Wood Craft Centre Limited (WCCL), was amalgamated with NRDCL with effect from 18th March, 2021. However, the Equity of WCCL was transferred in totality to NRDCL with subscribed and paid up share capital of Nu. 215,958,300 (2,159,583 equity share @ Nu.100 per share), with the total subscribed and paid up share capital of Nu. 65,958,300 (659,583 @ Nu.100 per share) on 1st April, 2021.

Going concern Problem:

The company has been earning profit consistently over the years. As per the Management representation, the activities of the company have expanded over the last few years with nationalization of extraction and supply of sand under the purview of the company. In addition to the above, the company has further expanded its activities by establishing stone crushing units across the country. In view of the above, we do not have any reasons to believe that this company is likely to become sick in near future. Accordingly, the financial statements have been prepared under the going concern basis

Ratio Analysis

Financial and Operational Ratio Analysis in respect of the Company are attached separately.



Adherence to Laws, Rules and Regulations

The audit of the Company is governed by the Companies Act of Kingdom of Bhutan, 2000/Companies Act of Bhutan 2016 and the scope of audit is limited to examination and review of the financial statements, as produced to us by the management. In the course of audit, we have considered the compliance of provisions of the said Companies Act and its Articles of Association relevant to the financial statements and we are unable to state whether the company has been complying with applicable laws (other than the Companies Act), rules and regulation, systems, procedures and practices.

For Ghosh & Associates

Chartered Accountants

Firm Reg No: 322016E

UDIN: 22305257AFQAPV8660

P Dutt
P Dutt, Partner



Membership No.: 305257

Date: 25.03.2022

Place: Kolkata

NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED
Statement of Financial Position as at 31 December 2021

PARTICULARS	Note	Year Ended	
		31-12-2021	31-12-2020
		(Nu.)	(Nu.)
Assets			
Non current assets			
Property, plant and equipment	2	393,683,871	528,813,873
Intangible assets	3	4,187,419	2,941,378
Capital work-in-progress	4	3,774,906	9,307,318
Other non current assets	5	-	122,068
Other receivables	6	3,929,794	4,006,012
Deferred Tax Assets/(Liability)	6	4,370,674	5,518,984
Total non current asset		409,946,663	550,709,633
Current assets			
Other current assets	7	30,208,546	54,711,260
Cash and cash equivalent	8	47,452,263	28,533,376
Trade and other receivables	9	94,069,133	85,429,163
Inventories	10	302,844,936	279,939,616
Total current assets		474,574,879	448,613,413
Total assets		884,521,542	999,323,047
Equity and liabilities			
Equity			
Share capital	SOCE	215,958,300	150,000,000
Retained earnings	SOCE	279,085,778	279,364,790
Statutory and other restricted reserves	SOCE	34,584,297	34,584,297
Other reserves	SOCE	116,053,186	231,198,050
Total equity		645,681,561	695,147,137
Liabilities			
Noncurrent liabilities			
Non current borrowings	11	63,635,614	63,784,711
Government grant	12	5,427,593	1,535,816
Provision for employee benefits	13	13,241,564	18,182,656
Total noncurrent liabilities		82,304,772	83,503,183
Current liabilities			
Current borrowings	11	34,978,696	59,926,891
Government grant	12	2,902,015	1,275,000
Provision for employee benefits	13	12,701,060	9,871,310
Trade and other payables	14	76,791,722	111,312,149
Other current liabilities	15	30,557,572	35,838,262
Provision for corporate income tax	16	(1,395,855)	2,449,115
Total Current liabilities		156,535,209	220,672,727
Total liabilities		238,839,981	304,175,910
Total liabilities and equity		884,521,542	999,323,047

Company Overview and Significant Accounting Policies 1

Notes referred to above form an integral part of the Accounts

In terms of our attached report of even dated

For Ghosh & Associates
Chartered Accountants
CB-108 Salt Lake, Sector-1
Kolkata 700 064

On behalf of the Board



(Priyajit Dutt)
Partner

CHAIRMAN

DIRECTOR

CHIEF EXECUTIVE OFFICER

Thimphu
04.04.2022

Membership No.305257

Kolkata

Dated : The 25th day of April 2022

UDIN: 22305257AF & AP V8660

NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED
Statement of comprehensive income for the period ended 31 December 2021

Particulars	Note	Year Ended	
		31-12-2021 (Nu.)	31-12-2020 (Nu.)
Continuing operations			
Revenue	17	764,144,843	630,323,883
Total revenue		764,144,843	630,323,883
Cost of Sales	18	657,837,231	524,360,122
Gross Profit		106,307,612	105,963,761
Operating Expenses:			
Selling & Marketing Expenses	19	1,266,526	1,308,826
Finance cost	20	6,727,916	3,088,099
Administrative Expenses	21	91,071,653	82,158,037
Total Operating expenses		99,066,095	86,554,961
Operating profit (loss)		7,241,518	19,408,799
Profit (loss) before income tax		7,241,518	19,408,799
Income tax expense	22	6,157,814	7,278,645
Profit (loss) for the year		1,083,703	12,130,155
Earnings per share attributable to owners of the parent:			
Basic earnings per share			
From continuing operations		0.50	5.62
From profit for the year		0.50	5.62
Diluted earnings per share			
From continuing operations		0.50	5.62
From profit for the year		0.50	5.62
Statement of Other comprehensive income			
Profit (loss) for the year from continuing operations		1,083,703	12,130,155
Actuarial gain(losses) on defined benefit plans		1,990,395	3,008,589
Dividends paid to owners of the parent		(9,000,000)	-
Deferred Tax on Provision for Gratuity(OCI)		(597,118)	(902,577)
Retained Earnings transfer from WCCL		6,244,009	-
Total comprehensive income for the year		(279,012)	14,236,167
Total comprehensive income attributable to:			
Owners of the parent		(279,012)	14,236,167
		(279,012)	14,236,167
Total comprehensive income attributable to owners of the parent arises from:			
Continuing operations		(279,012)	14,236,167
		(279,012)	14,236,167

Company Overview and Significant Accounting Policies

1

Notes referred to above form an integral part of the Accounts

In terms of our attached report of even dated

For Ghosh & Associates

Chartered Accountants

CB-108 Salt Lake, Sector-1Kolkata 700 064

On behalf of the Board



(Priyajit Dutt)
Partner

Membership No.305257
Kolkata

Dated: The 20th day of June 2022

CHAIRMAN

DIRECTOR

CHIEF EXECUTIVE OFFICER

Thimphu
04.04.2022

UDIN: 22305257 AF&APV8660

NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED

Statement of changes in equity for the period ended 31 December 2021

Particulars	Attributable to the owners of the Parent							Total	Total Equity
	Equity Share Capital			Reserves and Surplus		Other Reserves			
	No. of Shares (issued and fully paid up)	Par value	Issued share value	General Reserves	Retained Earnings	Revaluation Reserves	Capital Reserves		
A Balance as at 1 January 2020	450,000	100	45,000,000	116,028,035	280,128,623	115,170,015	34,584,297	590,910,970	590,910,970
Profit for the year	-	-	-	-	12,130,155	-	-	12,130,155	12,130,155
Retirement benefit obligations-Retained Earnings	-	-	-	-	3,008,589	-	-	3,008,589	3,008,589
Deferred Tax on Provision for Gratuity(OCI)	-	-	-	-	(902,577)	-	-	(902,577)	(902,577)
Tax Paid relating to earlier years	-	-	-	-	-	-	-	-	-
Injection of Capital	900,000	100	90,000,000	-	-	-	-	90,000,000	90,000,000
Transfers to Capital	150,000	100	15,000,000	-	(15,000,000)	-	-	-	-
Transfers to reserves	-	-	-	-	-	-	-	-	-
B Total Comprehensive Income	1,500,000	100	150,000,000	116,028,035	279,364,790	115,170,015	34,584,297	695,147,137	695,147,137
Dividends paid	-	-	-	-	-	-	-	-	-
Proceeds from Shares issued	-	-	-	-	-	-	-	-	-
C Total Contributions by and Distributions to Owners	-	-	-	-	-	-	-	-	-
D Total transactions with Non-Controlling Interests directly recognised in Equity	-	-	-	-	-	-	-	-	-
E Balance as at 31st December 2020 (A+B+C+D) Restated	1,500,000	100	150,000,000	116,028,035	279,364,790	115,170,015	34,584,297	695,147,137	695,147,137
A Balance as at 1 January 2021	1,500,000	100	150,000,000	116,028,035	279,364,790	115,170,015	34,584,297	695,147,137	695,147,137
Profit for the year	-	-	-	-	1,083,703	-	-	1,083,703	1,083,703
Retirement benefit obligations-Retained Earnings	-	-	-	-	1,990,395	-	-	1,990,395	1,990,395
Deferred Tax on Provision for Gratuity(OCI)	-	-	-	-	(597,118)	-	-	(597,118)	(597,118)
Tax Paid relating to earlier years	-	-	-	-	-	-	-	-	-
Capital transfer from WCCL	659,583	100	65,958,300	-	-	-	-	65,958,300	65,958,300
Retained Earnings transfer from WCCL	-	-	-	-	6,244,009	-	-	6,244,009	6,244,009
Transfers of Land to DHI	-	-	-	-	-	(115,144,864)	-	(115,144,864)	(115,144,864)
B Total comprehensive income for the year	2,159,583	100	215,958,300	116,028,035	288,085,778	25,150.88	34,584,297	654,681,561	654,681,561
Dividends paid	-	-	-	-	(9,000,000)	-	-	(9,000,000)	(9,000,000)
Proceeds from Shares issued	-	-	-	-	-	-	-	-	-
C Total Contributions by and Distributions to Owners	-	-	-	-	(9,000,000)	-	-	(9,000,000)	(9,000,000)
D Total transactions with Non-Controlling Interests directly recognised in Equity	-	-	-	-	-	-	-	-	-
E Balance as at 31st December 2021 (A+B+C+D)	2,159,583	100	215,958,300	116,028,035	279,085,778	25,151	34,584,297	645,681,561	645,681,561

Number of shares authorised for each class of shares:

Authorised share capital	As at 31 December	
	2021	2020
Number of ordinary shares of face value		
No.100 each	8,000,000	3,000,000

Notes referred to above form an integral part of the Accounts

In terms of our attached report of even dated
For Ghosh & Associates
Chartered Accountants
CB-190 Salt Lake, Sector-1/Kolkata 700 064

On behalf of the Board



(Priyati Dutt)
Partner
Membership No.305257
Kolkata
Dated: The 23rd day of Nov 2022

CHAIRMAN

DIRECTOR

CHIEF EXECUTIVE OFFICER
Thamphu
04.04.2022

UDIN: 22305257AF0APV8660

NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED
Period covered: 31 December 2021
Statement of Cash Flows

Particulars	Note	Year ended	
		31-12-2021	31-12-2020
		(Nu.)	(Nu.)
Cash flows from operating activities			
Profit before income tax		7,241,518	19,408,799
Adjustments for:			
- Depreciation and amortisation	2&3	97,676,667	84,028,619
- (Profit) loss on disposal of property, plant and equipment	17	(55,140)	(101,854)
- Release of Grant received to SCI	12	(2,902,015)	(1,275,000)
- Liabilities no more required written back	17	(7,914,730)	(10,284,051)
- Changes in inventories	10	(22,905,321)	(124,726,752)
- Changes in trade and other receivables	9	(8,639,970)	(3,107,524)
- Changes in trade and other payables	11,13	(25,815,017)	94,990,519
- Changes in other liabilities	15	(4,132,379)	7,903,473
- Changes in current and non-current assets	5,6,7	24,103,880	(25,353,461)
Cash generated from operations		56,657,492	41,482,769
Interest paid	20	6,214,156	2,011,484
Interest received	17	(98,447)	(565,040)
Income tax paid		(10,002,785)	(25,044,277)
Net cash flows from operating activities		52,770,416	17,884,935
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(74,175,577)	(125,100,295)
Purchase of intangible assets	3	(4,762,000)	(2,004,119)
Purchase of capital WIP	4	5,532,412	2,370,007
Receipt of Grant for Glulam Project/Transfer from WCCL	12	5,518,792	-
Proceeds from sale of property, plant and equipment		55,141	133,095
Interest Received	17	98,447	565,040
Net cash used in investing activities		(67,732,784)	(124,036,272)
Cash flows from financing activities			
Interest Paid	20	(6,214,156)	(2,011,484)
Change in Long Term Borrowings	11	(149,097)	(48,700,838)
Change in Overdraft	11	(24,948,195)	46,079,931
Issue of Share Capital	SOCE	-	90,000,000
Actuarial gain(losses) on defined benefit plans	SOCE	1,990,395	3,008,589
Dividends paid to owners of the parent	SOCE	(9,000,000)	-
Capital transfer from WCCL	SOCE	65,958,300	-
Retained Earnings transfer from WCCL	SOCE	6,244,009	-
Net cash used in financing activities		33,881,256	88,376,197
Net increase or (decrease) in cash and cash equivalents		18,918,888	(17,775,140)
Cash and cash equivalents at beginning of year		28,533,376	46,308,515
Cash and cash equivalents at end of the year	5	47,452,263	28,533,376

Notes referred to above form an integral part of the Accounts

In terms of our attached report of even dated
 For Ghosh & Associates
 Chartered Accountants
 CB-108 Salt Lake, Sector-1Kolkata 700 064

On behalf of the Board



(Priyajit Dutt)
 Partner

Membership No.305257
 Kolkata

Dated: The 25th day of May 2022

UDIN: 22305257 AF & AP V 8660

CHAIRMAN

DIRECTOR

CHIEF EXECUTIVE OFFICER

Thimphu
 04.04.2022

Company Overview and Significant Accounting Policies

1. Reporting Entity (Company overview)

Natural Resources Development Corporation Limited (NRDCL) is a wholly owned subsidiary of Druk Holdings and Investments (DHI). The Company was incorporated under the Companies Act of the Kingdom of Bhutan in 1984 through a Royal Charter. The ultimate parent is the Royal Government of Bhutan.

The principal activities of NRDCL is supplying and making the basic construction materials such as timber, sand and stone affordable, accessible and available to the public at large. Profit is not the main objective of the company.

All significant operations take place within Bhutan. The Company is a limited liability company incorporated and domiciled in Bhutan. The address of its principal place of business is in Thimphu, Bhutan.

These financial statements relate to the year ended 31 December 2021.

2. Directors' statement of Compliance

The Directors are responsible for ensuring that the financial statements give a true and fair view of the financial position of the Company as at 31 December of each financial year and their financial performance and cash flows for the year ended on that date.

The Directors consider that the financial statements of the Company have been prepared using appropriate accounting policies, consistently applied and supported by reasonable judgments and estimates and that all relevant financial reporting and accounting standards have been followed.

3. Basis of preparation of financial statements

(i) Compliance with International Financial Reporting Standards (IFRS)

The financial statements have been prepared in accordance with all applicable IFRS and other applicable laws such as Companies Act of the Kingdom of Bhutan, 2016.

These financial statements are the first financial statements of the Company in compliance with complete International Financial Reporting Standards (IFRSs). The transition was carried out in accordance with IFRS 1, "First time adoption of International Financial Reporting Standards".

The preparation of financial statements is in conformity with IFRS that requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in



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the process of applying the group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are:

Income: Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

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

Actuarial valuation of employee benefits: expected uptake of the gratuities and the discount rate used in the valuation.

Tax: The application of tax law to specific circumstances and transactions require the exercise of judgment by the management.

The functional currency of preparation is the Bhutanese Ngultrum.

(ii) **Historical cost convention**

The financial statements have been prepared on a historical cost basis, except for the following:

- assets held for sale – measured at fair value less cost to sell; and
- defined benefit plans – plan assets measured at fair value

4. Current versus non-current classification

The Company presents assets and liabilities in the Balance Sheet based on current/non-current classification.

An asset is classified as current when it is:

- 1) Expected to be realised or intended to be sold or consumed in normal operating cycle;
- 2) Held primarily for the purpose of trading;
- 3) Expected to be realised 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.

5. Accounting estimates

The preparation of the financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions. These estimates, judgments and assumptions affect the application of accounting policies and the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. Application of accounting policies that require critical accounting estimates involving complex and subjective judgments and the use of assumptions in these financial statements have been disclosed in wherever necessary.

Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the consolidated interim financial statements.

6. Application of International Financial Reporting Standards

The financial statements have been prepared in line with International Financial Reporting Standards.

7. Foreign Currency translation

Foreign currency transactions that are completed within the accounting period are translated into the functional currency using the exchange rates prevailing at the date of settlement.

Exchange rate for monetary assets and liabilities in foreign currencies at balance date is not applicable to NRDCL.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, if any are recognized in the statement of income.

All other foreign exchange gains and losses, if any are presented in the statement of Comprehensive Income.



8. Property, Plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairments, if any. Cost includes purchase price, taxes and duties, labour cost, direct overheads for self constructed assets, other direct costs incurred up to the date the assets is ready for its intended use including initial estimate of dismantling and site restoration cost, if any.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is possible 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 recognized.

Advances paid towards the acquisition of property, plant and equipment outstanding at each balance sheet date and the cost of assets not put to use before such date are disclosed under "Capital Work-in-progress". Capitalization of Capital W.I.P has been done on the basis of completion certificate issued by the concerned authority. Subsequent expenditure relating to property, plants and equipment is capitalized only when it is probable that future economic benefits associated with these will flow and the cost of the item can be measured reliably.

All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred. Spare parts and servicing equipment that are specific to major items of plants and equipment are included in fixed assets and are depreciated over the same useful life as the corresponding plant item.

Initially, land is measured at cost. Land whose fair value is measured reliably is carried at the revalued amount equal to the fair value and difference in book value has been credited to Equity as Revaluation Surplus.

The company has several plots of land on an operating lease rental basis without any clause of transition of ownership. These lands are obtained from the Government of Bhutan, mostly for use as timber depot and quarry lease. These are cancellable leases and have only rental payment per annum and minimum amount of security deposit at the time of signing of agreement. These leases being operative leases are not to be capitalized and rents paid are equally charged to revenue from year to year till the conclusion of the lease period.

The rates of Depreciation chosen for the first income year are used for the entire period in which the assets are depreciated.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful life, as follows:



Land	Not applicable
Buildings and civil structures	
a) Permanent	30-45 years
b) Semi-Permanent	5 years
c) Temporary	1 year
*Road	5-10 years
Plant and machinery and other equipment	6 -7 years
Furniture and fixtures	6-7 years
Computers and office equipment	6 -7 years
Furniture and fixture	6-7 years
Vehicles	6-7 years
Software application	3 years

*Forest roads treated as semi-permanent are amortized over a useful life of 10 years and cost of major maintenance of road are amortized over useful life of 5 years. Depreciation methods, useful lives and residual values are reviewed, and adjusted appropriately at each reporting date. 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 cost and related accumulated depreciation are eliminated from the financial statements upon sale or retirement of the asset and the resultant gains or losses are recognized in net profit in the statement of comprehensive income. Assets to be disposed off are reported at the lower of the carrying value or the fair value less cost to sell.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount

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

On transition to IFRS, the company has elected to measure its property, plant and equipment at cost in accordance with IFRS as the deemed cost of the property, plant and equipment as at 1 January, 2015.

9. Intangible assets

Intangible assets include Computer software. Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives of the asset.

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



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On transition to IFRS, the company has elected to measure its intangible assets on cost in accordance with IFRS as the deemed cost of the intangible assets as at 1 January, 2015.

10. Impairment

The company assesses at each balance sheet date whether there is objective evidence that an asset or a group of assets is impaired. An asset is considered impaired if objective evidence indicates that one or more events have had a negative effect on the value of an asset. Property, Plant and Equipment (PPE) are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flow that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the Cash Generating Unit (CGU) to which the asset belongs.

If asset(s) is/are considered to be impaired, the impairment to be recognized in net profit in the statement of comprehensive income is measured by the amount by which the carrying amount of the assets exceeds the estimated recoverable amount of the assets.

11. Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

12. Grants

Grants from RGOB and other organizations relating to cost/expense items are recognized in the income statement over the period necessary match them with the costs that they are intended to compensate. The unallocated portion of the grant is presented as part of Deferred Grants in the Statement of Financial Position.

Grant received as compensation for expense/loses already incurred or with no future related costs is recognized as income in the year it is received or becomes receivable.

Grants relating to property, plant and equipment are included in noncurrent liabilities as Deferred Government Grants.



Depreciation on the assets (Property, Plant and Equipment) acquired through grants is charged against the grant and not to the Operating Statement.

13. Research and Development costs

Research costs are recognized as an expense in the year in which they are incurred. Development costs are only capitalized if a potentially profitable product has been found and management has given approval to further develop the product.

If the company decides to proceed and market the product, development costs will be amortized over the expected profitable period of marketing the product, not exceeding 5 years. Other development costs are expensed immediately if the decision is made not to proceed to market the product.

14. Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

The assets held for sale are presented separately in the statement of financial position.

15. Financial assets

(i) Initial measurement

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

(ii) Classification and subsequent measurement

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

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

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



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Financial assets measured at amortized cost:

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

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

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

Financial instruments measured at fair value through other comprehensive income

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

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

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

Financial instruments measured at fair value through profit and loss

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

(iii) Impairment of financial assets

The Company assesses on a forward looking basis the expected credit losses associated with its assets carried at amortized cost and FVOCI debt instruments. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 25 (C) details how the Company determines whether there

has been a significant increase in credit risk.

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

(iv) Derecognition of financial assets

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

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

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

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

(v) Income recognition

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

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

16. Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using



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the weighted average method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs.

- a. In the case of items held for sale in the ordinary course of business, net realizable value is the estimated selling price less applicable variable selling expenses
- b. In the case of items held for use in production or as spares, the net realizable is the estimated value of the item in its ordinary use in the company

17. Financial liability

(i) Initial recognition and measurement

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

(ii) Subsequent measurement

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

Financial Liabilities at fair value through profit or loss

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

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

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

Borrowings

Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the



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effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

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

Trade and other payables

Trade and other payables are initially recognized at the fair value of the amounts to be paid. If payment is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current liabilities. If not, they are presented as non-current liabilities. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

iii) Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as other gains/(losses).

Financial guarantee contracts

Financial guarantee contracts are recognized as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with IAS 37 Provisions, Contingent



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Liabilities and Contingent Assets and the amount initially recognized less cumulative amortization, where appropriate.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognized as part of the cost of the investment.

18. Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts

19. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the group or the counterparty.

20. Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted at the balance sheet date in the countries where the company operates and generates taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.



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

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.

At each Statement of Financial Position date, the tax positions are reviewed, and to the extent that new information becomes viable 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.

21. Employee benefits

a) Retirement Benefits

Retirement benefit liabilities are recognized when the Company has a present obligation (legal or constructive) as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The gratuity and leave wages is accrued and provided for on the basis of actuarial valuation as at the Statement of Financial Position date. Actuarial gains or losses arising adjustments and changes in actuarial assumptions are charged in other comprehensive income in the period in which they arise. Changes in service and interest are also charged to other comprehensive income.

The contribution towards the gratuity liability is funded by allocating a separate fund or assets and investment return eared thereon. Leave encashment is not supported by a separate fund

b) Other benefits

Other benefits such as leave encashment, bonus and performance Based Variable Allowance (PBVA) are accrued at year end without actuarial valuation.

Leave encashment, Bonus and the expected cost of Performance Based Variable Allowance (PBVA) is recognized as an expense when there is legal or constructive obligation to make such payment as a result of past performance and reliable estimate of the obligation can be made and accrued as at the Statement of Financial Position date without actuarial valuation



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22. Provisions and Contingent Liabilities

Provisions are recognized when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

A contingent liability is only disclosed in the notes to the account if an outflow of resources embodying economic benefits is possible.

Contingent Assets are neither recognized, or disclosed

Provisions, contingent liabilities and contingent assets are reviewed at each Balance Sheet date

23. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and taxes. The company recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the group's activities, as described below

a) Income from sale of Construction materials:

The Company derives revenues primarily from sale of construction materials such as timber, sand, stone and stone aggregates. Arrangements with customers for construction materials related services are on a fixed-price, fixed-timeframe or on a time-and-material basis.

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Sales are recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and no significant uncertainty exists regarding the amount of consideration that is derived from the sale of construction materials (timber and other products).

b) Interest income

Interest income is recognized on a time proportion basis taking into account the amount outstanding and the effective interest rate applicable

c) 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 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.

Liquidated damages and penalties occur when the contractor fails to meet the key performance indicators set out in their contract with the company. Income resulting from claims of liquidated damages and penalties is recognized as other income when amount can be reliably measured and the economic benefits will flow to the company. When there is uncertainty as to measurement or ultimate collectability revenue recognition is postponed until such uncertainty is resolved.

Advances received for services and products are reported as client deposits until all conditions for revenue recognition are met.

24. Segment Reporting

The Company is in the business of supplying nature based construction materials. Its operating facilities are all situated within the country (Royal Kingdom of Bhutan) only. Under the broad segment of construction materials supply service the company has subsidiary segments of timber and by-products production and supply, sand extraction and supply, stone and stone chips production and supply.

However, as the company's share are not to be listed with any stock exchange the provision of BFRS 8- Operating Segments is not applicable to the company.

25. Earnings per Share

Basic Earnings Per Share is calculated by dividing the net profit/(loss) after tax for the period attributable to equity shareholders of the company by the total number of shares which are fully paid up.

26. Exploration for and Evaluation of mineral resources

The cost of exploration and evaluation are accumulated as Capital work in progress and not expensed. Once the operation commences, the cost are classified as tangibles or intangibles and depreciated based on the number of units produced.

27. Events After Balance Date

No dividend was declared for the year 2021.

28. Comparative information

Where necessary certain comparative information has been reclassified in order to provide a more appropriate basis for comparison. As disclosed in Note 3 Application of Bhutanese Accounting Standards, Comparatives have also been amended when an Accounting Standard has been applied retrospectively.



Explanatory Notes on Financial Statements

29. Natural Resources Development Corporation Limited (NRDCL) is a wholly owned subsidiary company of Druk Holding and Investments (DHI), a holding company owned by the Royal Government of Bhutan.
30. The Company has adopted Bhutanese Accounting Standards (BAS) from the year 2013 correspondingly the financial figures of the earlier year have been restated wherever necessary as per BAS.
31. Functional currency used is Ngultrum (Nu.) and figures are rounded off to the nearest Ngultrum.
32. The Operating Cycle for the Company has been considered as one year and the corresponding bifurcation of assets and noncurrent assets/ liabilities has been done on this basis. Previous year's figures are regrouped/rearranged wherever necessary.

33. Financial Statements

33.1 Share Capital

All ordinary shares are ranked equally. The authorized share capital of the company is Nu. 800.00 million (8,000,000 equity share @ Nu.100 per share).

As of the report date, the total subscribed and paid up share capital is Nu. 215,958,300 (2,159,583 @ Nu.100 per share).

During the year, Wood Craft Centre Limited (WCCL), a sister company was amalgamated with NRDCL through merger with effect from 1st April 2021. Equity of WCCL was transferred in totality to NRDCL with authorized share capital of Nu. 500.00 million (5,000,000 equity share @ Nu.100 per share), with the total subscribed and paid up share capital of Nu. 65,958,300 (659,583 @ Nu.100 per share).

33.2 Capital Management

The company manages its capital so as to ensure funds are available to meet future commitments, as well as commitments to outside parties. The company has a requirement to meet dividend and tax expectations as contained to the Annual Compact, the parent company and the RGOB.

Capital expenditure is mostly met from operating cash flows. Fixed term borrowings are made mainly for major capital projects. Such borrowings are repaid based on applicable Terms and Conditions.



34. Inventory

a) Products

The Company has adopted cost (using the weighted average method) for valuation of closing inventory. Refer Annexure -1

b) Spare parts inventory

The carrying amount of inventory on spare parts as on 31st December'2021 is Nu. 31,758,978.44 (previous year Nu. 27,251,426.28) including dead stock of Nu. 2,651,653.67 (previous year Nu. 2,651,653.67). Provision has been made fully in respect of the Dead stock.

35. The confirmations for the closing balances of Receivables, Payables, Creditors, and Advances have been obtained for majority and as such, the amounts are stated as per their respective book balances.

36. Retirement Benefit Obligations

a) Defined Benefit Scheme

Qualifying employee are members of the defined benefit plan sponsored by the company. Employees are entitled to a lump sum payment computed based on the last basic pay drawn times the number of completed years of service.

i) Statement of Financial Position

	Nu. in million	
	2021	2020
Defined benefit obligation (DBO)	(134.645)	(130.427)
Fair value of Plan Assets (FVA)	123.503	100.022
Funded Status (Surplus/(Deficit))	(11.141)	(30.405)
Effect of Asset ceiling	-	-
Net defined benefit asset (DBA)	(11.141)	(30.405)

ii. Statement of Comprehensive Income

	Nu. in million	
	2021	2020
Current Service Cost	10.457	9.991
Past Service cost	-	-
Loss/(Gain) on settlement	-	-
Interest on DBO	9.927	9.354
Less: Expected interest on plan asset	(9.320)	(7.477)
Expenses recognised in profit or loss	11.064	11.868



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iii. Other Comprehensive Income

	Nu. in million	
	2021	2020
Actuarial (gain) or loss due to experience adjustments	(3.619)	(4.621)
Actuarial (gain) or loss due to changes in financial assumptions	0.124	-
Actuarial (gain) or loss due to changes in demographic assumptions	-	-
Return on plan assets (greater) or less than discount rate	2.319	0.917
Expenses recognised as OCI	(1.176)	(3.704)

- Scheme is funded by allocating a separate fund.
- Retirement age:
Grade 3 and above: 60 years
Grade 4 and below: 58 years
- Benefit payable on Retirement/Resignation/Disability/Death
- Form of benefit: Lump sum (no ceiling)

b) Leave Encashment Benefits

- An employee can encash leave equal to one month basic pay (excluding all allowances) once a year provided there is a minimum of 30 days leave to his credit.
- Encashing leave in fraction of a month is not permitted
- Maximum leave accumulation permitted is 60 days.



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37. Details of transactions with Related Parties:

Name of Related Party	Relationship	Nature of transaction with the related party	Amount in Nu.
Druk Holding and Investments	Holding company	a. Equity Shares held by DHI	215,958,300.00
		b. Inter group Brand management Fees (Expense)	1,157,928.61
		c. Hire charges (Income)	5,000.00
		d. Corporate Guarantee Fee	513,760.28
		e. Trade payables	453,860.35
		f. Lease Rent (Expense)	173,450.35
		g. Dividends	9,000,000.00
Bhutan Power Corporation Limited	Fellow Subsidiary	a. Electricity Charges	3,290,521.65
		b. Trade payables	297,791.00
		c. Sale of Furniture	964,215.00
Bank of Bhutan Limited	Fellow Subsidiary	a. Bank Charges	48,543.67
		b. Bank balance (Cash book)	41,016,739.54
		c. Borrowings(OD)	21,131,736.01
		d. Interest on (OD)	3,497,047.67
		e. Digitalization	312,500.00
		f. Margin money deposits	291,384.70
		g. Rebate on interest	334,411.00
Bhutan Telecom Limited	Fellow Subsidiary	a. Communication; internet and telephone charges	1,890,612.47
		b. Trade payable	136,107.30
		c. Sale of Furniture	26,500.00
State Trading Corporation Limited	Fellow Subsidiary	a. Running & Maintenance Of Vehicle (Expense)	188,394.50
		b. Sale of natural resources	272,472.00
Construction Development Corporation Limited	Fellow Subsidiary	a. Sale of natural resources	10,625,823.79
		b. Running & Maintenance others	440,258.83
		c. Trade payable	7,000.00
		d. Trade receivables	2,461,097.79
		e. Sale of Furniture	2,235.00



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Druk Green Power Corporation Limited	Fellow Subsidiary	a. Sale of natural resources	53,958.70
		b. Sale of Furniture	5,658,505.00
		c. Trade receivables	2,543,873.00
		d. Intragroup deposits	462,763.00
Thimphu TechPark Limited	Fellow Subsidiary	a. AMC for ERP (Expense)	2,824,631.80
		b. Trade payable	34,631.80
		c. Digitalization	2,649,499.97
		d. Sale of Furniture	215,280.00
State Mining Corporation Limited	Fellow Subsidiary	a. Sale of natural resources	39,181.00
Bhutan Board Products Limited	Fellow Subsidiary	a. Purchase of Board	473,850.00
Menjong Sorig Pharmaceutical Corporation Limited	Fellow Subsidiary	a. Purchase of gift items	15,980.00
Bhutan Hydropower Services Limited*	Fellow Subsidiary	a. Sale of natural resources	97,569.58
		b. Running & Maintenance others	169,457.80
		c. Trade payable	7,018.98

* As per the directives of DHI vide email dated 11.3.2022, Bhutan Hydropower Services Limited will be consolidated with DHI in 2021. The transactions entered into with the said Company is disclosed as a Related Party transaction in 2021.

Key Management Personnel

A) Managing Director's Remuneration and other benefits

Particulars	2021 (Nu)	2020 (Nu)
Salary	2,025,996	1,953,540
Other benefits	23,814	388,896
Provident Fund	162,816	148,248
Sitting fee	64,000	64,000
Total	2,276,626	2,554,684

B) Board Directors – Sitting fee



Position	Name	2021 (Nu)	2020 (Nu)	Remarks
Chairperson	Dasho Karma Tshiteem	56,000	52,000	
Director	Mr. Phento Tshering	-	8,000	
Director	Mrs. Kinlay Tshering	-	20,000	
Director	Mr. Tashi	-	36,000	
Director	Mr. Karma Dorji	-	36,000	
Director	Mr. Karma Tenzin	44,000	-	New
Director	Mr. Chencho	40,000	-	New
Director	Mr. Rinzin Dorji	44,000	-	New
Director	Mr. Damber Singh Kharka	72,000	80,000	
Director	Mr. Lobzang Dorji	24,000	60,000	
Director	Mr. Rinchen Wangdi	68,000	44,000	

C) Special Invitees- Sitting fee

Position	Name	2021 (Nu)	2020 (Nu)
Internal Auditor	Mr. Lobzang Thinley	10,000	8,000
Company Secretary	Ms. Sangay Choden	32,000	36,000

38. Foreign Exchange Translation

Certain foreign exchange transactions were undertaken by the Company during the year. However these transactions did not result into any profit or loss from foreign exchange transaction because all payment on account of foreign purchases are done upfront using the spot exchange rate between the functional currency (Ngultrum) and foreign currency at the date of transaction. Since 100% payment is released upfront or the payment is settled within the financial year there is no significant effect due to fluctuation in the exchange rate and therefore, creation of any foreign exchange asset or liability does not arise and no gain or loss.

39. Green Compensatory Plantation

Name of the sponsor	Opening balance (Nu)	Interest Earned (Nu)	Total Fund (Nu)	Fund Utilized (Nu)	Balance Fund (Nu)
Bhutan Telecom Ltd	427,938.34	20,620.00	448,558.34	33,480.00	415,078.34
Bank of Bhutan Ltd.	587,055.98	28,236.78	615,292.76	48,379.00	566,913.76
Bhutan Power Corporation Ltd	362111.22	17,570.54	379,681.76	22,360.00	357,321.76
Druk Green Power Corporation Ltd	671393.96	33,427.60	704,821.56		704,821.56



Druk Air Corporation Ltd	300392.12	14,527.60	314,919.72	20,899.00	294,020.72
Total	2,348,891.62	114,382.52	2,463,274.14	125,118.00	2,338,156.14

Bhutan Telecom Ltd., Bank of Bhutan Ltd., Bhutan Power Corporation Ltd., Druk Green Power Corporation Ltd. and Druk Air Corporation Ltd. funded plantation for 6 hec, 6 hec, 4 hec, 8 hec and 2 respectively in 2017 and 2018. During the year 2021 the expenses incurred were for maintenance work only. As per the mandate, plantation will be maintained for minimum period of 5 years or till the plantation is fully established.

40. During the year the company as per the policy has identified bad debts and have provided for the sale amounting to Nu. 1,262,674.48 (previous year Nu. 1,849,291.22). Further, during the year the Company has realized Nu. 1,341,312.41 (previous year Nu. 532,790.83) on account of bad debts provided in the previous years.

41. Government Grant

The company received government grant of Nu. 7,000,000.00 and Nu. 1,500,000.00 in 2016 and 2017 respectively as partial funding for establishment of Glue-lamination plant in Paro. The grant is being amortized @ 15% per annum.

Total Government Grant received	8,500,000.00
Previous period adjustments	5,689,184.00
Balance as at January 1, 2021	2,810,816.00
Released to the statement of comprehensive income	1,275,000.00
Balance as at December 31, 2021	1,535,816.00

During the year the company took over from Wood Craft Centre a Karuna Project Grant received in 2018 in support for furniture making equipment amounting to Nu. 12,896,214.00 The grant will be amortized in 7 years.

Total Government Grant received	12,896,214.00
Previous period adjustments	4,475,406.98
Balance as at January 1, 2021	8,420,807.02
Released to the statement of comprehensive income	1,627,014.58
Balance as at December 31, 2021	6,793,792.43

There are no unfulfilled conditions and contingencies attached to this grant.

42. Capital Reserves

Capital Reserves includes the following:



a. Net assets taken over from Plantation Thinning Work (PTW) in the year 2001	: Nu.	3,356,963.00
b. Net assets taken over from Integrated Forestry Development Project (IFDP) In the year 2002	: Nu.	29,071,608.72
c. Assets taken over from Integrated Forestry Management Project (IFMP) in the year 2001 Incorporated in the year 2005	: Nu.	1,748,921.00
d. Valuation of Store and spares	: Nu.	97,704.55
e. Valuation of Land	: Nu.	25,150.88
f. Others	: Nu.	309,099.45
Total: 2021	: Nu.	34,609,447.60
Total: 2020	: Nu.	149,754,311.72

The company took over both assets and liabilities from Plantation Thinning Work (PTW) project, Integrated Forestry Development project (IFDP) and Integrated Forestry Management Project (IFMP) in 2001, 2002 and 2005 respectively. Accordingly, the company has transferred the net assets to the capital reserves. In 2006, the company revalued the land at fair value increasing the capital reserve.

43. Borrowing cost

The company has availed term loan amounting to Nu. 50.00 million in 2017 and Nu. 50.00 million 2019 from National Pension and Provident Fund (NPPF) under the sovereign guarantee provided by Druk Holding and Investments Limited (DHI). The loan carries fixed rate of 7% and is repayable within 7 years in 28 quarterly equal installments. Further in 2020, the company has availed Over Draft (OD) loan from Bank of Bhutan Limited with maximum limit amount of Nu. 60,000,000.00 under the sovereign guarantee provided by Druk Holding and Investments Limited (DHI) at the interest rate of 9.26% per annum, the OD loan balance as on 31.12.2021 is Nu.21,131,736.01 (Nu. 46,079,930.81).

In the year 2020, considering the social and economic difficulties due to the COVID-19 pandemic, His Majesty The King commanded the Kidu (Royal Grant) granting and waiving of interest for all outstanding loans as on 10th April' 2020. Benefit from this kidu interest waiver for the company is worked out at Nu.2,717,108.51 in 2021 (Nu.3,400,097.54).

The interests on the borrowings for the year are expenses off.



44. In the year 2020, the company has taken up the construction work for 'refurbishment of training hall' for Department of Revenue and Customs (DRC), Thimphu at the total contract value of Nu.3,141,232/-. The contract work has been successfully completed in 2021 and full contract value realized. The company has incurred total cost of Nu. 2,196,059.47 for the project

45. Contingent Liability

The stone quarries leased from Department of Geology & Mines, Ministry of economic affairs has not been in operation for more than two years. As per the policy it is subjected to automatic termination of the contract. The company has the obligation to restore the harvested areas. As per the policy requirement, the company has opened joint account with the Department of Geology and Mines and deposited (details below) as security deposit for restoring the harvested areas. The actual liability for quarry restoration work is not ascertained.

Sl.No.	Particulars	Amount (Nu.)
1	Ngangshing Quarry ERB	450,380.00
2	Homdur Stone Quarry-ERB	2,500,000.00
3	Tsangkhar Quarry ERB	1,280,327.28
	Total:	4,230,707.28

46. As on December 31, 2021 there is balance of Nu. 123,502,875.19 in the fixed deposits earmarked towards gratuity liability of Nu. 134,644,752 showing a shortfall of Nu. 11,141,876.81, which shall be made fully funded in the coming year with a fresh deposit. However, liability has been fully provided in the accounts.

47. In line with the Land Policy Implementation Guidelines, 2016 issued by the DHI, the company has transferred the freehold lands to DHI with the book value of Nu. 115,144,864.12 accordingly incorporated in the books of accounts through adjustments in the Capital accounts by decreasing the value of assets (land) and decrease in revaluation reserves. The details of land transfer are:

Sl.No.	Division	Location	Area (Dec.)	Govt. Rate per dec.	Value
1	HQ	Thimphu, Town	207.72	522,720.00	108,579,398.40
2	Wang	Thimphu, Ramtokto	360.00	8,700.00	3,132,000.00
3	Zhonggar	Monggar, Town	16.07	74,052.00	1,190,015.64
4	Sha	Wangdue, Bajo	1,160.00	50.00	58,000.00
5	Zhemgang	Zhemgang, Town	28.00	5,180.36	145,050.08
6	Jakar	Bumthang,			



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	Jalikhhar	51.00	40,007.84	2,040,400.00
	Total:	1,822.79		115,144,864.12

48. During the year, in keeping with the directives of the Druk Holding Company (DHI) based on the 97th DHI Board, Wood Craft Centre Limited (WCCL), a sister company was amalgamated with NRDCL through merger with effect from 1st April 2021. The amalgamation was considered with the following rationale:

- **Shareholders Interest and strategic alignment:** The DHI and group as per its mandates is expected to venture into the businesses that are strategic, necessary and purposeful. Assessing the business functions of NRDCL and WCCL in the context of founding purpose and functions of DHI enshrined in the Royal Charter; NRDCL's business as defined in its articles of incorporation and the executive order, is found strategic, necessary and purposeful.
- **Optimization of resources:** Resource optimization and synergy are the shared mandates of DHI and the group, but assessments showed NRDCL and WCCL have ventured into similar business activities, mostly in ancillary business such as seasoning, and joinery; though catering to different market needs. WCCL is one of the players in the NRDCL value chain, and vertical integration would enhance business functions, achieve efficiency gains, group synergy and enhance market presence.
- **Shareholder value:** WCCL has played a significant role in Bhutanese wood-based industry through training and development of people, market, and competition as well as financial returns to its shareholders. It has been generating profits, but projections showed that the returns are likely to decline over the next few years.

Since the amalgamation in the nature of merger all assets, liabilities and reserves of the transferor company are recorded by the transferee company at their existing carrying amounts.

The assets, liabilities and undertakings of WCCL has been transferred to NRDCL at book value as on 31.12.2020. The financial statements of both WCCL and NRDCL the financial year 2020 have been audited and the accounting records of WCCL has been transferred to NRDCL from the effective date of merger. No adjustment has been made to the books values of the assets and liabilities of the transferor company when they are incorporated in the financial statements of the transferee company except to ensure uniformity of accounting policies.

49. Previous year's figures have been regrouped wherever necessary to conform to current year's grouping.



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QUANTITATIVE ANALYSIS(cft) OF STOCK as on 31.12.2021

Timber

Sl.No.	Particulars	Opening Stock as on 1.1.2021 (Cft.)	Production (Cft.)	Disposal (Cft.)	Book Balance as on 31.12.2021 (Cft.)	Physical Balance as on 31.12.2021 (Cft.)	Total Value as on 31.12.2021 Amount(Nu.)
1	Wang-2021	42,158.95	56,191.73	65,428.67	32,922.01	32,922.04	6,809,789.91
	-2020	25,213.59	132,798.50	115,853.14	42,158.95	42,158.95	5,933,031.80
2	Rimpung-2021	823,972.87	802,283.44	1,070,613.30	555,643.01	554,959.09	68,876,841.27
	-2020	283,143.08	1,383,251.34	842,421.54	823,972.88	823,972.87	87,440,549.59
3	Zhonggar-2021	131,489.90	167,588.67	186,061.05	113,017.52	113,016.45	15,435,517.77
	-2020	90,939.27	188,193.86	147,643.21	131,489.91	131,489.90	15,156,961.40
4	P/Ling-2021	16,639.19	111,585.13	37,706.42	90,517.90	90,517.90	11,628,446.47
	-2020	41,507.86	32,278.27	57,146.94	16,639.19	16,639.19	2,053,154.05
5	Jakar-2021	671,671.45	240,083.84	497,594.17	414,161.11	414,160.72	65,238,571.37
	-2020	383,624.14	859,115.91	571,068.60	671,671.45	671,671.45	75,632,666.49
6	Gelephu-2021	26,624.20	61,838.32	72,934.32	15,528.20	15,528.20	2,088,877.24
	-2020	27,466.76	68,770.64	69,613.20	26,624.20	26,624.20	2,316,754.11
	Total : 2021	1,712,556.56	1,439,571.13	1,930,337.94	1,221,789.75	1,221,104.41	170,078,044.02
	Total : 2020	851,894.70	2,664,408.52	1,803,746.63	1,712,556.59	1,712,556.56	188,533,117.45

NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED

QUANTITATIVE ANALYSIS(cft) OF STOCK as on 31.12.2021

Briquette

Sl.No.	Particulars	Opening Stock as on 1.1.2021 (KG)	Production (KG)	Disposal (KG)	Book Balance as on 31.12.2021 (KG)	Physical Balance as on 31.12.2021 (KG)	Total Value as on 31.12.2021
1	Wang-Briq.-2021	22,290.00	152,940.00	167,820.00	7,410.00	750.00	5,625.00
	-2020	177,150.00	179,700.00	334,560.00	22,290.00	22,290.00	133,740.00
	Total : 2021	22,290.00	152,940.00	167,820.00	7,410.00	750.00	5,625.00
	Total : 2020	177,150.00	179,700.00	334,560.00	22,290.00	22,290.00	133,740.00

Glulam

Sl.No.	Particulars	Opening Stock as on 1.1.2021 (cft)	Production (cft)	Disposal (cft)	Book Balance as on 31.12.2021 (cft)	Physical Balance as on 31.12.2021 (cft)	Total Value as on 31.12.2021
1	Wang-Glu.-2021	46.95	1,344.14	1,367.10	23.99	23.99	26,701.11
	-2020	23.99	2,844.50	2,844.50	23.99	46.95	57,511.98
	Total : 2021	46.95	1,344.14	1,367.10	23.99	23.99	26,701.11
	Total : 2020	23.99	2,844.50	2,844.50	23.99	46.95	57,511.98

Joinery

Sl.No.	Particulars	Opening Stock as on 1.1.2021 (Sq.ft)	Production (Sq.ft)	Disposal (Sq.ft)	Book Balance as on 31.12.2021 (Sq.ft)	Physical Balance as on 31.12.2021 (Sq.ft)	Total Value as on 31.12.2021
1	Wang						
	Flooring-2021	4,689.60	70,706.02	51,938.40	23,457.22	23,457.22	1,002,503.20
	-2020	7,189.17	39,539.17	42,038.74	4,689.60	4,689.60	224,124.75
	Panneling-2021	32,224.94	129,500.74	140,300.47	21,425.21	21,425.21	915,660.15
	-2020	6,414.51	126,433.60	100,623.17	32,224.94	32,224.94	1,540,090.10
	Skirting-2021	-	7,069.83	6,617.60	452.23	452.23	19,327.18
	-2020	-	10,624.04	10,624.04	-	-	-
	Total:-2021-WSC	36,914.54	207,276.59	198,856.47	45,334.66	45,334.66	1,937,490.53
	Total:-2020	13,603.68	176,596.81	153,285.95	36,914.54	36,914.54	1,764,214.85
2	Zhonggar						
	Flooring-2021	5,724.41	13,391.62	2,412.04	16,703.99	16,703.99	1,770,622.94
	-2020	9,300.32	17,412.82	20,988.73	5,724.41	5,724.41	606,787.46
	Panneling-2021	13,825.59	5,040.00	5,543.39	13,322.20	13,322.20	945,876.20
	-2020	5,780.16	10,931.45	2,886.02	13,825.59	13,825.59	981,616.89
	Others-2021	5,421.12	4,589.66	6,879.41	3,131.37	3,131.37	222,327.55
	-2020	735.90	5,565.54	880.32	5,421.12	5,421.12	384,899.52
	Total:2021-Zho	24,971.12	23,021.28	14,834.84	33,157.56	33,157.56	2,938,826.69
	Total : 2020	15,816.38	33,909.81	24,755.07	24,971.12	24,971.12	1,973,303.87
	Total : 2021	61,885.66	230,297.87	213,691.31	78,492.22	78,492.22	4,876,317.22
	Total : 2020	29,420.06	210,506.62	178,041.02	61,885.66	61,885.66	3,737,518.72

Firewood

	Wang-2021	417.33	259.00	293.95	382.38	382.37	337,995.96
	-2020	437.55	256.00	276.22	417.33	417.33	368,898.85
	Rimpung-2021	-	19,069.29	19,069.29	-	-	-
	-2020	-	12,381.24	12,381.24	-	-	-
	Zhonggar-2021	-	12,741.90	12,741.90	-	-	-
	-2020	-	9,363.18	9,363.18	-	-	-
	P/Ling-2021	-	6,644.00	6,644.00	-	-	-
	-2020	-	2,252.00	2,252.00	-	-	-
	Jakar-2021	-	3,841.00	3,841.00	-	-	-
	-2020	-	5,063.00	5,063.00	-	-	-
	Gelephu-2021	2,076.86	2,181.00	1,204.60	3,053.26	3,053.26	1,984,619.00
	-2020	-	2,808.96	732.10	2,076.86	2,076.86	1,349,959.00
	Total : 2021	2,494.19	44,477.19	43,794.74	3,435.64	3,435.63	2,322,614.96
	Total : 2020	437.55	32,124.38	30,067.74	2,494.19	2,494.19	1,718,857.85

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Other Timber Products							
Sl.No.	Particulars	Opening Stock as on 1.1.2021	Production	Disposal	Book Balance as on 31.12.2021	Physical Balance as on 31.12.2021	Total Value as on 31.12.2021 Amount(Nu.)
Wang							
1	1 side moulded beads (Mtr)	-	2,757.60	2,701.70	55.90	55.90	2,671.46
2	2 side moulded beads (Mtr)	-	1,269.60	1,156.10	113.50	113.50	5,424.17
3	Door frames (No.)	-	47.00	39.00	8.00	8.00	18,381.60
4	Reidri-Khorlo (Set)	1,685.00	-	1,238.00	447.00	193.00	17,370.00
5	Shinglep (Pcs)	150.00	100.00	100.00	150.00	-	-
Total:							43,847.23
Rinpung							
1	Sawn Scantling (cft)	7,006.09	-	-	7,006.09	7,006.09	700,609.00
2	Bakals (No.)	448.00	3,594.00	1,795.00	2,247.00	2,247.00	228,317.67
3	Shingleps (No.)	415.00	53,300.00	53,300.00	415.00	415.00	14,114.15
Total:							943,040.82
Zhonggar							
1	Fencing post(No.)	-	1,030.00	1,030.00	-	-	-
Total:							-
Grand Total:							986,888.05

**NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED
QUANTITATIVE ANALYSIS OF STOCK as on 31.12.2021**

Sand							
Sl.No.	Particulars	Opening Stock as on 1.1.2021 (m ³)	Production (m ³)	Disposal (m ³)	Book Balance as on 31.12.2021 (m ³)	Physical Balance as on 31.12.2021 (m ³)	Total Value as on 31.12.2021 Amount(Nu.)
1	Wang -2021	32.28	273.45	297.73	8.00	8.00	1,759.28
	-2020	81.66	264.00	313.38	32.28	32.28	7,098.69
2	Rinpung-2021	-	4,960.00	4,804.00	156.00	-	-
	-2020	-	3,838.50	3,838.50	-	-	-
3	Zhonggar -2021	44,193.28	72,862.98	75,951.98	41,104.28	37,815.93	6,362,983.45
	-2020	48,966.67	80,073.66	81,004.16	48,036.17	44,193.28	8,131,391.37
4	Sha -2021	60,404.74	244,975.57	245,421.25	59,959.06	55,162.34	13,605,790.79
	-2020	41,876.79	307,672.54	283,892.00	65,657.33	60,404.74	14,898,830.01
5	P/Ling -2021	6,521.00	15,515.50	15,866.50	6,370.00	5,860.40	545,050.18
	-2020	10,160.00	49,062.00	47,963.00	11,259.00	6,521.00	377,581.05
6	Jak-2021	-	1,463.36	1,462.25	1.11	1.11	43.45
	-2020	-	-	-	-	-	-
7	Gelephu -2021	8,522.42	41,624.25	47,552.25	2,594.42	2,386.87	311,034.24
	-2020	9,713.75	50,374.75	50,825.00	9,263.50	8,522.42	1,227,689.45
Total : 2021		119,673.72	381,675.11	391,155.96	110,192.87	101,234.65	20,826,661.39
Total : 2020		110,798.87	491,021.45	467,522.66	134,248.28	119,673.72	24,642,590.58

Stone							
Sl.No.	Particulars	Opening Stock as on 1.1.2021 (Cft)	Production (Cft)	Disposal (Cft)	Book Balance as on 31.12.2021 (Cft)	Physical Balance as on 31.12.2021 (Cft)	Total Value as on 31.12.2021 Amount(Nu.)
1	Wang -2021	-	-	-	-	-	-
	-2020	-	-	-	-	-	-
2	Rinpung -2021	-	14,408.42	14,408.42	-	-	-
	-2020	-	7,769.23	7,769.23	-	-	-
3	Zhonggar -2021	256,213.41	1,074,157.29	1,074,157.29	256,213.41	256,213.41	1,394,532.52
	-2020	256,213.40	452,059.30	452,059.30	256,213.40	256,213.41	1,558,050.16
4	Sha -2021	490,789.09	-	-	490,789.09	490,789.09	6,542,218.57
	-2020	-	685,472.90	194,683.81	490,789.09	490,789.09	6,542,123.70
6	P/Ling -2021	2,643,680.74	14,994,541.37	14,029,009.39	3,609,212.72	3,609,212.72	20,236,855.71
	-2020	-	10,947,755.94	8,304,075.20	2,643,680.74	2,643,680.74	6,017,378.74
7	Jakar -2021	-	-	-	-	-	-
	-2020	-	-	-	-	-	-
8	Gelephu -2021	582,023.11	6,996,856.75	7,578,879.86	-	-	-
	-2020	569,739.77	4,072,994.34	4,060,711.00	582,023.11	582,023.11	2,874,142.31
Total : 2021		3,972,706.35	23,079,963.83	22,696,454.96	4,356,215.22	4,356,215.22	28,173,606.79
Total : 2020		825,953.17	16,166,051.71	13,019,298.54	3,972,706.34	3,972,706.35	16,991,694.91





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NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED

QUANTITATIVE ANALYSIS OF STOCK as on 31.12.2021

Stones Chips

Sl.No.	Particulars	Opening Stock as on 1.1.2021 (CFT)	Production (CFT)	Disposal (CFT)	Book Balance as on 31.12.2021 (CFT)	Physical Balance as on 31.12.2021 (CFT)	Total Value as on 31.12.2021 Amount(Nu.)
1	Zhonggar						
	Tingzam SCP -2021	31,027.16	895,846.26	882,201.21	44,672.21	44,672.21	972,769.65
	-2020	38,933.50	426,365.82	434,272.16	31,027.16	31,027.16	765,608.67
	Golanti SCP -2021	19,268.68			19,268.68	19,268.68	57,806.04
	-2020	19,268.68			19,268.68	19,268.68	57,806.04
	Ngangshing SCP -2021	74,187.52			74,187.52	74,187.52	1,374,449.24
	-2020	74,187.52			74,187.52	74,187.52	1,374,449.24
2	Sha						
	Jiba SCP -2021	-	299,827.80	203,117.68	96,710.12	96,710.12	608,160.77
	-2020						
3	Gelephu						
	Bhur SCP -2021	44,087.23	947,592.02	738,527.20	253,152.05	224,329.89	3,088,604.84
	-2020	382,911.88	258,249.60	270,455.10	370,706.38	44,087.23	946,008.69
	Tareythang SCP-2021	16,955.93	904,868.10	892,921.04	28,902.99	28,902.99	219,084.76
	-2020	-	16,955.93		16,955.93	16,955.93	363,834.54
	Total: 2021	185,526.52	3,048,134.18	2,716,767.13	516,893.57	488,071.41	6,320,875.29
	Total: 2020	515,301.58	701,571.35	704,727.26	512,145.67	185,526.52	3,507,707.17

Rawmaterials for Stone Crusher

Sl.No.	Particulars	Opening Stock as on 1.1.2021 (CFT)	Production (CFT)	Disposal (CFT)	Book Balance as on 31.12.2021 (CFT)	Physical Balance as on 31.12.2021 (CFT)	Total Value as on 31.12.2021 Amount(Nu.)
1	Zhonggar						
	Tingzam SCP -2021	821,247.87	893,047.24	972,322.28	741,972.83	741,972.83	8,087,503.85
	-2020	106,481.78	1,201,345.67	486,579.58	821,247.87	821,247.87	8,951,601.78
	Ngangshing SCP-2021	317,526.80			317,526.80	317,526.80	4,016,714.02
	-2020	317,526.80			317,526.80	317,526.80	4,016,714.02
3	Gelephu						
	Bhur SCP -2021	648,089.39	700,113.04	987,075.01	361,127.42	361,127.42	2,300,381.67
	-2020	285,860.35	780,148.16	288,932.98	777,075.53	777,075.53	3,302,571.00
	Tareythang SCP-2021	128,986.14	1,070,266.64	824,573.00	374,679.78	374,679.78	2,386,710.20
4	Homdar SCP -2021-Jakar	276,016.48		48,300.00	227,716.48	227,716.48	1,480,157.12
	-2020	-		-	-	-	1,794,107.12
	Total: 2021	2,191,866.68	2,663,426.92	2,832,270.29	2,023,023.31	2,023,023.31	18,271,466.85
	Total: 2020	709,868.93	1,981,493.83	775,512.56	1,915,850.20	2,191,866.68	18,064,993.93
Rawmaterials for Briquette Unit(m3)							
1	Wang-Briq. Unit-2021	93.31	1,274.50	1,262.81	105.00	105.00	8,804.92
	-2020	1,191.81	504.00	1,602.50	93.31	93.31	12,763.48
	Total: 2021	93.31	1,274.50	1,262.81	105.00	105.00	8,804.92
	Total: 2020	1,191.81	504.00	1,602.50	93.31	93.31	12,763.48

Rawmaterials Glulam(cft.)

Sl.No.	Particulars	Opening Stock as on 1.1.2021 (cft)	Production (cft)	Disposal (cft)	Book Balance as on 31.12.2021 (cft)	Physical Balance as on 31.12.2021 (cft)	Total Value as on 31.12.2021 Amount(Nu.)
1	Wang-Glu. -2021	1,021.29	1,449.41	2,173.25	297.45	297.45	102,429.88
	-2020	200.81	5,281.22	4,460.74	1,021.29	1,021.29	292,497.46
	Total: 2021	1,021.29	1,449.41	2,173.25	297.45	297.45	102,429.88
	Total: 2020	200.81	5,281.22	4,460.74	1,021.29	1,021.29	292,497.46

Rawmaterials Joinery(Cft.)

Sl.No.	Particulars	Opening Stock as on 1.1.2021 (cft)	Production (cft)	Disposal (cft)	Book Balance as on 31.12.2021 (cft)	Physical Balance as on 31.12.2021 (cft)	Total Value as on 31.12.2021 Amount(Nu.)
1	Wang-Join. -2021	2,331.13	25,523.20	24,614.18	3,240.15	3,240.15	1,115,778.05
	-2020	1,383.75	20,310.59	19,363.21	2,331.13	2,331.13	802,743.26
2	Zhonggar-Join-2021	1,885.31	5,047.20	4,462.22	2,470.29	2,470.29	714,185.54
	-2020	1,394.18	6,804.18	6,313.05	1,885.31	1,885.31	545,056.32
	Total: 2021	4,216.44	30,570.40	29,076.40	5,710.44	5,710.44	1,829,963.60
	Total: 2020	2,777.93	27,114.77	25,676.26	4,216.44	4,216.44	1,347,799.58
	TOTAL: 2021						253,829,999.09
	TOTAL: 2020						259,035,536.94
	WCC Products-Annex-A						23,383,501.22
	GRAND TOTAL: 2021						277,213,500.31



ITEMS	As At 31st December, 2021			As At 31st December, 2020		
	Unit	Qty	Amount (Nu.)	Unit	Qty	Amount (Nu.)
Chairs	Nos.	1085	4,856,970.00	Nos.	1888	8,391,318.00
Sofa	Set	406	7,875,090.00	Set	756	12,228,365.00
Bed	Nos.	181	3,405,380.00	Nos.	505	7,396,110.00
Cabinet	Nos.	940	28,747,751.00	Nos.	1507	38,179,801.00
Tables	Nos.	1200	16,597,058.00	Nos.	1977	28,112,894.00
Others	-	3638	7,005,773.00	-	812	1,855,308.00
Total::			68,488,022.00			96,163,796.00

B) PURCHASE OF RAW MATERIALS & OTHER ITEMS

ITEMS	As At 31st December, 2021			As At 31st December, 2020		
	Unit	Qty	Amount (Nu.)	Unit	Qty	Amount (Nu.)
Sawn Timber (Bhutan)	Cft.	7022.75	2,614,816.99	Cft.	1088.08	386,268.40
Feather Foams	Nos.	1,605.00	1,216,510.00	Nos.	2,079.00	1,554,704.00
PPI / SLI / TLI Board (Bhutan)	Nos.	450.00	473,850.00	Nos.	800.00	831,200.00
Plywood (Bhutan)	Nos.	1,160.00	1,180,100.00	Nos.	1,750.00	1,599,400.00
Glue	Kg	1,550.00	266,631.00	Kg	1,450.00	243,571.00
Rubber Wood	Cft.	4,151.34	5,148,948.68	Cft.	2075.98	30,265,199.46
Others	-	-	2,463,209.74	-	-	7,460,808.70
Total::			13,364,066.41			42,341,151.56

C) CONSUMPTION OF RAW MATERIALS & OTHER ITEMS

ITEMS	As At 31st December, 2021			As At 31st December, 2020		
	Unit	Qty	Amount (Nu.)	Unit	Qty	Amount (Nu.)
Sawn Timber (Bhutan)	Cft.	6,278.49	2,206,235.89	Cft.	2,148.90	688,270.40
Feather Foam	Nos.	1,871.52	1,133,296.90	Nos.	1,945.23	1,362,761.60
PPI / SLI / TLI Board (Bhutan)	Nos.	470.94	495,899.82	Nos.	795.06	826,067.34
Plywood (Bhutan)	Nos.	1,341.25	1,318,807.50	Nos.	1,836.25	1,718,368.75
Glue	Kg	1,116.28	249,429.00	Kg	1,439.83	239,874.20
Rubber Wood	Sq mtr	9,333.33	13,470,719.42	Sq mtr	19,133.03	27,031,945.56
Others	-	-	4,945,422.42	-	-	6,591,929.03
Total::			23,819,810.95			38,459,216.87

D) CLOSING STOCK OF RAW MATERIALS & OTHER ITEMS

ITEMS	As At 31st December, 2021			As At 31st December, 2020		
	Unit	Qty	Amount (Nu.)	Unit	Qty	Amount (Nu.)
Sawn Timber (Bhutan)	Cft.	2,792.31	977,600.49	Cft.	2,755.45	893,157.34
Feather Foam	Nos.	59.25	43,019.50	Nos.	325.77	349,963.40
PPI / SLI / TLI Board (Bhutan)	Nos.	29.00	30,131.00	Nos.	4.94	5,132.66
Plywood (Bhutan)	Nos.	0.50	395.00	Nos.	181.75	143,037.25
Glue	Kg	739.79	124,269.92	Kg	306.07	51,413.64
Rubber Wood	Sq mtr	322.52	672,078.57	Sq mtr	4,731.73	7,845,376.41
Others	-	-	2,678,287.70	-	-	4,283,491.78
Total			4,525,782.18			13,571,572.48

E) CLOSING STOCK OF FINISHED GOODS

ITEMS	As At 31st December, 2021			As At 31st December, 2020		
	Unit	Qty	Amount (Nu.)	Unit	Qty	Amount (Nu.)
Chairs	Nos.	278	1,356,680.00	Nos.	160	591,684.00
Sofa	Set	198	3,259,595.00	Set	170	3,153,012.00
Bed	Nos.	31	528,850.00	Nos.	144	1,755,792.00
Cabinet	Nos.	181	3,326,191.00	Nos.	348	6,242,477.60
Tables	Nos.	330	4,054,700.00	Nos.	758	7,825,084.00
Others	-	1311.784	1,371,295.04	-	2013.784	2,261,764.03
Total			13,897,311.04			21,829,813.63

F) CLOSING STOCK OF WORK - IN - PROGRESS

ITEMS	As At 31st December, 2021			As At 31st December, 2020		
	Unit	Qty	Amount (Nu.)	Unit	Qty	Amount (Nu.)
Chairs	Nos.	108	378,936.00	Nos.	644	3,189,912.00
Sofa	Nos.	12	253,256.00	Nos.	1	11,996.00
Bed	Set	0	-	Set	2	43,344.00
Cabinets	Nos.	19	804,108.00	Nos.	131	1,848,884.00
Tables	Nos.	56	1,240,552.00	Nos.	316	3,989,916.00
Others	-	160	2,283,556.00	-	506	5,764,220.00
Total			4,960,408.00			14,848,272.00
Grand Total:			23,383,501.22			50,249,658.11



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NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED
Notes forming part of the Financial Statements for the year ended 31st December 2021

NOTE- 2 Property, plant and equipment

Particulars	GROSS BLOCK			DEPRECIATION				NET BLOCK		
	Balance as on 1.1.2021	Addition during '21	On Sales & Other Adj.	Balance as on 31-12-2021	Up to 1.1.2021	For the Period	On sale & Other Adj.	Up to 31.12.2021	As at 31.12.2021	As at 31.12.2020
Land	115,144,864		(115,144,864)							115,144,864
Building	128,084,018	20,018,380	(4,259)	148,098,139	73,272,030	7,474,268	7,626,808	88,373,105	59,725,034	54,811,988
Road*	340,650,522	13,059,532		353,710,054	182,834,150	34,567,133		217,401,283	136,308,771	157,816,372
Cable Crane	126,873,141			126,873,141	69,232,166	13,744,327		82,976,493	43,896,648	57,640,975
Plant and Machineries	293,749,869	73,256,521		367,006,389	172,864,958	32,527,752	28,243,546	233,576,256	131,430,134	120,944,911
Tractor	3,294,175			3,294,175	1,886,432	328,658		2,215,089	1,079,086	1,497,743
Truck	9,881,673			9,881,673	8,060,957	341,617		8,402,574	1,479,099	1,820,716
Vehicle	27,950,176	5,938,045		33,888,221	21,509,310	1,502,660	5,848,120	28,860,090	5,028,131	6,440,867
Furniture	9,752,552	1,395,325		11,147,877	8,384,179	401,546	1,070,964	9,856,689	1,291,188	1,368,373
Office Equipment	28,773,978	7,079,654		35,853,633	17,356,922	3,060,791	4,651,069	25,068,782	10,784,851	11,417,064
Tools & Implements		1,852,827		1,852,827		211,956		1,191,898	660,930	
Total:	1,084,154,968	122,600,284	(115,149,123)	1,091,606,129	555,341,103	94,160,707	48,420,448	697,922,258	393,683,871	528,813,873
Previous Year	1,034,190,769	125,100,295	(75,136,096)	1,084,154,968	548,402,148	82,043,803	(75,104,848)	555,341,103	528,813,865	560,909,564

Note: 1. Road is Constructed on Government land

NOTE- 3

Intangible assets

Current Year	8,872,067	5,362,000		14,234,067	5,930,689	3,515,960	600,000	10,046,648	4,187,419	4,945,498
Previous Year	6,867,948			6,867,948	3,945,872	374,963		3,945,872	2,922,076	2,922,076

NOTE- 4

Statement of Capital Work in Progress as at 31-12-2021

Particulars	Opening 1.1.2021	Addition	Adjustment	Closing 31.12.2021
Road-W.I.P	6,568,870	7,785,485	1,118,881	3,235,474
Machine-W.I.P	2,727,684	1,456,361,06	3,900,377	283,668
Building-W.I.P	10,764	771,349	326,348,50	255,764
Total: CWIP	9,307,318	10,013,195	15,545,607	3,774,906
Previous Year	11,677,325	43,478,816	45,848,823	9,307,318

NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED
Notes forming part of the Financial Statements for the year ended 31st December 2021

Particulars	Year Ended	
	31-12-2021	31-12-2020
	(Nu.)	(Nu.)
NOTE- 5		
Other non current assets		
Unamortised Mine Cost	-	122,068
Non Current	-	122,068
NOTE- 6		
Other receivables		
Security deposit to others	3,929,794	4,006,012
Non Current	3,929,794	4,006,012
Deferred Tax Assets/(Liability)		
Deferred Tax on Provision for Gratuity(OCI)	4,370,674	5,518,984
Non Current	4,370,674	5,518,984
NOTE- 7		
Other current assets		
Advance to Contractors	4,656,905	2,888,611
Advance to Suppliers	1,198,169	36,888,739
Advance to Others	15,308,201	1,440,758
Deferred Revenue Expenditure	-	4,920,088
FA to Unit Manager/FA/Remittance	184,178	239,948
Prepaid expenses	1,351,664	1,267,769
GPPMO Cost	109,690	1,133,710
Accrued Income	-	2,273,939
Security deposit to others	3,566,097	877,162
Unamortised Mine Cost	300,913	321,734
Advance to staff recoverable	3,532,729	2,458,802
Total Current	30,208,546	54,711,260
NOTE- 8		
Cash and cash equivalent		
Cash in hand	137,977	243,435
Bank Balances		
Local Banks-Others	6,279,468	4,285,769
Balances with BOBL	41,034,818	24,004,172
Cash & Cash Equivalents	47,452,263	28,533,376
NOTE- 9		
Trade and other receivables		
Sundry debtors	104,130,967	94,185,702
Provision for doubtful Debts	(10,061,835)	(8,756,539)
	94,069,133	85,429,163
NOTE- 10		
Inventories		
Stock of Timber	170,078,044	188,533,117
Stock of Briquette	5,625	133,740
Stock of Sand	20,826,661	24,642,591
Stock of Stone	28,173,607	16,991,695
Stock of Stone Chip	6,320,875	3,507,707
Stock of Firewood	2,322,615	1,718,858
Stock of Joinery	4,876,317	3,737,519
Stock of Glulam	26,701	52,256
Stock of Rawmaterial for Stone chips	18,271,467	18,064,994
Stock of Rawmaterial for Briquette Unit	8,805	12,763
Stock of Rawmaterial for Joinery	1,829,964	1,347,800
Stock of Rawmaterial for Glulam	102,430	292,497
Stock of Other timber Products	986,888	-
Stock of WCC Products	23,383,501	-
Stock of store/spare parts	31,742,082	27,251,426
Provision for Timber	-	(236,701)
Provision for Stone chip Rawmaterial	(3,458,993)	(3,458,993)
Provision for Slow moving stock of spares	(2,651,654)	(2,651,654)
	302,844,936	279,939,616



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NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED
Notes forming part of the Financial Statements for the year ended 31st December 2021

Particulars	Year Ended	
	31-12-2021	31-12-2020
	(Nu.)	(Nu.)
NOTE- 11		
Non current borrowings		
-Noncurrent Maturities of Long term Borrowings	63,635,614	63,784,711
	63,635,614	63,784,711
Current borrowings		
Current maturities of long term borrowings	13,846,960	13,846,960
Overdraft-BOBL	21,131,736	46,079,931
	34,978,696	59,926,891
NOTE- 12		
Government grant		
Balance as at 1st January 2021	2,810,816	4,085,816
Capital Grant Transfer from WCCL	8,420,806	-
Released to the statement of comprehensive income	2,902,015	1,275,000
Balance as at 31st December 2021	8,329,608	2,810,816
	71,965,222	66,595,528
Current Portion of Grant	2,902,015	1,275,000
Noncurrent Portion of Grant	5,427,593	1,535,816
NOTE- 13		
Provision for employee benefits		
Fair Value of Plan Assets(FVA)	123,502,875	100,021,887
Defined Benefit Obligation(DBO)	134,644,752	114,456,333
Net retirement benefit Liabilities - gratuity	11,141,877	14,434,446
Provision for Leave Encashment	14,800,747	13,619,520
	25,942,624	28,053,966
Current		
Provision for Gratuity	11,141,877	9,447,783
Provision for Leave Encashment	1,559,183	423,527
	12,701,060	9,871,310
Noncurrent	13,241,564	18,182,656
NOTE- 14		
Trade and other payables		
Trade payables	63,911,933	77,744,362
Other payables	2,277,699	19,859,110
Security deposit	4,761,834	4,643,362
Earnest money deposit	711,603	376,058
Retention money	697,700	3,524,671
Other receipts & payments	4,430,953	5,121,175
Employees Loan From Bank	-	31,461
Staff Welfare Fund	-	11,950
	76,791,722	111,312,149
NOTE- 15		
Other current liabilities		
Advance from customers	13,476,565	12,807,336
TDS on contractors payable	824,104	747,098
Health contribution	-	58,952
TDS from salary	350	51,845
Royalty payable	16,256,553	22,173,031
	30,557,572	35,838,262
NOTE- 16		
Provision for corporate income tax		
Provision for corporate tax-Current Year	6,157,814	7,278,645
Provision for corporate tax	(4,059,884)	4,097,575
TDS withheld by customer	(3,132,678)	(2,562,168)
Advance for Corporate tax	(361,107)	(6,364,937)
	(1,395,855)	2,449,115

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NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED
Notes forming part of the Financial Statements for the year ended 31st December 2021

Particulars	Year Ended	
	31-12-2021	31-12-2020
	(Nu.)	(Nu.)
NOTE- 17		
Revenue		
Sale of Timber	315,186,910	295,694,254
Sale of Briquette	1,081,665	1,988,440
Sales woodchips	122,602	5,069,303
Sale of firewood	38,451,217	26,058,798
Sale of Forest Residues	3,566,151	3,332,883
Sale of Glulam Timber	1,252,782	3,301,161
Sale of Joinery Products	17,970,257	13,406,562
Sale of WCC Products	64,188,111	-
Sale of Timber and By-products	441,819,696	348,851,401
Sales Sand	100,664,209	189,287,538
Sales Stone	127,905,504	33,441,314
Sales Stone Chips	50,565,182	21,251,972
	720,954,591	592,832,224
Other income		
Hire charge	12,347,777	13,323,394
Other Misc. Income	16,556,404	5,332,009
Release of Grant received to SCI	2,902,015	1,275,000
Profit from sale of Fixed Assets	55,140	10,854
NC Project Income	-	3,934,732
Project Income	2,056,127	2,273,939
Liabilities no more required written back	7,914,730	10,284,051
Audit recovery	358,658	3,614
Interest on others	98,447	565,040
Prior period Adjustment	479,815	-
Unwinding of environment restoration fund	421,139	398,025
	43,190,252	37,491,658
	764,144,843	630,323,883






NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED
Notes forming part of the Financial Statements for the year ended 31st December 2021

Particulars	Year Ended	
	31-12-2021	31-12-2020
	(Nu.)	(Nu.)
NOTE- 18		
Cost of Sales		
Reforestation Expenses		
Nursery Expenses	181,968	244,221
Creation of Plantation	3,440,950	3,141,624
Plantation maintenance	2,948,050	2,572,271
Nursery creation	1,140,917	949,010
Personnel cost		
Salary & wages	128,746,171	99,942,163
Leave Encashment	12,370,503	8,945,891
Bonus	-	-
PBVA	-	9,133,076
Indexation	-	2,146,050
GPF Employers Contribution	16,115,803	12,299,374
Uniform/Leveries	317,000	4,000
LTC	6,345,825	4,749,355
TTA/TG	797,862	969,207
TA/DA	10,486,662	11,357,964
Production Expenses		
Marking cost	53,644	90,015
Felling & cross-cutting	6,537,098	7,792,314
Debarking	922,387	256,025
Extration from Stump site to Depot	107,138,693	116,434,450
Extration of Sand	46,128,808	119,913,586
Extration of Stone	65,907,654	26,490,389
Extraction from Quarry to crusher Site	14,252,479	22,555,514
Extraction of Firewood	35,931,118	23,793,717
Electricity	2,615,917	1,349,106
Extraction of Wood Chip	-	4,175,442
Mine cost	345,544	345,544
FMU expenses/Inventory	926,781	1,010,583
Maint. of trucks incl. POL	1,521,453	1,682,869
Maint. of machines Incl. POL	40,531,514	34,466,070
Maint. of road	4,202,866	5,546,817
Timber handling & Stacking	2,182,859	3,681,826
Maint. of depot	999,452	864,721
NC Project Expenses	-	1,751,793
Project Expenses	1,024,702	1,819,151
Prior period Adjustment	-	974,558
Sanitation & protection	-	97,825
Provision for Slow moving stock	-	401,671
Royalty		
Royalty-Timber	17,909,771	29,777,560
Royalty-Woodchips	-	18,868
Royalty-Firewood	110,854	-
Royalty-Sand	993,160	942,640
Royalty-Stone	1,676,943	3,745,315
Stock		
Loss of Stock due to natural calamities		
(Increase)/Decrease in stocks	32,071,695	(120,906,835)
Depreciation and amortisation		
Depreciation-Building	6,309,327	7,062,773
Depreciation-Road	34,567,133	32,061,676
Depreciation-Cable Crane	13,744,327	13,744,327
Depreciation-Equipment	32,527,752	22,668,974
Depreciation-Tractor	328,658	328,658
Depreciation-Truck	341,617	341,617
Depreciation-Vehicle	628,436	623,088
Depreciation-Furniture	299,930	266,760
Depreciation-Office Equipment	2,000,991	1,736,511
Tools & Implements	211,956	-
	657,837,231	524,360,122

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NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED

Notes forming part of the Financial Statements for the year ended 31st December 2021

Particulars	Year Ended	
	31-12-2021	31-12-2020
	(Nu.)	(Nu.)
NOTE- 19		
<u>Selling & Marketing Expenses</u>		
Customer Survey	240,352	218,502
Advertisement	705,575	695,340
Auction expenditures	320,599	394,984
	1,266,526	1,308,826
NOTE- 20		
<u>Finance cost</u>		
Interest on Loan	6,214,156	2,895,034
Corporate Guarantee Fees	513,760	193,065
	6,727,916	3,088,099
NOTE- 21		
<u>Administrative Expenses</u>		
Printing & Stationary	730,163	625,509
Telephone/Fax/Postage	2,617,984	2,086,919
Audit Fees	168,190	133,190
Audit Expenses	20,215	360,924
Rent	2,195,462	1,806,309
Rates and Taxes	220,864	207,263
Entertainment	756,095	657,746
Electricity/Lighting(office)	678,440	641,527
Books & periodicals	40,353	56,885
Workshop/Seminar	334,378	400,231
Board expenses	919,695	542,244
Trade Licence	41,100	54,000
Insurance	2,360,611	1,914,647
Subscription & donations	195,000	200,197
Consultancy fees	1,065,000	45,000
Legal Expenses	10,100	21,421
Write Off/Provision	2,603,987	1,849,291
Services Charge(BESS)	315,000	-
Welfare Expenses	251,244	1,022,369
Training Expenditure	5,506,577	5,701,638
Consumable stores	887,307	642,774
Maint. of Building	1,242,548	868,162
Maint. of Vehicle incl. POL	5,645,064	4,068,786
Maint. of Office equipment	3,331,792	2,117,581
Bank Charges	48,744	221,080
Brand & Management Fee	1,157,929	1,541,474
	33,343,838	27,787,166



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NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED
Notes forming part of the Financial Statements for the year ended 31st December 2021

Particulars	Year Ended	
	31-12-2021	31-12-2020
	(Nu.)	(Nu.)
b/f Note:21	33,343,838	27,787,166
Personnel cost-HQ		
Salary & wages	28,797,140	30,363,693
Leave Encashment	2,430,244	2,511,783
TA/DA	723,133	1,164,909
TTA/TG	1,326,721	833,781
LTC	776,760	641,100
Bonus	-	-
PBVA	-	-
Indexation	-	476,085
GPF Employers Contribution	3,142,197	2,856,552
Medical Expenses	-	-
Uniform/Leveries	2,750,833	970,000
Gratuity	11,064,247	9,358,731
Depreciation and amortisation		
Depreciation-Building	1,164,940	1,164,951
Depreciation-Vehicle	874,224	874,224
Depreciation-Furniture	101,616	130,929
Depreciation-Office Equipment	1,059,800	1,039,316
Depreciation-Software	3,515,960	1,984,817
	91,071,653	82,158,037

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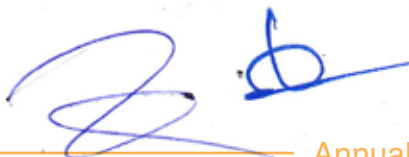
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NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED
Notes forming part of the Financial Statements for the year ended 31st December 2021

Particulars	Year Ended	
	31-12-2021	31-12-2020
	(Nu.)	(Nu.)
NOTE- 22		
Income tax expense		
PROFIT BEFORE TAX	7,241,518	19,408,799
ADD: Provision for doubtful Debts/writeoff	2,603,987	1,849,291
ADD: Gift & Donation	195,000	200,197
ADD: Prior Period Adjustment	-	974,558
ADD: Depreciation on disposed assets	3,243	17,047
ADD: Provision for Slowmoving stock/writeback	(236,701)	401,671
ADD: Provision for Gratuity	11,064,247	9,358,731
ADD: Provision for Leave	996,067	3,606,100
ADD: Bonus & PBVA	-	6,278,888
less: Doubtful Debts Recovered	(1,341,312)	(532,791)
Less : Carry Forward and Offset of Losses	-	(17,300,343)
NET TAXABLE AMOUNT	20,526,048	24,262,149
30% CIT	6,157,814	7,278,645
Total Tax Expense	6,157,814	7,278,645






Note 23 : Fair value measurements

(All amounts in Nu , unless otherwise stated)

Financial instruments by category

Particulars	31-Dec-21			31-Dec-20		
	FVPL	FVOCI	Amortised cost	FVPL	FVOCI	Amortised cost
Financial assets						
Security deposit to others	-	-	3,929,794	-	-	4,006,012
Cash and cash equivalent	-	-	47,452,263	-	-	28,533,376
Sundry debtors	-	-	104,130,967	-	-	94,185,702
Advance to staff recoverable	-	-	3,532,729	-	-	2,458,802
Total financial assets	-	-	159,045,754	-	-	129,183,892
Financial liabilities						
Borrowing	-	-	98,614,311	-	-	123,711,602
Trade payables	-	-	63,911,933	-	-	77,744,362
Other payables	-	-	2,277,699	-	-	19,859,110
Security deposit	-	-	4,761,834	-	-	4,643,362
Earnest money deposit	-	-	711,603	-	-	376,058
Retention money	-	-	697,700	-	-	3,524,671
Other receipts & payments	-	-	4,430,953	-	-	5,121,175
Total financial liabilities	-	-	175,406,032	-	-	234,980,340



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(All amounts in Nu., unless otherwise stated)

(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 accounting standard.

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

Specific valuation techniques used to value financial instruments include:

- the fair value of the financial instruments is determined using discounted cash flow analysis.

(iii) Fair value of financial assets and liabilities measured at amortised cost

Particulars	31-Dec-21		31-Dec-20		1-Jan-20	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets						
Environment restoration bond	3,977,338	3,977,338	3,746,268	3,746,268	3,348,243	3,348,243
Security deposit	(47,543)	(47,543)	259,744	259,744	317,244	317,244
Total financial assets	3,929,794	3,929,794	4,006,012	4,006,012	3,665,487	3,665,487
Financial liabilities						
Borrowing	98,614,311	98,614,311	123,711,602	123,711,602	81,951,888	81,951,888
Total financial liabilities	98,614,311	98,614,311	123,711,602	123,711,602	81,951,888	81,951,888

The carrying amounts of sundry debtor, cash and cash equivalents, int./income accrued on FD, advance to staff, trade payables, other payables, security deposit, earnest money deposit, retention money, other receipts & payments are considered to be the same as their fair values, due to their short-term nature.

The fair values of non-current borrowings are based on discounted cash flows using a current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy due to the use of unobservable inputs, including own credit risk.

The fair values for financial instruments 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.

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.



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(All amounts in Nu , unless otherwise stated)

Note 24: Capital management

(a) Risk management

The Company is formed as an wholly owned subsidiary of Druk Holding & Investments Limited (DHI)

The Company manages its capital so as to ensure funds are available to meet future commitments. As well as commitments to outside parties, the Company has requirement to meet dividend and tax expectations as contained to the annual compact, the parent company and RGOB.

Capital expenditure is mostly met from operating cash flows. Fixed term borrowings are made mainly for specific capital projects. Such borrowings are repaid based on applicable terms and conditions. The amount mentioned under total equity in balance sheet is considered as Capital.



(All amounts in Nu , unless otherwise stated)

Note 25: 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 Credit ratings	Diversification of customer base
Liquidity risk	Borrowings and other liabilities	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 has no such transactions
Market risk – interest rate	Long-term borrowings at fixed rates	Sensitivity analysis	Portfolio of loan contains fixed interest loans from financial institutions

(A) Market risk

(i) Foreign currency risk

Foreign Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company operates in only one currency Nu and accordingly is not exposed to Foreign Currency Risk.

(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 long-term debt obligations with floating interest rates.

The Company has only fixed rate borrowings and investment which are carried at amortised cost. Interest expenses and interest income, are therefore not subject to interest rate risk as defined in IFRS 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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(All amounts in Nu , unless otherwise stated)

(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:

- all financial liabilities

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

Contractual maturities of financial liabilities 31 December 2021	Less than 1 year	More than 1 years	Total
Trade and other payables	76,791,722	-	76,791,722
Borrowings	13,846,960	63,635,614	77,482,575
Interest on borrowing	4,394,472	-	4,394,472
Total financial liabilities	95,033,154	63,635,614	158,668,768

Contractual maturities of financial liabilities 31 December 2020	Less than 1 year	More than 1 years	Total
Trade and other payables	111,312,149	-	111,312,149
Borrowings	13,846,960	63,784,711	77,631,672
Interest on borrowing	4,394,472	-	4,394,472
Total financial liabilities	129,553,581	63,784,711	193,338,292

Contractual maturities of financial liabilities 1 January 2020	Less than 1 year	More than 1 years	Total
Trade and other payables	76,722,710	-	76,722,710
Borrowings	15,546,269	66,405,619	81,951,888
Interest on borrowing	3,804,921	-	3,804,921
Total financial liabilities	96,073,900	66,405,619	162,479,519



(All amounts in Nu , unless otherwise stated)

(C) 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 financing activities, including deposits with banks and financial institutions and other financial instruments.

i) Trade receivables

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. The Company makes sales on cash basis except when the sale are made for long project. Trade receivables are non-interest bearing and are generally on 30-45 days credit term. Further the Company recovers its debtors within a span of one year. The Company regularly monitors its outstanding customer receivables. 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 six months	More than six months less than 3 years	More than 3 years	Total
Trade receivable as on 31 December 2021	61,604,529	38,735,898	3,790,540	104,130,967
Trade receivable as on 31 December 2021	61,604,529	38,735,898	3,790,540	104,130,967

Particulars	Less than six months	More than six months less than 3 years	More than 3 years	Total
Trade receivable as on 31 December 2020	39,786,430	50,125,603	4,273,668	94,185,702
Trade receivable as on 31 December 2020	39,786,430	50,125,603	4,273,668	94,185,702

Trade receivable as on 31 December 2019	76,220,447	8,377,794	5,163,437	89,761,677
Trade receivable as on 31 December 2019	76,220,447	8,377,794	5,163,437	89,761,677

The requirement for impairment is analysed at each reporting date. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 23. 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 department. Investments of surplus funds are made only with approved counterparties in accordance with the Company's policy. The counterparties are accordingly governed by the regulatory authorities to mitigate financial loss during failure to make payment.

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



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A. Ratio Assessing Profitability

S. No	Ratio	Profitability	Numerator - 2021	Denominator - 2021	31.12.2021	31.12.2020
1	Return on Investment	(EBIT/Net Assets or Net worth) * 100	1,34,55,674	67,04,14,349	2.01	3.33
2	Operating Profit	(Operating Profit excluding financial charges)/Net Sales *100	1,34,55,674	76,41,44,843	1.76	3.40
3	Net Profit Ratio	Net Profit before Tax/Net Sales*100	72,41,518	76,41,44,843	0.95	3.08

B. Ratio for Assessing Financial Health

S. No	Ratio	Financial Health	Numerator - 2021	Denominator - 2021	31.12.2021	31.12.2020
1	Capital Turnover Ratio	Net Sales/(Average Capital employed (Less Capital Reserve))	76,41,44,843	67,04,14,349	1.14	0.98
2	Fixed Assets Turnover Ratio	Net Sales/Net Fixed Assets	76,41,44,843	39,78,71,289	1.92	1.19
3	Stock Turnover Ratio	Cost of Goods sold including selling expenses/Average Inventory	65,91,03,757	29,13,92,276	2.26	2.43
4	Current Ratio	Current Asset/Current Liabilities	47,45,74,879	15,65,35,209	3.03	2.03
5	Liquid Ratio	(Current Assets Less Inventory less Pre-paid Expenses)/(Current Liabilities Less Bank Overdraft)	17,03,78,279	15,65,35,209	1.09	0.76

