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NATURAL RESOURCES DEVELOPMENT CORPORATION LTD.



NRDCL

dhi Company

ANNUAL REPORT 2016

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Vision

“The nation’s premier supplier of natural resources as construction materials at the most affordable rates and in sustainable manner.”

Mission

“Be the pioneer in professional management of natural resources such as timber, sand and stone, and make these resources available, affordable and accessible.”

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COMPANY PROFILE

Brief Background

Natural Resources Development Corporation Ltd. was first started in 1984 as the Bhutan Logging Corporation (BLC). It was then named Forestry Development Corporation Limited (FDCL) in 1996 to reflect its diverse activities. In 2007, it was further restructured to form the Natural Resources Development Corporation Ltd (NRDCL) with a mandate to extract and market sand and stones at affordable prices in addition to timber and to make these resources 'affordable, accessible and available for judicious use in the best interest of the nation and people'.

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 2000.

MANDATES AND OBJECTIVES

- i. Management of natural resources with application of scientific and environmental friendly technology and methods.
- ii. Engage in harvesting/extraction, processing, value-addition and marketing of natural resources through innovative and state-of-the-art technologies.
- iii. Ensure judicious use and equitable supply of resources at affordable price(s).
- iv. Develop valuable timber and non-timber species for industrial and commercial use.
- v. Promote and develop effective alternatives to achieve both social goals and corporate objectives.
- vi. Contribute towards rejuvenation of country's forest cover and nature conservation.

CORE VALUES

NRDCL highly values the following core values which serve as critical factors for realizing the vision, mission and objectives of the corporation:

Transparency and Accountability: Be disciplined, transparent and accountable for our decisions, behaviors, attitude and results

Integrity and Honesty: Be fair, honest and ethical in what we seek to do and how we deliver as an organization

Productivity and Efficiency: Strive for high levels of productivity and efficiency

Innovation and Creativity: Be creative and innovative in improving the services and technologies to realize our strategic goals (vision, mission and objectives).

Commitment and Teamwork: Be personally committed and take pride in working as a team with common values and goals

Respect and Fairness: Hold others in high esteem. All jobs and all people are important. Do not take advantage of people. View people as an end in themselves, not a means to an end. Behave in accord with our high standards of respect and fairness

Health and Safety: Be conscientious in promoting the health and safety of our people, community and environment

An overview of NRDCL activities

a. Production and Supply of Timber

NRDCL implements the Forest Management Plans in approved Forest Management Units (FMU) and Working Schemes (WS) and works towards sustainable forest management for the benefit of both the present and future generations of Bhutan. Forestry operations outside the FMUs are also carried out to maintain the health and hygiene of forests, i.e. sanitation/salvage operations to remove over-matured trees, and diseased, insect attacked dead and dying trees to prevent epidemics.



To supplement timber supply and manage the forests on a sustainable basis, NRDCL also carries out thinning activities in collaboration with DoFPS.

NRDCL also supplies sawn timber from its retail outlets, which were established to meet the requirements of small time buyers and take service to the doorsteps of the people.

Timber is marketed as per Marketing and Pricing Policy of the Royal Government at the prices fixed by the Natural Resources Pricing Committee (NRPC).

b. Extraction and Supply of Sand



NRDCL carries out sand extraction throughout the country to meet the demands of the public and construction industry. The sand is supplied directly from the quarries and depots at low prices as per the demand of the customers. The rates are approved by the NRPC.

c. Extraction and Supply of Stone/Boulders

NRDCL is engaged in marketing of stone/boulders and has exclusive rights to operate stone quarries in FMUs, if required. From March 2008, the Corporation took over extraction and marketing activities of river stone nation-wide.

Like sand, stone is supplied directly from the collection sites as per the demand of the customers at fixed rates approved by the NRPC.

d. Production and Supply of Stone Chips from Crushing Plants

NRDCL currently has two stone crushing plants in operation. Stone chips are supplied from the crushing plants at competitive prices.



Subsidiary activities:

a. Supply of Woodchips

NRDCL supplies woodchips to ferro-alloy industries. Forest residues after timber extraction from FMUs

and other areas allotted by the Department of Forests and Park Services are converted into woodchips and supplied.

b. Reforestation Programs

Reforestation activities are carried out within areas where timber has been harvested and also in blank and degraded areas within and outside FMUs.

NRDCL also provides seedlings to the various agencies in order to promote forest cover.

c. Forest Road Construction

To facilitate timber harvesting, environment friendly forest roads are constructed in the operation areas. Most of the NRDCL roads have benefitted the local communities. NRDCL also collaborates with concerned Dzongkhag authorities to combine forest roads with farm roads constructions, wherever possible, in order to save the overall costs, both for the company and the nation.

Roads are also constructed for the purpose of sand and stone operations, wherever necessary.

d. Supply of Firewood

NRDCL supplies firewood from forest residues such as lops and tops after the extraction of prime timber. Supply of firewood from NRDCL is not demand based as it supplies whatever is left behind after the extraction of prime timber.

e. Production and Supply of briquettes

NRDCL manufactures sawdust briquette as a substitute for fuel wood in order to: a) reduce the increasing pressure exerted on our forest resources by local demand for fuel wood (for heating & cooking); and b) to better utilize waste wood, mainly sawdust from sawmills. This is a purely non-profit venture and is a part of the corporate social responsibility.



DIRECTORS' REPORT

The Shareholders
Natural Resources Development Corporation Ltd.

The Board of Directors has the pleasure of presenting the report on the business and operations of the company together with the Audited Accounts for the year ended 31st December 2016.

1. Operational Report

The product-wise production and disposal report for 2016 vis-à-vis 2015 and 2014 are presented in the table below.

Sl. No.	Particulars	2016			2015	2014
		Annual Target	Achievement (Quantity)	%		
1	Timber production (cft.)	1,720,000	1,687,091.74	98.09	1,756,580.49	1,604,830.02
2	Timber disposal (cft.)	1,760,000	1,770,200.20	100.58	1,954,917.00	1,871,928.76
3	Sand production (m ³)	342,160	410,107.85	119.86	318,443.11	346,130.33
4	Sand disposal (m ³)	364,160	433,799.95	119.12	330,132.36	303,381.42
5	Stone production (cft)	2,539,920	5,429,201.38	213.75	4,079,355.71	3,208,110.96
6	Stone disposal (cft)	3,625,920	5,447,635.11	150.24	3,008,570.04	3,218,789.58
7	Stonechips production (cft)	975,000	988,923.69	101.43	1,248,774.79	2,375,704.14
8	Stonechips disposal (cft)	1,524,915	1,423,920.95	93.38	1,901,010.39	1,450,665.95

1.1 Timber:

- a. Timber production in 2016 was 1.687 million cft. against the target of 1.720 million cft. and disposal was 1.770 million cft. against the target of 1.760 million cft. As compared to 2015, both production and disposal of timber have decreased slightly in 2016.
- b. Total revenue of Nu. 282.633 million was earned from the sale of timber in 2016 against the target of Nu. 268.560 million as compared to revenue earning of Nu. 280.608 million in 2015.

- c. 40,622.93 cft. of rural timber was supplied at subsidized rates to support rural construction, foregoing revenue of Nu. 1.044 million to NRDCL, which is a direct contribution to social objectives.
- d. The stock of timber was reduced from 447,577.96 cft. at the beginning of 2016 to 364,152.24 cft. as on 31.12.2016.
- e. In order to facilitate timber supply in demand centres and mobilize timber from surplus to deficit areas, old unsold timber left in the depots after two consecutive allotments were transferred to demand centres. Such timber transfer was done from surplus areas such as Zhonggar and Jakar Regions to deficit areas such as Thimphu and nearby Dzongkhags.

During the year, a total of 105,846.03 cft. old unsold timber was transferred to demand areas for sale both in log and sawn form, against which 90,860.41 cft. was sawn. Sale of 192,068.33 cft. was facilitated from Jakar Region to customers in Paro, Thimphu, Phuentsholing, Trashigang, Pema Gatsel, etc, which were outside the cluster area of Jakar Region, after obtaining special permission of DoFPS.

- f. NRDCL is committed to carrying out environment friendly forest operations using machineries, which cause minimum damage to the environment and increasing the efficiency of forest operations by updating/ improving timber harvesting technology. Towards this, two units of log loaders were purchased during the year and deployed under Rinpung and Jakar Regions.
- g. In order to initiate value-addition of non-preferred species of broad-leaved timber into finished and semi-finished product, NRDCL initiated the process of establishment of two wood joinery units – one at Ramtokto, Thimphu and the other at Lingmethang Mongar - for production of construction components such as door and window frames, flooring and panels. The establishment of the plants would be completed in 2017.
- h. The company also started retail outlets, beginning at Ramtokto, for sale of sawn timber for meeting the timber needs of small scale consumers in addition to the existing institutional, corporate and other consumers.

1.2 Sand

- a. Sand extraction in 2016 was 410,107.85 m³ against the target of 342,160m³ and disposal was 433,799.95 m³ against the target of 364,160 m³, both production and disposal have increased in 2016.
- b. Total revenue of Nu. 69.313 million was earned from sale of sand in 2016 as compared to Nu. 55.002 million in 2015.

- c. Supply of sand from Sha Region, which is the main supply source for western and central parts of the country, was maintained uninterrupted throughout the year through sand dredging. As the sources are depleting with less natural sand deposits occurring annually and reduction in the number of extraction sites, the company procured and installed one new sand dredging machine at Wangdue (which is the third one) to supplement the sand supply. The company plans to procure more dredging machines over the coming years.

1.3 Stone

- a. Stone/boulder extraction in 2016 was 5.429 million cft against the target of 2.540 million cft and disposal was 5.448 million cft. against the target of 3.626 million cft.
- b. Total revenue of Nu. 15.228 million was earned from sale of stone in 2016 as compared to Nu. 9.854 million in 2015.

1.4 Stone chips

- a. Stone chips production in 2016 was 988,923.69 cft against the target of 975,00.00 cft and disposal was 1,423,920.95 cft. against the target of 1,524,915.00 cft.
- b. Total revenue of Nu. 30.262 million was earned from the sale of stone aggregates in 2016 as compared to Nu. 34.394 million in 2015.
- c. There is a stock balance of 935,851.96 cft. Efforts are being made to dispose the stock.
- d. Due to the continued losses incurred and after conducting detailed study, the operation of the Ngangshing Plant at Pema Gatsel was stopped and the plant put up for sale. Further, the stone crushing plant at Phubana, Paro, which was set up for supply of stone chips to The Royal Academy Construction Project, was also operating on loss and was therefore, sold to the project. The company is now left with two stone crushing plants at Bhur in Gelephu and Kencholing in Trashigang, which, despite all efforts to operate at break-even points, continue to operate on losses.

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:

Sl. No.	Particulars	2016			2015	2014
		Annual Target	Achievement (Quantity)	%		
1	Glue laminated timber production (nos.)	150	152.00	101.33	-	-
2	Plantation Creation (Ha.)	83.97	89.28.00	106.32	64.89	58.85
3	Seedlings production (no.)	500,000	444,328.00	88.87	137,650.00	133,467.00
4	Seedlings disposal (no.)	150,352	230,414.00	153.25	-	-
5	Woodchips production & Supply (MT)	2,728	2,250.68	82.50	3,032.16	3,900.45
6	Firewood production & supply (m ³)	25,000	38,184.81	152.74	40,491.32	35,988.34
7	Briquette production (kg)	350,000	233,880.00	66.82	249,000.00	367,460.00
8	Briquette disposal (kg)	350,000	266,580.00	76.17	270,910.00	316,150.00
9	Road construction (km)	9.270	6.270	78.21	18.77	15.32
10	Rural Timber Supply (cft.)	-	40,622.00	-	51,850.04	112,936.15

1.5 Glue laminated timber production

- a. The establishment of a plant for production of glue-laminated (glu-lam) timber at Pangbisa, Paro was completed in the beginning of 2016. The plant was set up with the objective of introducing, demonstrating and showcasing the potential use of glu-lam timber in Bhutan.
- b. While the plant would primarily be catering to the requirements of the Royal Academy Construction Project in the initial years, the company conducted awareness programs to introduce glu-lam timber to potential customers outside RAP, create awareness, and promote the product. The awareness programs included showcasing glu-lam timber sample during the Royal Flower Exhibition held in Paro, distribution of brochures, sensitization and site visits to the plant.

- c. 152 beams of glu-lam timber were produced during the year for supply to the Royal Academy Construction Project and as samples for showcasing the product.

1.6 Plantation and Nursery

- a. 89.28 Ha. plantation was carried out against the target of 83.97 Ha in 2016 and 389.06 Ha of plantations were maintained across the country.
- b. 444,328.00 nos. of seedlings were raised against the target of 500,000 seedlings and 230,414 nos disposed against the target of 150,000. These include seedlings which were used for NRDCL's planned plantations and plantation maintenance works as well as those supplied to outside customers.
- c. A total amount of Nu.10.25 million was spent in creation and maintenance of plantation in 2016.
- d. The Board is also pleased to report that during the year, NRDCL participated in the Royal Flower Exhibition held at Paro from June 4 to 8, 2016 and the company received acknowledgement and appreciation certificate from Her Majesty the Queen Mother Ashi Tshering Yangdon Wangchuck. The company exhibited a recreational garden/park using naturally and locally available resources and showcased how forest residues or lops and tops could be used for beautification of the surroundings, not just as fuel-wood. A 10 meter beam and bridge made of glue laminated timber was also showcased to promote glu-lam timber.
- e. The company plans to take a lead role among the DHI companies in greening the environment, promote plantation programs and carry out compensatory plantations with the support of other DHI companies, and continue playing its role in supporting the government's policy of conserving natural resource and Bhutan remaining carbon neutral.

1.7 Woodchips

A volume of 2,250.68 MT of woodchips was produced and sold against the target of 2,728 MT in 2016. The target for woodchips is underachieved due to under supply from Sha and Phuentsholing Regions, where the production targets of timber were also under achieved.

Revenue of Nu. 8.508 million was earned from the sale of woodchips in 2016 against Nu.12.789 million in 2015.

1.8 Briquette

233,880.00 kg sawdust briquettes were produced and 266,580.00 kg disposed against the target of 350,000 kg in 2016.

1.9 Firewood

The firewood target was over achieved, i.e., 38,184.81 m³ was supplied against the target of 25,000 m³. Firewood supply is done based on demand and subject to availability of lops and tops or forest residue after extraction of prime timber.

1.10 Road construction

6.270 km of road was constructed against the target of 9.270 km and approximately Nu. 6.228 million was spent on maintenance. Roads are constructed to facilitate timber harvesting and gain access to the operation areas.

2. Financial Report

The highlight of the financial performance of the company in 2016 is presented below:

Nu in million

Sl. No.	Particulars	2016	2015	2014
1	Share Capital	45.000	45.000	30.000
2	Reserves & Surplus	547.087	535.317	515.129
3	Net worth (1+2)	592.087	580.317	545.129
4	Borrowings (Net)	28.409	35.331	41.389
5	Capital Employed (3+4)	620.496	615.648	586.518
6	Gross Block of Assets	805.165	713.409	734.257
7	Accumulated Depreciation	381.734	340.775	315.696
8	Net Block of Assets (6-7)	423.431	372.634	418.561
9	Working Capital	173.020	194.460	227.814
10	Income from Sales	407.545	394.272	367.532
11	Other Income	24.135	35.446	29.068
12	Total Income (10 +11)	431.680	429.719	396.600
13	Expenses	409.791	406.551	388.982
14	Profit before Tax	21.889	23.168	7.618
15	Corporate Income Tax	14.059	7.459	1.772
16	Profit After Tax	7.830	15.709	5.846
17	Dividend	-	-	-

Net worth

The net worth of the company as on 31.12.2016 has increased by 2.03% i.e. from Nu.580.317 million in 2015 to Nu.592.087 million in 2016 because of transfer of undistributed net profit to reserves and surplus.

Assets

The gross block of assets of the company has increased by 12.86% in 2016 i.e. to Nu.805.165 million from Nu. 713.409 million in the previous year, which is an increase of Nu.91.756 million. This increase is attributed mainly due to capitalization of glu-lam plant and cable crane, and purchase of log loaders during the year.

Revenue

The company registered 0.46% increase in its total revenue i.e., by Nu. 3.298 million in 2016 (from Nu. 429.719 million in 2015 to Nu. 431.680 million in 2016). This increase was mainly due to increase in the sale of sand and stone as compared to the previous year.

Profit

The Profit After Tax (PAT) in 2016 is Nu.7.830 million as compared to Nu. 15.709 million in 2015.

The profit for the financial year had been affected because of the write off provision of stock (stone) amounting to Nu.3.691 million, impairment of assets (crushing plant) amounting to Nu.3.946 million and 10% provision for non-moving raw materials (stone) amounting to Nu.2.309 million and charging of compensation paid for termination of stone quarry contract amounting to Nu.6.300 million.

Cash Flow

There is overall cash outflow of Nu. 12.227 million in 2016 which is attributed to capital investment mainly in logging machineries. There is cash inflow of Nu. 85.193 million from the operating activities.

The company foresees overall cash outflow in the year 2017 because of the following:

1. Major increase in capital investment on account of purchase of logging machineries, establishment of joinery units, etc. To meet the fund requirements, the company plans to avail term loan from financial institutions in the year 2017.

2. Currently, the company has two pending court cases on account of claim for compensation by contractors due to premature termination of quarry contracts in the year 2015. As the compensation amount payable to the contractor is not ascertained, the company has created a contingent liability amounting to Nu.29.736 million, which is set out in Note-21 (para 5.3) of the Notes on Financial Statements. If the payment of compensation is finalized during the year, huge impact on cash flow is expected and the company is expected to face liquidity constraint.

Expenditure

The total expense for the year 2016 was Nu.409.791 million as compared to Nu. 406.551 million in the previous year, an increase by Nu. 3.240 million or 0.80%.

Transfer to Reserves

The Board of Directors recommends transfer of the undistributed profit after tax to reserves for the financial year 2016.

Dividend

No dividend was declared for the financial year 2016.

The Board would like to highlight that on the whole, the performance of the company in 2016 has been commendable.

Apart from the above operational activities, the company initiated and developed several documents, strategies and manuals for enhancing the efficiency of its operations and improvement of its systems. Some of these are the five-year Corporate Strategic Plan, Marketing Strategy, Standard Operating Procedures, revision of the Service Rules & Regulations among others. A Customer Service Charter has been developed and implemented in order to have uniform service delivery standards across the company. Further, the machinery utilization factor has been determined which would be implemented from the beginning of 2017. With this performance benchmark put in place, the utilization of the NRDCL machineries, some of which are very old, is expected to improve, leading to efficiency in the operations.

Though faced with many challenges and constraints, NRDCL, as in the past, would continue to work very hard towards fulfilment of its very important mandate and objective of making our country's scarce natural resources 'accessible, available and affordable' in the domestic market and contribute to the nation building process.

3. Audit Report

The company was audited by R. Subramanian and Co., Chartered Accountants, Chennai, India. We are pleased to report that the company has complied with most of the observations of the Auditors on the Corporation's accounts of the previous year. As such, for the year 2016 the Auditors have not made any adverse observations on NRDCL Accounts, except for some suggestions and recommendations for further improvement.

The Notes to Accounts referred to in the Auditor's Report are self explanatory and, therefore, does not call for any further comment on the observations under Section 249 (d) of The Companies Act of Kingdom of Bhutan 2016.

4. Corporate Governance Report

It is the Board's and company's continuing endeavour to engage in good corporate governance practices. Accordingly, the company has 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 is entrusted with the crucial responsibility of management of general affairs, strategic direction and performance of NRDCL. To that effect, it has been vested with the requisite powers, authorities and duties. The management of NRDCL is 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 is comprised of six 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 attends all board meetings, except when the CEO's terms and conditions are being evaluated. The CEO reports to the Board on the operation, management and performance of the company. Other members of the management team, such as the Head of Finance Division, may also attend in order to provide the board with financial information. The Board is assisted by a Company Secretary who is not a member of the Board.

Composition of the Board and attendance in 2016

Name of Director	Category	Profile	No. of Board meetings attended during 2016	No. of Directorship on other DHI owned/ controlled companies
Dasho Karma W. Penjor	Chairman	Secretary, Ministry of Information & Communications	5	
Mr.Tashi	Independent Non-Executive	Zimponwom, Office of the Gyalpoi Zimpon	8	
Mr. Karma Jattu	Independent Non-Executive	Managing Director, Phuensum Builders Pvt. Ltd.	6	
Mr.Phento Tshering	Independent Non-Executive	Director, Department of Forest & Park Services, MoAF	4	
Ms.Kinlay Tshering	Independent Non-Executive	Director, Department of Agriculture, MoAF	5	
Mr. Karma Dukpa	Non-Independent Executive	CEO, NRDCL	7	

The following Directors resigned during the year:

Name of Director	Profile	No. of Board meetings attended in 2016	Directorship held till	Remarks
Mr.Chencho Norbu (Chairman)	Director General, Department of Forest & Park Services, MoAF	2	March 2016(AGM)	Completion of term
Mr. Tenzin Namgay	Chief Registrar, Rural Land Division, NLCS	1	March 2016(AGM)	Completion of term
Mr. Sonam Tobgay Dorji	Managing Director, Nima Construction	1	March 2016(AGM)	Completion of term
Mr. Karma Galleg	Associate Director, CPD, DHI	6	August 2016	Resignation

Eight Board meetings were conducted in 2016, maintaining the quorum requirements and the gaps between the meetings not exceeding three months in accordance with the Companies Act 2000/2016 and DHI CG Code.

The dates on which the Board meetings were held are as follows:

1. January 30, 2016
2. March 21, 2016
3. April 06, 2016
4. May 28, 2016
5. July 13, 2016
6. August 17, 2016
7. November 10, 2016
8. December 29, 2016

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 are held on shorter notice in the case of exigencies.

Board Committees and meetings

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

The Board committees are:

1. Board Audit Committee: Its primary function is 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 is comprised of three independent non-executive Directors as members and four meetings were held in 2016.

2. Board Executive 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 Executive Committee is comprised of three Directors as members and five meetings were held in 2016.

3. **Nomination and Governance Committee:** The NGC for the selection of CEO is carried out by the full Board with board member representatives from the DHI board. 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.

Three NGC meetings were conducted in 2016 for the selection of the CEO.

General Meetings

The Annual General Meeting was held on 25 March 2016. No Extraordinary General Meeting was convened during the year.

Board Remuneration

Each board member receives 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 - 21 (para 12b) of Notes on Financial Statements.

5. Corporate Social Responsibility

a. Rural timber supply

The corporation continues to supply timber (rural) at subsidized rates to general public in rural areas to support rural construction, foregoing substantial revenue. In 2016, 40,622.93 cft. of rural timber was supplied, with the company foregoing revenue of Nu.1.044 million. This is a direct contribution to social objectives by NRDCL.

b. Firewood supply

The company continues to supply firewood to the cremation ground in Thimphu free of cost through the People's Project as a contribution to social welfare. During the year, 496 m³ (62 truckloads) of firewood worth Nu.425,958.60 was supplied.

c. 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. In 2016, 233,880 kg of briquette was produced and 266,580 kg sold.

d. ***Donations***

In 2016, the company made donations amounting to a total of Nu. 250,000 for various social, religious and welfare purposes.

e. ***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.

A bailey bridge was constructed at Rodungla in Tang, Bumthang at a cost of Nu. 11.396 million during the year. This bridge, while facilitating timber transportation, will greatly benefit the local community.

6. 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. In 2016, Nu.10.215 million was spent in such activities.
- c. To maintain the general health and hygiene of the forests, NRDCL carries out sanitation/salvage operations as and when required. In 2016, timber salvage operations were carried out in fire-burnt areas in and around Thimphu.
- d. River protection and mitigation works are carried out wherever required. In 2016, the company carried out flood mitigation works along the Amochu river in Phuntsholing in collaboration with the Dungkhag and Thromde authorities.

A total of 760 m³ sand with the monetary value of Nu.287,310 was used to create an emergency river protection wall. Similarly, flood mitigation works were also carried out in Paitheykhola in Gelephu in collaboration with the Thromde and Dzongkhag where NRDCL's contribution was through the engagement of excavator (hired) worth Nu. 170,000.

7. Customer Service

The Customer Satisfaction Index (CSI) for 2016 is 3.44 as per the Customer Satisfaction Survey Report.

Towards improving customer service and defining service delivery standards for the company, Customer Service Charter was developed and implemented. Additionally, Standard Operating Procedures for all products and services was also developed in order to improve service delivery and efficiency.

8. Human Resource Development and Management

NRDCL has a total of 314 employees (282 regular, 4 contract and 28 ESP) managing operations in its six Regional Offices covering the whole country.

Working towards building the human resource capacity of the company, around 107 employees at various levels were trained in different fields of requirements, such as nursery and plantation management, inventory management, customer service management, performance management, accounting and financial management, and so on. Four employees are undergoing long-term study – three doing masters program in business administration and one bachelor degree in forestry. An amount of Nu.4.164 million was spent towards HR development and training during the year.

9. Acknowledgement

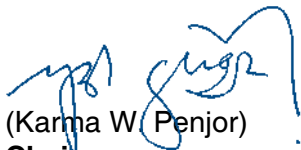
The Board of Directors would like to express deep appreciation and sincere gratitude to the Royal Government, Druk Holding & Investments (DHI), Department of Forests & Park Services (DoFPS), Department of Geology & Mines (DGM), National Environment Commission, National Land Commission Secretariat, Royal Academy Project, Dzongkhag administrations & 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 W. Penjor)

Chairman

NRDCL

AUDITORS' REPORT

SUBRAMANIAN AND COMPANY LLP
(formerly known as R. Subramanian and Company)
Chartered Accountants

No.5, Krishnaswamy Avenue
Luz, Mylapore
Chennai 600 004
Phone: 24992261 / 24991347 / 24994231
Fax:24991408
E-Mail ID: rs@rscompany.co.in
Website : www.rscompany.co.in
LLPIN: AAG-3873

INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

TO THE MEMBERS OF
M/S. NATURAL RESOURCES DEVELOPMENT CORPORATION LTD.,
THIMPHU, BHUTAN

Report on the Audit of the Standalone Financial Statements

1. Qualified Opinion

1.1 We have audited the accompanying Standalone financial statements of M/S. Natural Resources Development Corporation Ltd Thimphu, ("the company") which comprise the Statement of financial position as at 31st December 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the Standalone financial statements, including a summary of significant accounting policies and other explanatory information.

1.2 In our opinion, and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying standalone financial statements present fairly, in all material aspects the financial position of the Company as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with Bhutanese Accounting Standards.

2. *Basis for Qualified Opinion*

2.1 Balance confirmations for certain receivables, creditors, advances and payables were not obtained, the probable effect of which on the profit for the year, retained earnings and Assets/liabilities is not ascertainable.

2.2 During the year 2015, the company has suspended the operation of three stone Quarry contracts on account of commercial inexpediciencies. The quarry contractors have sued the company for premature termination of their contract. The suits filed by two of the contractors are now pending in Royal Court of Justice, Thimphu. The company has estimated the compensation at Nu. 29,736,486 to the contractors but has not provided for the same in the books of accounts. Consequently, the profit for the year, retained earnings as at 31/12/2016 is



overstated to an extent of the said amount, with a consequential understatement of the liability as at 31/12/2016.

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

3. Key Audit Matters

- 3.1 Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters. In addition to the matter described in the *Basis for Qualified Opinion* section we have determined the matters described below to be the key audit matters to be communicated in our report.
- 3.2 During the year the company has identified and written off the unusable components of discontinued stone crushing plants to an extent of Nu. 3,946,224.
- 3.3 During the year the company has assessed and considered impairment provision in respect of stone crushing plant located at Ngangshing, Zhonggar region aggregating to Nu. 2,922,733
- 3.4 During the year the company has identified and fully written off the stock valuing Nu. 3,690,575 lost due to natural calamities that occurred during the year 2015.
- 3.5 Taking into consideration the slow movement of certain Raw materials held at stone crushing plant, the company during the year under review provided diminution towards such inventories aggregating to Nu. 2,309,180.
- 3.6 The company during the year 2015 paid compensation of Nu.10.50 Million to Arjun construction limited on account of Pre-mature termination of contract. Last year it was decided by the company to treat the expenses as deferred expenditure and written it off over a period of five years commencing from 2015



However, during the year entire unamortised amount of Nu,8.4 Million is written off to the Statement of Comprehensive income.

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

4.1 The Company's Management is responsible for the preparation and fair presentation of the standalone financial statements in accordance with the Bhutanese Accounting Standards and provisions of the Companies Act of Bhutan, 2016 ("the Act"). This responsibility also includes the design, implementation and maintenance of internal controls relevant to the preparation and fair presentation of the standalone financial statements that are free from material misstatements, whether due to fraud or error.

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

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

5. Auditor's Responsibilities for the Audit of the Standalone Financial Statements

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

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

5.2.1 Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as



fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

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

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

6. Report on Other Legal and Regulatory Requirements



- 6.1 As required by Section 255 (e) of the Companies Act of Bhutan 2016(erstwhile Section 75of the Companies Act of Kingdom of Bhutan 2000) read with Section II of Schedule XIV (Of the 2000 Act) thereto (the Minimum Audit Examination and Reporting Requirements), we enclose in the **Annexure "A"** a statement on the matters specified therein to the extent applicable to the company.
- 6.2 Further to our comments in the Annexure "A" referred to above, as required under Section 265 of the Companies Act of Bhutan 2016 (erstwhile Section 74 (3) of the Companies Act of Kingdom of Bhutan 2000), we report that:-
- 6.2.1 We have obtained all the information and explanation, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- 6.2.2 In our opinion proper books of accounts as required by law have been kept by the company so far as appears from our examination of those books, and proper information adequate for the purpose of our audit have been received from the branches not visited by us.
- 6.2.3 The Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Cash Flow and the Statement of Changes in Equity dealt with by this report have been prepared in accordance with the accounting principles generally accepted and are in agreement with the books of account.
- 6.2.4 In our opinion, the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Cash Flow and the Statement of Changes in Equity comply with the Bhutanese Accounting Standards excepting BAS 37 on Provisions in respect of matters discussed under basis for qualified opinion and the provisions of Companies Act of Bhutan 2016/Companies Act of Kingdom of Bhutan 2000.

The engagement partner on the audit resulting in this independent auditors report is R.Prakash

For R SUBRAMANIAN AND COMPANYLLP
Chartered Accountants

Firm Reg No: 004137S/20051

Name: R. PRAKASH
Partner

Membership No.: 205869



Date: 7th April, 2017

Place: Chennai

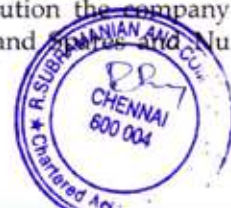
REPORT ON MINIMUM AUDIT EXAMINATION & REPORTING REQUIREMENTS

(ANNEXURE "A" - Referred to in paragraph 6.1 of Independent Auditors' Report of even date on the accounts of M/S. NATURAL RESOURCES DEVELOPMENT CORPORATION LTD for the period ended December 31, 2016)

1. The Company has a system for maintaining proper records showing full particulars including quantitative details and situation of fixed assets. Physical verification of the fixed assets has been conducted at the Regional level and no material discrepancies were noticed on perusal of such verification reports made available to us.
2. None of the fixed assets were revalued during the current period.
3. The stocks of Timber, Sand and Stone has been physically verified by the management during the year as also the stock of stores and spare parts except the stores and spares at Regional offices.
4. Based on information and explanations provided to us, the procedures of Physical verification of stock of timber, sand and stone followed by the management are reasonable and adequate in relation to the size of the Corporation and the nature of its business.
5. The physical stock of timber, sand and stone is considered for stock valuation and has been reflected in the accounts. The discrepancies noted between physical and book stock of those items is material and sums aggregating to Nu.3690575 is written off in the books of the company
6. The valuation of stock is fair and proper in accordance with the normally accepted accounting principles and is on a basis consistent with the previous year. However there are certain Raw materials for Stone crushing which are slow moving aggregate to 23.09 Million. Taking into consideration the slow moving of the materials the company has provided Nu,2.31 Million towards any possible diminution in the value of such inventories.
7. Based on the information provided to us, the company has not availed any loans, secured or unsecured, from companies firms or other parties and /or from companies under the same management.



8. Based on the information provided to us, the company has not granted any loans, secured or unsecured, to companies firms or other parties and /or from companies under the same management.
9. Based on the information provides to us, the company did not have any loans or advances, the terms of which are prejudicial to the interests of the company.
10. On the basis of examination of the records and information made available to us, the advances given to suppliers are followed up periodically and the amounts are generally adjusted as and when the transactions are completed.
11. According to the information and explanation given to us, the loans/advances granted to officers/staff are in keeping with the provisions of service rules and no excessive/frequent advances are granted and accumulation of large advances against a particular individual is avoided.
12. In our opinion and according to the information and explanation provided to us, the Company has established the system of internal control 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 and regulation systems and procedures. However, **the internal control system need to be further strengthened in the area of management of stores, advances to be given to the contractors in proportion of work done, adjustment of the advances paid to the suppliers & contractors at the time of finalization of their bill, in order to commensurate with the size of the Company and the nature of business.**
13. The Company follows a system of competitive bidding commensurate with the size of the company and the nature of its business for the purchase of goods and services.
14. Based on the information and explanation made available to us, the Company had not entered into any irregular transaction for purchase of goods and service with the directors or any other parties related to the directors or with companies or firm in which the directors are interested. Further, the records verified by us in this regard did not reveal any transaction in which Directors are interested.
15. As per the information and explanation made available to us there was no unserviceable or damaged stores, raw materials or finished goods which requires provisions for loss. However by way of abundant caution the company has provided Nu2.7 Million towards Non Moving stores and Nu.2.30 Million towards slow moving raw materials.



16. 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.
17. In our opinion and according to the information and explanations given to us, reasonable records have been maintained by the company for the production of finished goods and adequate physical safeguards exist to prevent un-authorized or irregular movement of such goods from the company.
18. Based on our verification, the company is maintaining reasonable records for sales and disposal of realizable by-products and scraps where applicable.
19. The Company is generally regular in depositing rates and taxes, duties, royalties, provident fund and other statutory dues with appropriate authorities except in the Jakkar region where delays were observed in deposit of TDS dues with an amount of Nu. 0.47 million of TDS was outstanding to be deposited as at 31st December 2016.

The provision for corporate tax for the year is adequate and necessary adjustments have been made to compute the amount of tax required under the Income Tax Act of the Kingdom of Bhutan 2001.

20. On the basis of our checks, we are of the opinion that undisputed amounts payable in respect of rates taxes, duties, royalties, provident fund and other statutory deductions were not generally outstanding on the last day of financial period which were outstanding beyond their due date except for Nu. 0.47 million outstanding in Jakkar Region with regard to TDS liabilities for the year.
21. As per information and explanation given to us and as per the test check conducted by us, personal expenses except under contractual obligation were not charged to the company's accounts.
22. The company has a reasonable system for 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.



23. Based on the information provided to us, quantitative reconciliation is carried out at the end of accounting year in respect of all major items of inventories i.e. finished goods and raw materials.
24. During the year, the company has written off Nu.3690575 being stock lost due to natural calamity. However necessary approval from Board of Directors/appropriate authority is yet to be obtained by the company.
25. 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.
26. There is a reasonable system of price fixation, taking into account the cost of production and market condition.
27. The company does not have a documented credit sales policy.
28. The Company has no commission agents in connection with sales made by them.
29. The system for continuous follow-up with debtors and other parties need to be adequately strengthened for recovery of outstanding amounts.
30. The management of liquid resources particularly in respect cash, bank and short term deposits are generally adequate. However certain suggestions are given in our Management report which the company may consider for optimum utilisation of funds.
31. As explained to us the activities carried out by the company are lawful and as per the Articles of Incorporation of the Company.
32. Activities / Investment decisions are made subject to prior approval of the Board.
33. The Company has established an effective budgetary control system.
34. The details of remuneration to the Managing Director and Board Director have been disclosed in Para 15 of the Notes to Accounts in Note 21.



35. We have not come across any case where the directives of the board have not been complied with.
36. On the basis of information and explanation given to us, we are of the opinion that the officials of the company have not transmitted any price sensitive information which are not made publicly available, unauthorized to their relatives / friends / associates or closed persons which would directly or indirectly benefit themselves.

Computerized Accounting Environment

1. The organisational and system development controls and other internal controls are adequate relative to size and nature of computer installations.
2. According to the information and explanation given to us, the Company has adequate safeguard measures of its data and back up facilities.
3. As regards back up facilities and disaster recovery measures, as per the information and explanation provided to us, the back-up files are taken and stored in different locations for the respective Regions as well as a backup is stored in main server at the company's Registered Office.
4. The operational controls are found to be improved to ensure correctness and validity of input data and output information.
5. As explained to us, measures taken by the Company to prevent unauthorized access over the computer installation and files are generally adequate.

Compliance of Companies Act

The company being a "Public Company" has complied with the requirements of Companies Act of the Kingdom of Bhutan 2000/Companies Act of Bhutan 2016 subject to followings significant violation:-

- Authorized Capital of the Company as mentioned in the Articles of Incorporation is Nu 50,000,000 consisting of 500,000 equity shares of Nu 100 each. The Company has issued shares certificate for 450,000 shares of Nu. 100 each in favour of Druk Holding & Investments, who are the only shareholders, in the form prescribed in Schedule VI of the Companies Act of the Kingdom of Bhutan 2000. However as per Section 24 of the said Act, a public company shall not issue any share certificate except a Global Share certificate representing all outstanding shares and to deposit such certificate with a depository in accordance with the Rules of Securities Exchange.



We enclose in the **Annexure 'B'** replies to the questionnaire issued by the Royal Audit Authority.

General

1. 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

2. Ratio Analysis

Financial and Operational Ratio Analysis in respect of the Company are given in "**Annexure C**".

3. 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 R. Subramanian and Company LLP
Chartered Accountants
FRN: 0041375 / S200041



Place : Chennai

Dated : 7th April, 2017

NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED
Statement of Financial Position as at 31 December 2016

Item	Note	Year ended 31 December	
		31.12.2016	31.12.2015
Assets			
Noncurrent Assets			
Property, plant and equipment	1	423,302,154	372,420,561
Intangible assets	2	128,605	213,242
Capital work-in-progress	3	13,999,947	37,442,121
Other noncurrent assets	4	3,841,712	4,077,482
Net Retirement Benefit Assets-Gratuity	4	8,327,193	1,972,505
Total Noncurrent Asset		449,599,611	416,125,911
Current Assets			
Other current assets	4	23,278,201	34,414,090
Cash and Bank Balances	5	54,393,918	66,311,505
Trade and other receivables	6	70,830,457	44,043,562
Inventories	7	96,342,275	129,728,508
Total Current Assets		244,844,851	274,497,665
Total Assets		694,444,462	690,623,577
Equity and Liabilities			
Equity			
Share Capital	SOCE	45,000,000	45,000,000
Retained earnings	SOCE	284,112,594	273,908,407
Statutory and other restricted reserves	SOCE	39,737,836	39,737,836
Other reserves	SOCE	223,236,492	221,670,403
Total equity attributable to the owners of the parent		592,086,922	580,316,646
Noncontrolling interest		-	-
Total equity		592,086,922	580,316,646
Liabilities			
Noncurrent liabilities			
Noncurrent borrowings	8A	20,760,223	28,558,492
Grants	8B	5,152,460	-
Provision for Employee Benefits	9	4,619,520	1,710,350
Total Noncurrent liabilities		30,532,203	30,268,842
Current Liabilities			
Trade and other payables	10	36,184,025	38,223,070
Current Portion of Grant	8B	1,050,000	-
Other current liabilities	12	23,419,978	32,038,252
Provision for Employee Benefits	9	2,512,940	5,632,290
Provision for Corporate Income Tax	11	8,658,396	4,144,477
Total Current liabilities		71,825,338	80,038,089
Total liabilities		102,357,541	110,306,931
Total liabilities and equity		694,444,462	690,623,577
Accounting Policies	20		
Notes to Accounts	21		

Schedules referred to above form an integral part of the Accounts

In terms of our attached report of even dated
For R. Subramanian and Company LLP
Chartered Accountants
FRN: 004137S / S200041

On behalf of the Board


(R. Prakash)
Partner
Membership No. 205869
Chennai


CHAIRMAN


DIRECTOR


CHIEF EXECUTIVE OFFICER
Thimphu
5.03.2017

Dated: The 7th day of April, 2017



NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED
Statement of comprehensive income for the period ended 31 December 2016

Item	Note	Year ended 31 December	
		31.12.2016	31.12.2015
Continuing operations			
Revenue	13	431,680,036	429,718,806
Total revenue		431,680,036	429,718,806
Cost of Sales	14	338,095,004	332,883,605
Gross Profit		93,585,032	96,835,201
Operating Expenses:			
Selling & Marketing Expenses	15	6,128,038	4,982,165
Administrative Expenses	16	60,335,259	68,684,878
Impairment of Non-current Assets	1	2,922,733	-
Provision for Slow moving stock		2,309,180	-
Total Operating expenses		71,695,209	73,667,043
Operating profit (loss)		21,889,823	23,168,158
Profit (loss) before income tax		21,889,823	23,168,158
Income tax expense	17	14,059,377	7,458,777
Profit (loss) for the year from continuing operations		7,830,446	15,709,381
(Profit) loss for the year from discontinued operations		-	-
Profit (loss) for the year		7,830,446	15,709,381
Profit attributable to:			
Owners of the parent		7,830,446	15,709,381
Non-controlling interests		-	-
		7,830,446	15,709,381
Earnings per share attributable to owners of the parent:			
Basic earnings per share			
From continuing operations		17.40	34.91
From discontinued operations		-	-
From profit for the year		17.40	34.91
Diluted earnings per share			
From continuing operations		17.40	34.91
From discontinued operations		-	-
From profit for the year		17.40	34.91
Statement of Other comprehensive income			
Profit (loss) for the year from continuing operations		7,830,446	15,709,381
Actuarial gain(losses) on defined benefit plans		3,939,830	4,478,630
Total comprehensive income for the year		11,770,276	20,188,011
Total comprehensive income attributable to:			
Owners of the parent		11,770,276	20,188,011
Non-controlling interests		-	-
		11,770,276	20,188,011
Total comprehensive income attributable to owners of the parent arises from:			
Continuing operations		11,770,276	20,188,011
Discontinued operations		-	-
		11,770,276	20,188,011
Accounting Policies	20		
Notes to Accounts	21		

Schedules referred to above form an integral part of the Accounts

In terms of our attached report of even dated
For R. Subramanian and Company LLP
Chartered Accountants
FRN: 004137S / S200041

On behalf of the Board


(R. Prakash)
Partner

CHAIRMAN

DIRECTOR

CHIEF EXECUTIVE OFFICER

Membership No. 205869
Chennai

Thiruppu
5.03.2017

Dated: The 1st day of April, 2017



NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED

Statement of changes in equity for the period ended 31 December 2016

A. Equity Share Capital

Particulars	No. of Shares	Par Value	Amount In Nu.
			Total issued and paid up capital
As at 1st January 2015	300,000	100	30,000,000
Shares issued to DHI during the year	150,000	100	15,000,000
As at 31st December 2016	450,000	100	45,000,000
Changes in Equity during 2016	-	-	-
As at 31st December 2016	450,000	100	45,000,000

B. Other Equity


Particulars	Attributable to the owners of the Parent				Total	Non-Controlling Interest	Total Equity
	Reserves and Surplus		Other Reserves				
	General Reserves	Retained Earnings	Revaluation Reserves	Capital Reserves			
A Balance as at 1st January 2016	103,368,512	256,862,272	115,170,015	39,737,836	515,128,635	-	515,128,635
Profit for the year	-	15,709,381	-	-	15,709,381	-	15,709,381
Other Comprehensive Income	-	4,478,630	-	-	4,478,630	-	4,478,630
Transfer to General Reserves	3,141,876	(3,141,876)	-	-	-	-	-
Tax Paid relating to earlier years	-	-	-	-	-	-	-
B Total Comprehensive Income	106,500,388	273,908,407	115,170,015	39,737,836	635,316,646	-	635,316,646
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 2016 (A+B+C+D)	106,500,388	273,908,407	115,170,015	39,737,836	635,316,646	-	635,316,646
A Balance as at 1 January 2016	106,500,388	273,908,407	115,170,015	39,737,836	635,316,646	-	635,316,646
Profit for the year	-	7,830,446	-	-	7,830,446	-	7,830,446
Retirement benefit obligations-Retained Earning	-	3,939,830	-	-	3,939,830	-	3,939,830
Transfers to reserves	1,566,089	(1,566,089)	-	-	-	-	-
B Total comprehensive income for the year	108,066,477	284,112,594	115,170,015	39,737,836	647,086,922	-	647,086,922
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 2016 (A+B+C+D)	108,066,477	284,112,594	115,170,015	39,737,836	647,086,922	-	647,086,922

Number of shares authorised for each class of shares:

Authorised share capital	As at 31 December	
	2016	2015
Number of ordinary shares of face value Nu. 100 each	500,000	500,000

In terms of our attached report of even dated
For R. Subramanian and Company LLP
Chartered Accountants
FRN: 004137S / S200041

On behalf of the Board


(R. Prakash)
Partner
Membership No. 205869
Chennai
Dated: The 7th day of April 2017

CHAIRMAN

DIRECTOR

CHIEF EXECUTIVE OFFICER

Thiruphu
5.03.2017

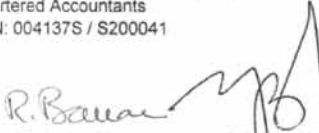


NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED
 Period covered: 31 December 2016
 Statement of Cash Flows

Particulars	Note	Year ended 31 December	
		31.12.2016	31.12.2015
Cash flows from operating activities			
Profit before income tax		21,889,823	23,168,158
Adjustments for:			
- Depreciation and amortisation	1&2	55,494,832	50,012,667
- Provision for Impairment of Noncurrent Assets	1	2,922,733	-
- (Profit) loss on disposal of property, plant and equipment	14	1,678,937	(4,314,540)
- Changes in Inventories	7	33,386,233	22,409,803
- Changes in Trade and other receivables	4&6	(15,415,235)	(24,383,305)
- Actuarial gain(losses) on defined benefit plans	SOCE	3,939,830	4,478,630
- Changes in Trade and other payables	9 to 12	(7,837,345)	1,721,758
- Release of Grant received to SCI	8B	(797,540)	-
- Liabilities no more required written back	13	(3,030,155)	(12,893,160)
- Fixed assets written off	14	3,946,224	-
Cash generated from operations		96,178,337	60,200,012
Interest paid	19	3,912,690	4,777,710
Interest received	19	(5,352,108)	(3,153,182)
Income tax paid		(9,545,458)	(962,485)
Net cash flows from operating activities		85,193,461	60,862,055
Cash flows from investing activities			
Purchase of property, plant and equipment	1	(118,387,731)	(31,353,112)
Purchase of intangible assets	2	(84,000)	-
Purchase of capital WIP	3	23,442,174	(25,741,807)
Receipt of Grant for Glulam Project	8B	7,000,000	-
Proceeds from sale of property, plant and equipment	18	3,632,049	31,582,261
Net Retirement Benefit Assets	4	(6,354,688)	(7,902,405)
Increase in Fixed Deposit	5	(309,595)	(5,000,000)
Interest Received	19	5,352,108	3,153,182
Net cash used in investing activities		(85,709,684)	(35,261,881)
Cash flows from financing activities			
Interest Paid	19	(3,912,690)	(4,777,710)
Long Term Borrowings repaid	8	(7,798,269)	(6,057,327)
Issue of Share Capital	SOCE	-	15,000,000
Dividends paid to owners of the parent		-	-
Net cash used in financing activities		(11,710,959)	4,164,962
Net increase or (decrease) in cash and cash equivalents		(12,227,182)	29,765,137
Cash and cash equivalents at beginning of year		61,311,505	31,546,368
Cash and cash equivalents at end of the year	5	49,084,323	61,311,505

In terms of our attached report of even dated
 For R. Subramanian and Company LLP
 Chartered Accountants
 FRN: 004137S / S200041

On behalf of the Board


 (R. Prakash)
 Partner
 CHAIRMAN


 DIRECTOR


 CHIEF EXECUTIVE OFFICER
 Thimphu
 5.03.2017

Membership No. 205869
 Chennai

Dated: The 7th day of April 2017



NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED
Statement of Fixed Assets as at 31-12-2016

NOTE-1

Particulars	GROSS BLOCK			DEPRECIATION			PROVISION FOR IMPAIRMENT		NET BLOCK	
	Balance as on 1.1.16	Addition during '16	On Sales & Other Adj't	Balance as on 31-12-16	Up to 1.1.16	For the Period	On sale & Other Adj't	Up to 31.12.2016	As at 31.12.2016	As at 31.12.2015
Land	120,298,403			120,298,403					120,298,403	120,298,403
Building	97,449,029	10,510,636	(813,942)	107,145,723	36,231,588	7,474,587	(659,027)	43,047,148	64,088,574	61,217,440
Road*	243,988,845	56,380,360		300,369,204	110,092,944	25,416,905		135,509,849	164,859,355	133,895,900
Cable Crane	35,244,264	15,801,583		51,045,847	35,244,267	1,874,386		36,918,655	14,127,192	7
Equipment	149,163,683	33,772,396	(22,426,332)	160,509,746	103,514,093	16,361,074	(13,344,232)	106,530,935	51,056,049	45,649,590
Tractor	1,971,225			1,971,225	1,968,108	3,113		1,971,221	4	3,117
Truck	10,246,709			10,246,709	8,592,404	1,105,038		9,696,042	588,667	1,694,305
Vehicle	21,006,692		(1,753,697)	20,052,995	16,909,126	1,151,712	(1,753,694)	18,307,144	1,745,851	2,897,566
Furniture	8,754,236	277,535	(27,843)	8,999,128	7,187,227	608,931	(21,922)	7,672,236	1,326,892	1,567,029
Office Equipment	22,201,445	1,650,252	(1,603,961)	22,157,736	17,004,222	1,631,937	(1,670,490)	16,966,569	5,201,167	5,197,223
Total:	711,124,561	118,387,731	(26,715,575)	802,796,717	338,703,989	55,326,195	(17,458,265)	376,571,830	423,302,154	372,420,561
Previous Year	731,973,259	31,353,112	(52,201,810)	711,124,561	313,783,890	49,854,197	(24,934,088)	338,703,989	372,420,561	418,189,368

Note: 1. Road is Constructed on Government land

NOTE-2

Intangible assets

Current Year	2,283,948	84,000		2,367,948	2,070,706	168,037		2,239,343	128,605	371,712
Previous Year	2,283,948			2,283,948	1,912,296	158,470		2,070,706	213,242	371,712

NOTE-3

Statement of Capital Work in Progress as at 31-12-2016

Particulars	Opening 1.1.2016	Addition	Adjustment	Closing 31.12.16
Road-W.I.P	19,732,151	16,725,032	30,550,688	5,697,496
Machine-W.I.P	17,635,558	13,864,917	24,229,596	7,290,879
Building-W.I.P	74,412	2,723,003	1,985,843	811,572
Total: CWIP	37,442,121	33,332,953	56,775,127	13,999,947
Previous Year	11,700,314	37,417,824	11,676,017	37,442,121

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NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED

Items	Year End	
	31.12.2016	31.12.2015
NOTE-4		
Non Current		
Security Deposit to Others	3,841,712	4,077,482
Net Retirement Benefit Assets	8,327,193	1,972,505
Total Non Current	12,168,905	6,049,987
Other Current Assets		
Advance to Staff	2,460,490	2,436,885
Advance to Contractors	12,503,732	11,414,887
Advance to Suppliers	1,315,547	9,205,107
Advance to Others	3,698,391.90	456,055
Deferred Revenue Expenditure	912,933	9,213,867
FA to Unit Manager	404,201	204,230
Prepaid expenses	915,260	833,883
Security Deposit to others	988,447	649,177
GFPMO Cost	79,200	-
Total Current	23,278,201	34,414,090
Total Other Assets	35,447,106	40,464,077
NOTE-5		
Cash and Bank Balances		
Cash in hand	2,492,546.81	701,922
Bank Balances		
Local Banks-Others	8,987,852	18,302,600
Balances with BOBL	37,603,924	42,306,983
Cash & Cash Equivalents	49,084,323	61,311,505
Short Term Bank Deposit		
Term Deposit with BDBL	5,309,595	5,000,000
	54,393,918	66,311,505
NOTE-6		
Trade and Other Receivables		
Sundry Debtors	70,732,121	43,938,494
Int./Income accrued on FD	98,337	105,068
	70,830,457	44,043,562
NOTE-7		
Inventories		
Stock of Timber	44,376,479	52,682,648
Stock of Briquette	19,080	217,980
Stock of Sand	2,640,908	9,235,497
Stock of Stone	836,403	4,689,090
Stock of Stone Chip	13,443,163	21,771,649
Stock of Firewood	158,227	358,000
Stock of Rawmaterial for Stone chips	24,647,603	30,339,831
Stock of Rawmaterial for Briquette Unit	210,753	21,075
Stock of store/spare parts	15,051,306	13,174,600
Provision for Slow moving stock	(5,041,649)	(2,761,862)
	96,342,275	129,728,508



NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED

Items	Year End	
	31.12.2016	31.12.2015
NOTE-8		
Noncurrent Liabilities		
A) Financial Liabilities		
-Noncurrent Maturities of Long term Borrowings	20,760,223	28,558,492
B) Grants		
Balance as at 1st january 2016	-	-
Received during the year	7,000,000	-
Released to the statement of comprehensive income	797,540	-
Balance as at 31st December 2016	6,202,460	-
	26,962,683	28,558,492
Current Portion of Grant	1,050,000	-
Noncurrent Portion of Grant	5,152,460	-
NOTE-9		
Provision for Employee Benefits		
Provision for Leave Encashment	7,132,460	7,342,640
	7,132,460	7,342,640
Current	2,512,940	5,632,290
Noncurrent	4,619,520	1,710,350
NOTE-10		
Trade and other Payables		
Trade Payables	21,839,747	30,737,493
Other payables	6,022,858	598,003
Royalty payable	8,321,420	6,887,575
	36,184,025	38,223,070
NOTE-11		
Current income tax liabilities		
Provision for Corporate tax	8,658,396	4,144,477
	8,658,396	4,144,477
NOTE-12		
Other current liabilities		
Current Maturities of Long term Borrowings	7,648,605	6,772,684
Advance from Customers	10,063,853	19,156,064
TDS on Contractors payable	74,823	228,546
Health Contribution	254	866
GPF Employee's share	1,788	168
TDS from Salary	3,362	1,804
Staff Welfare Fund	2,275	2,275
Security deposit	3,526,661	2,854,689
Earnest Money Deposit	620,984	790,374
Rentention Money	1,278,070	2,021,882
Other Receipts & payments	199,303	208,900
	23,419,978	32,038,252

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NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED

Items	Year End	
	31.12.2016	31.12.2015
NOTE-13		
Revenue		
Sale of Timber and By-products	292,741,819	295,022,953
Sales Sand	69,312,734	55,001,579
Sales Stone	15,227,720	9,854,042
Sales Stone Chips	30,262,312	34,393,787
	407,544,584	394,272,361
Other income		
Hire charge	7,450,728	8,943,096
Other Misc. Income	7,149,305	3,865,112
Toll Fee	450,400	656,260
Profit from sale of Fixed Assets	-	4,314,540
Liabilities no more required written back	3,030,155	12,893,160
Audit recovery	134,231	86,833
Sale of firewood	252,461	1,194,044
Sale fencing post & poles	217,727	235,149
Interest on Fixed deposit	4,788,341	2,469,109
Interest on others	662,104	789,142
	24,135,452	35,446,445
	431,680,036	429,718,806

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NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED

Items	Year End	
	31.12.2016	31.12.2015
NOTE-14		
Cost of Sales		
Reforestation Expenses		
Nursery Expenses	389,407	371,113
Creation of Plantation	4,037,147	3,548,619
Plantation maintenance	2,931,764	2,502,705
Nursery creation	2,858,285	689,502
Personnel cost		
Salary & wages	61,546,962	58,461,672
Bonus	3,845,869	5,805,982
PBVA	3,807,410	6,126,473
GPF Employers Contribution	4,450,512	4,379,033
Uniform/Leveries	247,000	217,000
LTC	2,811,395	2,879,260
TTA/TG	682,937	1,204,105
TA/DA	10,186,895	8,990,746
Production Expenses		
Marking cost	62,478	44,285
Felling & cross-cutting	4,295,229	3,842,197
Debarking	483,083	825,244
Extraction from Stump site to Depot	59,402,304	55,814,468
Extraction of Sand	22,096,752	18,912,872
Extraction of Stone	327,216	4,479,181
Extraction from Quarry to crusher Site	5,717,860	18,748,127
Electricity	375,523	488,432
Extraction of Wood Chip	6,964,336	10,491,376
Fixed assets written off	3,946,224	-
FMU expenses/Inventory	894,273	1,698,187
Maint. of trucks incl. POL	2,318,905	1,971,749
Maint. of machines Incl. POL	16,726,244	21,076,352
Maint. of road	6,228,162	5,582,026
Timber handling & Stacking	1,896,103	2,395,904
Maint. of depot	480,614	260,707
Loss from sale of Fixed Assets	1,678,937	-
Prior period Adjustment	849,443	1,336,365
Royalty		
Royalty-Timber	17,062,353	17,568,066
Royalty-Woodchips	314,872	379,331
Royalty-Sand	2,015,480	1,585,600
Royalty-Stone	1,039,320	581,120
Royalty-Stone Chips	42,320	77,923
Stock		
Loss of Stock due to natural calamities	3,690,575	-
(Increase)/Decrease in stocks	29,292,578	23,325,505
Depreciation and amortisation		
Depreciation-Building	5,439,167	3,942,820
Depreciation-Road	25,416,905	22,787,099
Depreciation-Cable Crane	1,674,398	1,071,614
Depreciation-Equipment	16,361,074	14,736,585
Depreciation-Tractor	3,113	107,074
Depreciation-Truck	1,105,638	1,105,638
Depreciation-Vehicle	922,819	1,248,687
Depreciation-Furniture	317,556	362,667
Depreciation-Office Equipment	690,934	701,723
Depreciation-Tally ERP.9 -Software	168,637	158,470
	338,095,004	332,883,605

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NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED

Items	Year End	
	31.12.2016	31.12.2015
NOTE-15		
<u>Selling & Marketing Expenses</u>		
Customer Survey	188,750	150,000
Advertisement	895,339	1,182,875
Auction expenditures	522,627	678,708
Flower Exhibition	1,537,923	-
Personnel cost		
Salary & wages	2,269,533	2,238,913
Bonus	147,520	147,082
PBVA	178,839	176,498
GPF Employers Contribution	200,532	194,732
LTC	86,075	70,055
TA/DA	100,900	143,302
	6,128,038	4,982,165

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NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED

Items	Year End	
	31.12.2016	31.12.2015
NOTE-16		
Administrative Expenses		
Printing & Stationary	762,928	857,048
Telephone/Fax/Postage	2,223,677	2,300,429
Audit Fees	107,800	148,000
Audit Expenses	234,892	314,825
Rent	1,562,867	1,676,997
Rates and Taxes	160,457	100,561
Entertainment	849,088	925,455
Electricity/Lighting(office)	521,041	573,310
Books & periodicals	43,559	49,107
Workshop/Seminar	831,791	387,693
Board expenses	1,215,189	913,864
Trade Licence	4,000	5,000
Insurance	1,205,672	1,213,399
Subscription & donations	250,000	1,174,000
Consultancy fees	110,329	565,509
Legal Expenses	500	750
Write Off	18,500	-
Welfare Expenses	695,232	393,515
Training Expenditure	3,772,122	2,801,542
Consumable stores	463,431	536,526
Maint. of Building	698,095	648,080
Maint. of Vehicle incl. POL	3,729,540	4,190,321
Maint. of Office equipment	825,531	935,518
Bank Charges	16,950	21,264
Interest on Loan	3,912,690	4,777,710
Brand & Management Fee	198,186	100,896
Deferred Revenue expenditure	8,400,000	2,100,000
Personnel cost-HQ		
Salary & wages	14,547,640	21,549,758
TA/DA	2,123,401	2,219,160
TTA/TG	829,499	1,690,193
LTC	590,370	553,410
Bonus	874,945	1,564,205
PBVA	833,401	1,654,272
GPF Employers Contribution	1,073,217	1,238,497
Medical Expenses	-	86,839
Uniform/Leveries	2,870,713	697,035
Gratuity	383,415	5,929,900
Depreciation and amortisation		
Depreciation-Building	2,035,420	2,054,689
Depreciation-Vehicle	228,893	401,006
Depreciation-Furniture	189,375	264,839
Depreciation-Office Equipment	940,903	1,069,756
	60,335,259	68,684,878

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NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED

Item	Year End	
	31.12.2016	31.12.2015
NOTE-17		
Income tax expense		
PROFIT BEFORE TAX	21,889,823	23,168,158
ADD: Medical Expenses	-	36,839
ADD: Written off	18,500	-
ADD : Board Director's Training Expenditure	-	194,422
ADD: Gift & Donation	250,000	1,174,000
ADD: Prior Period Adjustment	849,443	1,336,365
ADD: Impairment of Non-current Assets	2,922,733	-
ADD: Provision for Slowmoving stock	2,309,180	-
ADD: Bonus & PBVA	7,499,001	-
Less: Interest on Gratuity Deposit	-	(1,038,553)
Less : Stock of dead stock issued	-	(8,641)
NET TAXABLE AMOUNT	35,738,680	24,862,591
30% CIT	10,721,604	7,458,777
Assessed tax for previous years	3,337,773	-
Total Tax Expense	14,059,377	7,458,777
NOTE-18		
Proceeds from sale of property, plant and equipment		
Office equipment	9,447	82,436
Furniture	100	41,175
Building	5,500	-
Vehicle	1,316,001	657,050
Equipment(Machine)	2,301,000	29,592,600
Truck	-	1,209,000
	3,632,049	31,582,261
NOTE-19		
Finance costs – net		
Interest Received	5,352,108	3,153,182
Interest Paid	3,912,690	4,777,710
	1,439,418	(1,624,528)

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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.

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

These Financial Statements have been prepared in compliance with Bhutanese Accounting Standards (BAS) under the historical cost convention on the accrual basis.

Accounting policies have been applied consistently to all periods presented in these consolidated financial statements.

The Financial Statements have been prepared on a going concern basis in accrual system of accounting.

The functional currency of preparation is the Bhutanese Ngultrum.

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4. Accounting estimates

The preparation of the financial statements in conformity with BAS 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.

5. Application of Bhutanese Accounting Standards

The financial statements have been prepared in line with Bhutanese Accounting Standards.

6. 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

7. 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.

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.



8. 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 amortised over their estimated useful lives of the asset.

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

9. 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.

10. 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 capitalisation.

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

11. Grants

Grants from RGOB and other organizations relating to cost/expense items are recognised in the income statement over the period necessary to 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.

12. 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 amortised 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.

13. 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.

14. Financial assets

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The group's loans and receivables comprise 'loans to customers', 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet.

15. Inventories

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

16. Trade and other receivables

Trade and other receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. It is initially recognized at the fair value of the amounts to be received and is reviewed regularly for impairment. If collection is expected in one year or less

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(or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

17. 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.

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. Trade payables

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.

20. Current and deferred income tax

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

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

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

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

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

22. Provisions and Contingent Liabilities

Provisions are recognised 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 recognises 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.

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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. 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 a Accounting Standard has been applied retrospectively.





Notes on Financial Statements

1. 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.
2. 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.
3. Functional currency used is Ngultrum (Nu.) and figures are rounded off to the nearest Ngultrum.
4. The Operating Cycle for the Company has been considered as one year and the corresponding bifurcation of assets and liabilities into Current and Non Current Assets/Liabilities has been done on this basis. Previous year's figures are regrouped/rearranged wherever necessary.
5. Financial Statements

5.1 Share Capital

All ordinary shares are ranked equally. The authorized share capital of the company is Nu. 50 million (500,000 equity share @ Nu.100 per share).

As of the report date, the total subscribed and paid up share capital is Nu. 45 million (450,000 @ Nu.100 per share).

5.2 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.

5.3 Contingent liabilities

During the year (2015) the company has suspended the operation of three quarry contracts with closure of the operation of three number crushing plants in view of the continuous operating loss incurred by the company. The company has the obligation to compensate the quarry contractors for premature termination of the contracts. The settlement of the compensation with two contractors is pending as the case is forwarded in the Royal Court of Justice, Thimphu.






The provision for compensation on account of premature termination of the contract analyzed by the company amounting to Nu. 29,736,486.87 (Nu.6,298,320.80 + Nu.23,438,166.07) has been treated as contingent liabilities.

6. Inventory

A. Products

Particular	Opening stock as on 1 st January (Qty)	Production (Qty)	Disposal (Qty)	Book balance as on 31 st December (Qty)	Physical Balance as on 31 st December (Qty)
A. Timber (cft)					
2016	447,577.96	1,687,091.74	1,770,200.20	364,469.50	364,152.25
2015	646,102.05	1,756,580.49	1,954,917.00	447,765.54	447,577.96
B. Sand (M³)					
2016	97,922.09	410,107.85	433,799.95	74,299.99	29,703.99
2015	121,573.20	318,443.11	330,132.36	109,883.95	97,922.09
C. Stone (cft)					
2016	1,524,016.20	5,429,201.38	5,447,635.11	1,505,582.47	318,902.47
2015	453,443.53	4,079,355.71	3,008,570.04	1,524,229.20	1,524,016.20
D. Stone Chips (cft)					
2016	1,306,212.58	1,212,144.99	1,582,505.39	935,852.18	935,851.96
2015	1,999,959.02	1,248,774.79	1,901,010.39	1,347,723.42	1,306,212.58
E. Briquette (kg)					
2016	36,330.00	233,880.00	266,580.00	3,630.00	3,180.00
2015	58,240.00	249,000.00	270,910.00	36,330.00	36,330.00
F. Raw material for crushing plants (cft)					
2016	2,591,556.15	606,018.28	1,174,675.68	2,022,898.76	2,022,898.76
2015	1,863,728.00	1,883,986.27	1,156,158.13	2,591,556.14	2,591,556.15
G. Raw material (Briquette Unit (T/L))					
2016	3.00	165.00	138.00	30.00	30.00
2015	21.00	118.00	136.00	3.00	3.00
H. Fire wood (M3)					
2016	405.00	320.00	546.00	179.00	179.00
2015	309.50	688.00	592.50	405.00	405.00

Ref: Annexure-I

The Company has adopted cost (using the weighted average method) for valuation of closing.

B. Spare parts

- The carrying amount of inventory on spare parts as on 31st December'16 is Nu. 15,051,306 including dead stock of Nu. 2,732,469. Provision has been made fully in respect of the Dead stock.
- No part of the inventory was sold during the year 2016.

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7. Deferred Revenue Expenditure

The company treats the long term training expenditure of the employees as a deferred revenue expenditure and the same is written off over a period of 3 years. In view of the same an amount of Nu. 912,933 as shown as assets in the financial statements.

8. Company supply timber to the rural people at subsidized rate entailing financial consequential loss to the corporation, if compared with the corresponding commercial value of the same quantity of timbers calculated at average selling price of such materials.

Year	Volume (cft)	Total Chargeable (Nu)			Actually charged (Nu)		
		Cost	Royalty	Total	Cost	Royalty	Total
2016	40,622.93	7,238,680	485,152	7,723,832	6,194,853	32,498	6,227,351
2015	51,850.04	9,209,006	602,596	9,811,602	6,019,051	41,480	6,060,531

Subsidized amount (Nu)		
Cost	Royalty	Total
1,043,827	452,654	1,496,481
3,189,955	561,116	3,751,071

Annexure-II

9. Property, Plant and equipment

Depreciation on assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful life as follows;

Asset Type	Useful life
Land	Not Applicable
Building	
a) Permanent	30 to 35 years
b) Semi-permanent	5 years
c) Temporary	1 year
*Road	10 years
Plant, Machinery and equipment	6 to 7 years
Computer and office equipment	6 to 7 years
Furniture and fixture	6 to 7 years
Vehicle	6 to 7 years
Software application	3 years

* The forest roads treated as semi-permanent are amortized over a useful life of 10 years.

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A professional's advice has not been sought for estimating the useful life of the assets and Management has estimated the same considering the normal wear and tear in similar line of business operations.

- i) Fixed assets are stated at cost plus other charges for bringing the assets to the location and include installation charges, less accumulated depreciation.
- ii) There was no revaluation of Property, Plant and Equipment during the year.
- iii) Capitalization of Capital W.I.P has been done on the basis of completion certificate issued by the concerned authority

10. The confirmations for the closing balances of Receivables, Payables, Creditors, and Advances have not been obtained and as such, the amounts are stated as per their respective book balances.

11. 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 with maximum limit of Nu. 1,500,000 (One and half million).

i) Statement of Financial Position

	2016	2015
Defined benefit obligation (DBO)	(59,813,020)	(61,093,400)
Fair value of Plan Assets (FVA)	68,140,210	68,995,810
Funded Status (Surplus/(Deficit))	8,327,190	7,902,410
Effect of Asset ceiling	-	-
Net defined benefit asset (DBA)	8,327,190	7,902,410

ii. Statement of Comprehensive Income

	2016	2015
Current Service Cost	4,083,930	4,539,730
Past Service cost- plan amendments	(2,760,250)	-
Curtailment cost/(credit)	-	-
Settlement cost/(credit)	-	-
Service cost	1,323,680	4,539,730
Net interest on net defined liability/(assets)	(9,40,265)	1,390,170
Immediate recognition of (gains)/losses-other long term employee benefit plans	-	-
Cost Recognized in Statement of comprehensive Income	383,415	5,929,900

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iii. Other Comprehensive Income

	2016	2015
Actuarial (gain)/loss due to liability experience	(3,939,830)	(6,220,900)
Actuarial (gain)/loss due to liability assumption changes	-	-
Actuarial (gain)/loss arising during period	(3,939,830)	(6,220,900)
Return on plan assets (greater)/less than discount rate	-	1,742,270
Actuarial (gains)/losses recognized in OCI	(3,939,830)	(4,478,630)
Adjustment for limit on net asset		-

- 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 with maximum ceiling of Nu. 1,500,000.00

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.

12. 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	45,000,000.00
		b. Inter group Brand management Fees (expense)	198,185.87
		c. Hire charges (Income)	80,000.00
Bhutan Power Corporation Limited	Fellow Subsidiary	a. Electricity Charges	726,029.00
		b. Sale of Natural Resources (Income)	7,782.40
		c. Log sales (Income)	133,302.24
		d. Trade payables	35,144.00
Bank of Bhutan Limited	Fellow Subsidiary	a. Bank Charges	15,327.25
		b. Bank balance	37,603,924
Bhutan Telecom Limited	Fellow	a. Communication; internet and	1,679,458.89

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	Subsidiary	telephone charges	
		b. Misc. expense	100,000.00
		c. Trade payable	244,241.20
Wood Craft Center Ltd	Fellow Subsidiary	a. Furniture purchase	7,260.00
		b. Log sales	813,626.00
Druk Air Corporation Limited	Fellow Subsidiary	a. Flight tickets expenditure	332,251.00
State Trading Corporation Limited	Fellow Subsidiary	a. Running & Maintenance Of Vehicle	580,549.64
		b. Purchase of ICT products	217,350.00
Construction Development Corporation Limited	Fellow Subsidiary	a. Log sales	282,447.00
		b. Building and civil structures	11,220,030.00
		c. Sale of natural resources	191,503.00
		d. Running and maint. Of machines	126,084.00
		e. Misc. Income	45,000.00
		f. Trade payable	2,935.46

Key Management Personnel

A) Managing Director's Remuneration and other benefits

Particulars	2016	2015
Salary	1,327,800	1,408,000
Other benefits	304,436	00
Provident Fund	92,972	96,558
Sitting fee	81,000	99,000
Total	1,806,208	1,603,558

B) Board Directors

Position	Name	2016 (Nu)	2015 (Nu)	Remarks
Chairperson	Mr. Chencho Norbu	24,000	64,000	Resigned
Chairperson	Dasho Karma W Penjor	48,000		New
Director	Mr. Phento Tshering	56,000		New
Director	Mrs. Kinley Tshering	68,000		New
Director	Mr. Tashi	104,000	68,000	
Director	Mr. Rinzin Namgay		24,000	Resigned
Director	Mr. Sonam Tobgay Dorji	20,000	56,000	Resigned
Director	Mr. Tenzin Namgay	12,000	76,000	Resigned
Director	Mr. Karma Galleg	88,000	80,000	Resigned
Director	Karma Jattu	80,000	40,000	

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C) Special Invitees

Position	Name	2016 (Nu)	2015 (Nu)
Company Secretary	Mrs. Dorji Wangmo	60,000	48,000
Chairperson, DHI	Dasho Sangay Khandu	16,000	
CEO, DHI	Dasho Karma Y Raydi	16,000	
CEO, Middle Path to Bhutan	Mr. Karma Tsetop Rinchen	16,000	
General Manager	Mr. Sonam Chopel	6,000	

13. 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 there is no 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.

14. Impairment

On the basis of objective evidence the company has assessed and considered crushing plant located at Ngangshing, Zhonggar Region impaired. The impairment recognized in the statement of comprehensive income is Nu. 2,922,733 measured by the amount by which the carrying amount of the assets exceeds the estimated recoverable amount of the assets. The details of the impairment are as follows:

Particular	WDV as on 31/12/2016 (Nu)	Net Realizable amount (Nu)	Impairment (Nu)
Crushing plant	3,279,082	2,300,000	979,082
Installation cost	1,187,481	-	1,187,481
Electrification	756,170	-	756,170
Total	5,222,733	2,300,000	2,922,733

15. Write off of components pertaining to disposed stone crushing plants:

During the year the company has identified and written off the unusable components of discontinued stone crushing plants to an extent of Nu. 3,946,224.

16. Advances recoverable from negligent employees:

'Advances recoverable from others' include an amount of Nu. 1,162,990 which is recoverable from two negligent employees who were held accountable for the additional cost incurred by the company in the construction of a road project. Legal proceedings have been initiated against the employees and the management is confident of recovering the amount.

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17. Write-off of Stock lost to natural calamities:

During the year the company has identified and fully written off the stock valuing Nu. 3,690,575 lost to natural calamities that occurred in the year 2015.

18. Provision towards Non moving Raw materials held at Stone Crushing Plants

Taking into consideration the slow movement of certain Raw materials held at Stone Crushing plant, the company during the year under review provided diminution towards such inventories aggregating to Nu.2,309,180

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NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED
QUANTITATIVE ANALYSIS(cft) OF STOCK as on 31.12.2016

Sl.No.	Divisions	Opening Stock as on 1.1.16 (Cft.)	Production (Cft.)	Disposal (Cft.)	Book Balance as on 31.12.16 (Cft.)	Physical Balance as on 31.12.16 (Cft.)	Total Value as on 31.12.16	29-Mar-17	
								Physical Balance as on 31.12.16 (Cft.)	Total Value as on 31.12.16
1	Wang-2016 -2015	26,000.58 55,862.06	289,844.23 255,616.49	281,146.73 285,477.77	34,498.08 28,000.77	34,498.08 26,000.58	4,494,893.97 3,622,661.21		
2	Rimpung-2016 -2015	49,020.40 77,610.45	475,583.63 607,550.50	491,633.48 636,140.54	32,970.55 49,020.40	32,962.34 49,020.40	2,784,809.64 3,920,651.93		
3	Zhonggar-2016 -2015	158,901.23 202,617.95	297,700.75 235,815.99	313,082.31 279,641.51	143,519.67 158,792.44	143,519.67 158,901.23	18,407,859.17 21,760,591.40		
4	Sha -2016 -2015	45,548.35 133,769.42	175,341.04 232,612.27	177,229.97 320,833.34	43,659.42 45,548.35	43,659.42 45,548.35	6,260,550.31 5,310,026.64		
5	Paling-2016 -2015	11,772.25 17,613.23	43,247.41 50,616.91	44,914.39 56,457.90	10,105.27 11,772.25	10,105.27 11,772.25	1,479,411.53 1,733,581.11		
6	Jakar -2016 -2015	156,335.15 158,628.94	405,574.68 374,368.33	462,193.32 376,365.94	99,716.50 156,631.33	99,407.46 156,335.15	10,859,154.72 16,315,135.61		
	Total : 2016	447,877.96	1,687,091.74	1,770,200.20	364,469.50	364,162.26	44,376,479.34		
	Total : 2015	646,102.05	1,756,560.49	1,954,917.00	447,765.54	447,577.96	52,662,646.11		

Briquette

Sl.No.	Divisions	Opening Stock as on 1.1.16 (KG)	Production (KG)	Disposal (KG)	Book Balance as on 31.12.16 (KG)	Physical Balance as on 31.12.16 (KG)	Total Value as on 31.12.16	29-Mar-17	
								Physical Balance as on 31.12.16 (KG)	Total Value as on 31.12.16
1	Wang-Briq. -2016 -2015	36,330.00 58,240.00	233,880.00 249,000.00	266,580.00 270,910.00	3,630.00 36,330.00	3,180.00 36,330.00	19,080.00 217,980.00		
	Total : 2016	36,330.00	233,880.00	266,580.00	3,630.00	3,180.00	19,080.00		
	Total : 2015	58,240.00	249,000.00	270,910.00	36,330.00	36,330.00	217,980.00		

Firewood

1	Wang-Firewood -2016 -2015	405.00 309.50	320.00 688.00	546.00 592.50	179.00 405.00	179.00 405.00	158,227.05 367,699.75		
	Total : 2016	405.00	320.00	546.00	179.00	179.00	158,227.05		
	Total : 2015	309.50	688.00	592.50	405.00	405.00	367,699.75		



NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED

QUANTITATIVE ANALYSIS OF STOCK as on 31.12.2016

29-Mar-17

Sand Sl.No.	Divisions	Opening Stock as on 1.1.16 (m ³)	Production (m ³)	Disposal (m ³)	Book Balance as on 31.12.16 (m ³)	Physical Balance as on 31.12.16 (m ³)	Total Value as on 31.12.16 (m ³)
1	Wiang -2016	25.39	248.00	288.40	4.99	4.99	1,097.30
	-2015	115.29	160.00	249.90	25.39	25.39	2,554.87
2	Rimpung-2016	-	80.00	80.00	-	-	-
	-2015	-	24.00	24.00	-	-	-
3	Zhonggar-2016	25,080.00	36,141.38	50,398.58	12,822.80	1,496.00	162,361.25
	-2015	6,400.00	43,795.56	25,115.56	25,080.00	25,080.00	2,323,912.80
4	Shia-2016	23,345.55	273,059.51	269,042.51	27,362.55	23,680.00	2,368,304.02
	-2015	54,532.66	213,698.75	239,895.60	28,345.81	23,345.55	2,680,473.54
5	PAIing-2016	9,118.00	52,824.00	55,730.00	6,212.00	4,523.00	109,125.69
	-2015	5,792.00	32,741.50	28,421.50	10,112.00	9,118.00	267,157.40
6	Jakar-2016	40,353.15	45,754.96	58,260.46	27,827.65	-	-
	-2015	54,733.25	28,023.30	36,425.80	46,330.75	40,353.15	3,953,398.11
	Total : 2016	97,522.09	410,107.85	433,799.85	74,229.99	29,703.99	2,640,908.26
	Total : 2015	121,573.20	318,443.11	330,132.36	109,883.95	97,522.09	9,235,496.71

29-Mar-17

Stone Sl.No.	Divisions	Opening Stock as on 1.1.16 (Cft)	Production (Cft)	Disposal (Cft)	Book Balance as on 31.12.16 (Cft)	Physical Balance as on 31.12.16 (Cft)	Total Value as on 31.12.16 (Cft)
1	Wiang -2016	0.00	0.00	0.00	0.00	0.00	0.00
	-2015	0.00	0.00	0.00	0.00	0.00	0.00
2	Rimpung-2016	0.00	9,840.00	9,840.00	0.00	0.00	0.00
	-2015	0.00	12,972.00	12,972.00	0.00	0.00	0.00
3	Zhonggar-2016	1,186,680.00	705,696.40	705,696.40	1,186,680.00	0.00	0.00
	-2015	0.00	1,635,269.60	448,589.60	1,186,680.00	1,186,680.00	3,690,574.80
4	Shia-2016	0.00	0.00	0.00	0.00	0.00	0.00
	-2015	0.00	108,117.00	108,117.00	0.00	0.00	0.00
6	PAIing-2016	0.00	3,963,088.00	3,963,088.00	0.00	0.00	0.00
	-2015	4,532.00	1,919,976.00	1,924,296.00	213.00	0.00	0.00
7	Jakar-2016	337,336.20	750,578.88	789,012.71	316,902.47	316,902.47	836,403.20
	-2015	448,910.53	403,021.11	514,595.44	337,336.20	337,336.20	968,515.15
	Total : 2016	1,524,016.20	5,429,201.38	5,447,635.11	1,550,582.47	318,902.47	836,403.20
	Total : 2015	453,443.53	4,079,355.71	3,008,570.04	1,524,229.20	1,524,016.20	4,689,089.95



NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED

QUANTITATIVE ANALYSIS OF STOCK as on 31.12.2016

Stones Chips

Sl.No.	Divisions	Opening Stock as on 1.1.16 (CFT)	Production (CFT)	Disposal (CFT)	Book Balance as on 31.12.16 (CFT)	Physical Balance as on 31.12.16 (CFT)	Total Value as on 31.12.16 (CFT)
1	Rinpong						
	Phubana SCP -2016 -2015	20,400.34 -	138,184.10 271,721.25	158,594.44 251,320.91	- 20,400.34	- 20,400.34	- 138,926.32
2	Zhonggar						
	Tingzang SCP -2016	806,408.92	79,974.49	494,292.00	392,091.41	392,091.41	7,488,763.32
	-2015	1,028,684.45	97,944.47	320,220.00	806,408.92	806,408.92	15,172,890.29
	Kencholing SCP-2016	8,974.50	304,436.50	263,390.00	50,051.00	50,051.00	307,741.95
	-2015	47,896.05	192,083.50	189,494.00	50,485.55	8,974.50	121,910.75
3	Jakar						
	Gokanti SCP -2016	84,064.81	-	10,859.13	73,205.68	73,205.68	1,102,732.77
	-2015	105,886.59	-	21,821.65	84,064.94	84,064.81	1,635,785.96
	Nipangshing SCP -2016	59,499.82	131,081.20	150,235.50	80,285.52	80,285.52	1,489,998.24
-2015	28,891.57	190,500.00	119,891.76	99,499.81	99,499.82	1,594,999.03	
3	Jakar						
	Bhur SCP -2016	281,786.24	553,405.99	484,973.66	340,216.57	340,216.35	3,053,926.66
-2015	311,226.18	397,930.14	427,370.08	281,786.24	281,786.24	3,079,204.28	
	Homdar SCP -2016						
	-2015	5,077.95	5,062.71	10,140.66	-	-	-
	Grand Total: 2016	1,306,212.58	1,212,144.99	1,582,505.39	935,852.18	935,851.96	13,443,162.94
	Grand Total: 2015	1,999,959.02	1,248,774.79	1,901,010.39	1,347,723.42	1,306,212.58	21,771,649.35

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Rawmaterials for Stone Crusher

2	Divisions	Opening Stock as on 1.1.16 (CFT)	Production (CFT)	Disposal (CFT)	Book Balance as on 31.12.16 (CFT)	Physical Balance as on 31.12.16 (CFT)	Total Value as on 31.12.16 (CFT)
1	Zhonggar						
	Tingzam SCP -2016	528,022.33		99,992.55	428,029.78	428,029.78	5,560,106.84
	-2015	567,979.19	53,516.14	93,473.00	528,022.33	528,022.33	6,959,010.07
	Kemholing SCP -2016	17,039.00	312,480.00	308,430.00	21,089.00	21,089.00	221,854.74
	-2015	78,058.00	154,034.00	215,053.00	17,039.00	17,039.00	132,904.20
	Golanli SCP -2016	50,097.44	-	-	50,097.44	50,097.44	382,243.47
	-2015	54,297.44	-	4,200.00	50,097.44	50,097.44	382,243.47
	Ngangshing SCP-2016	757,846.35	-	140,285.30	617,561.05	617,561.05	7,812,147.28
	-2015	319,669.12	647,777.23	209,600.00	757,846.35	757,846.35	9,586,756.33
3	Jakar						
	Bhur SCP -2016	485,101.49	293,536.28	577,220.00	201,419.77	201,419.77	1,333,952.93
	-2015	131,330.49	791,796.00	438,025.00	485,101.49	485,101.49	3,395,710.43
	Hondar SCP -2016	753,449.54		48,747.83	704,701.72	704,701.72	9,337,297.72
	-2015	712,393.76	236,862.90	195,807.13	753,449.53	753,449.54	9,893,206.41
	Total : 2016	2,591,556.15	606,616.28	1,174,675.68	2,022,898.76	2,022,898.76	24,647,602.99
	Total : 2015	1,863,728.00	1,883,986.27	1,156,158.13	2,591,556.15	2,591,556.15	30,339,830.90
	Rawmaterials for Briquette Unit(TL)						
	1 Wung-Biq, Unit-2016	3.00	165.00	138.00	30.00	30.00	210,753.30
	-2015	21.00	115.00	136.00	3.00	3.00	21,075.33
	Total : 2016	3.00	165.00	138.00	30.00	30.00	210,753.30
	Total : 2015	21.00	115.00	136.00	3.00	3.00	21,075.33
	Grand Total: 2016						86,332,617.07
	Grand Total: 2015						119,316,770.10

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NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED

Subsidised amount for the timber supply during the period 1.1.2016 to 31.12.2016

29-Mar-17

Purpose	Category of timber	Logs in cft.	Total chargeable (Nu.)			Actually charged (Nu.)			Subsidized amount (Nu.)		
			Royalty	Others	Total	Royalty	Others	Total	Royalty	Others	Total
Wang	B Class, Conifer	749.43	7,344.41	108,584.91	115,929.33	599.54	82,894.45	83,494.00	6,744.87	25,690.46	32,435.33
	Sub Total:	749.43	7,344.41	108,584.91	115,929.33	599.54	82,894.45	83,494.00	6,744.87	25,690.46	32,435.33
Rimpung	A Class, Conifer	264.68	3,970.20	38,651.22	42,621.42	211.74	33,531.51	33,743.25	3,758.46	5,119.71	8,878.17
	B Class, Conifer	17,841.81	174,849.74	2,605,439.51	2,780,289.25	14,273.45	1,976,273.29	1,990,546.74	160,576.29	629,166.22	789,742.51
	Sub Total:	18,106.49	178,819.94	2,644,090.73	2,822,910.67	14,485.19	2,009,804.80	2,024,290.00	164,334.75	634,285.93	798,620.68
Sha	A' Class Conifer	555.78	8,336.70	80,421.37	88,758.07	444.62	69,966.47	70,411.10	7,892.08	10,454.89	18,346.97
	B' Class Conifer	3,287.96	32,222.01	475,767.81	507,989.82	2,630.37	363,681.26	366,311.62	29,591.64	112,086.56	141,678.20
	Special Class	4,731.77	99,367.17	2,134,264.86	2,233,632.03	3,785.42	2,134,264.86	2,138,050.27	95,581.75	-	95,581.75
	Sub Total:	8,575.51	139,925.88	2,690,454.04	2,830,379.91	6,860.41	2,567,912.59	2,574,773.00	133,065.47	122,541.45	255,606.92
P/Ling	A Class, BL	2,398.42	35,976.30	327,624.17	363,600.47	1,918.74	301,936.35	303,855.09	34,057.56	25,687.82	59,745.38
	BCDE Class B.L	1,999.78	19,597.84	273,169.95	292,767.79	1,599.82	208,797.03	210,396.85	17,998.02	64,372.92	82,370.94
	Sub Total:	4,398.20	55,574.14	600,794.12	656,368.26	3,518.56	510,733.38	514,251.94	52,055.58	90,060.74	142,116.32
Jakar	A Class, BL	3,329.56	49,943.40	423,986.17	473,929.57	2,663.65	419,158.31	421,821.96	47,279.75	4,827.86	52,107.61
	B Class, Conifer	5,463.74	53,544.65	770,769.80	824,314.45	4,370.99	604,349.05	608,720.04	49,173.66	166,420.75	215,594.41
	Sub Total:	8,793.30	103,488.05	1,194,755.97	1,298,244.02	7,034.64	1,023,507.36	1,030,542.00	96,453.41	171,246.61	267,702.02
	Total (A)	40,622.93	485,162.43	7,238,679.76	7,723,832.20	32,498.34	6,194,852.59	6,227,350.93	452,654.08	1,043,827.19	1,496,481.27
Auction		1,729,577.27									
	Grand Total:	1,770,200.20	485,162.43	7,238,679.76	7,723,832.20	32,498.34	6,194,852.59	6,227,350.93	452,654.08	1,043,827.19	1,496,481.27



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