

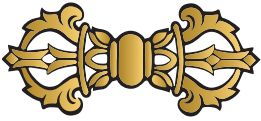
# NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED



**NRDCL**

**dhi** Company

**ANNUAL REPORT  
2018**



## THE YEAR IN REVIEW

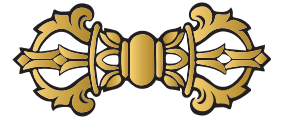
The year 2018 has been a productive and progressive year for the Natural Resources Development Corporation Limited (NRDCL) in its pursuit towards living up to the golden dreams of His Majesty the King to make the construction materials accessible, available and affordable.



With the unstinted support of NRDCL Board and Druk Holding and Investments (DHI), NRDCL successfully implemented the improved sand distribution system and the landing costs of sand to end customers were reduced to the lowest possible extent with the aim to make the sand affordable. At the

same time, NRDCL has seen a major uplift in its export of river bed materials (RBM) from Gelephu and some areas under Samtse. It has also initiated export of RBM from Samdrup Jongkhar and Nganglam. If the favorable policy and practices on RBM continue, the revenue generated from these sales could contain cost of other construction materials especially timber through cross subsidy. NRDCL deploys the most environmental friendly technology for timber operation in South Asia by incurring huge cost for the skyline cranes which is directly procured from the manufacturing companies in Europe.





On the front of Financial Performance, the company has seen significant improvement in its financial position. The revenue generation increased by 46.51% as compared to the year 2017. NRDCL has seen turn around in its profitability; from the loss of Nu. 61.827 Million in 2017, the company's profitability improved to Nu.39.808 Million in 2018.

While fulfilling our primary mandates of supplying resources for construction purposes, NRDCL at the same time also believes in giving back to and nurturing the environment for our future generations. To contribute towards maintaining 60% of Bhutan's area under forest cover for all times to come as enshrined in our constitution and also to contribute towards its pledge to remain carbon neutral, a total of 63.90 hectares of plantations were carried out in 2018 of which four hectares were established under the Green Compensatory Plantation Program (GCPP) which is generously funded by Bank of Bhutan Limited (BoBL) and Druk Air.

In further improving these developments, NRDCL was not without challenges. The spirit of NRDCL will continue to take up the challenges positively by further capitalizing on these avenues to enable us to improve our services. Thus, we remain committed to pursue our very important mandate of making resources 'available, accessible and affordable' steadfastly.

I also take this opportunity to thank, on behalf of the management and staff, all our stakeholders and partners for their continued co-operation and support, and the Board of Directors for their guidance and support. We look forward to a fulfilling year 2019 and assure to be able to serve better.

**Tashi Delek**

**(Sonam Wangchuk)**  
**CHIEF EXECUTIVE OFFICER**





# **CONTENTS**



<b>01</b>	<b>COMPANY PROFILE</b>
<b>04</b>	<b>BOARD OF DIRECTORS</b>
<b>06</b>	<b>MANAGEMENT TEAM</b>
<b>08</b>	<b>DIRECTORS' REPORT</b>
<b>20</b>	<b>CORPORATE GOVERNANCE REPORT</b>
<b>25</b>	<b>INDEPENDENT AUDITORS' REPORT</b>



## COMPANY PROFILE

### VISION

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



### MISSION

“Be the professional agency known for sustainably harvesting, marketing and equitably distributing the nation’s natural resources ensuring availability, accessibility and affordability.”

### CORE VALUES

**Transparency and Accountability:** Be disciplined, transparent and accountable for our decisions, behaviours, attitude and results.

**Integrity and Honesty:** Be fair, honest and ethical in what we seek to do and how we deliver as an organization, and have zero tolerance to corruption.

**Productivity and Efficiency:** Strive for high levels of productivity, efficiency and prompt service delivery.

**Innovation and Creativity:** Be creative and innovative in improving the products, 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 and treat all with respect, equality and fairness. Do not take advantage of people including co-workers. View people as an end in themselves, not as means to an end.

**Health and Safety:** Be conscientious in promoting and ensuring the well-being, health and safety of our people, community and environment.

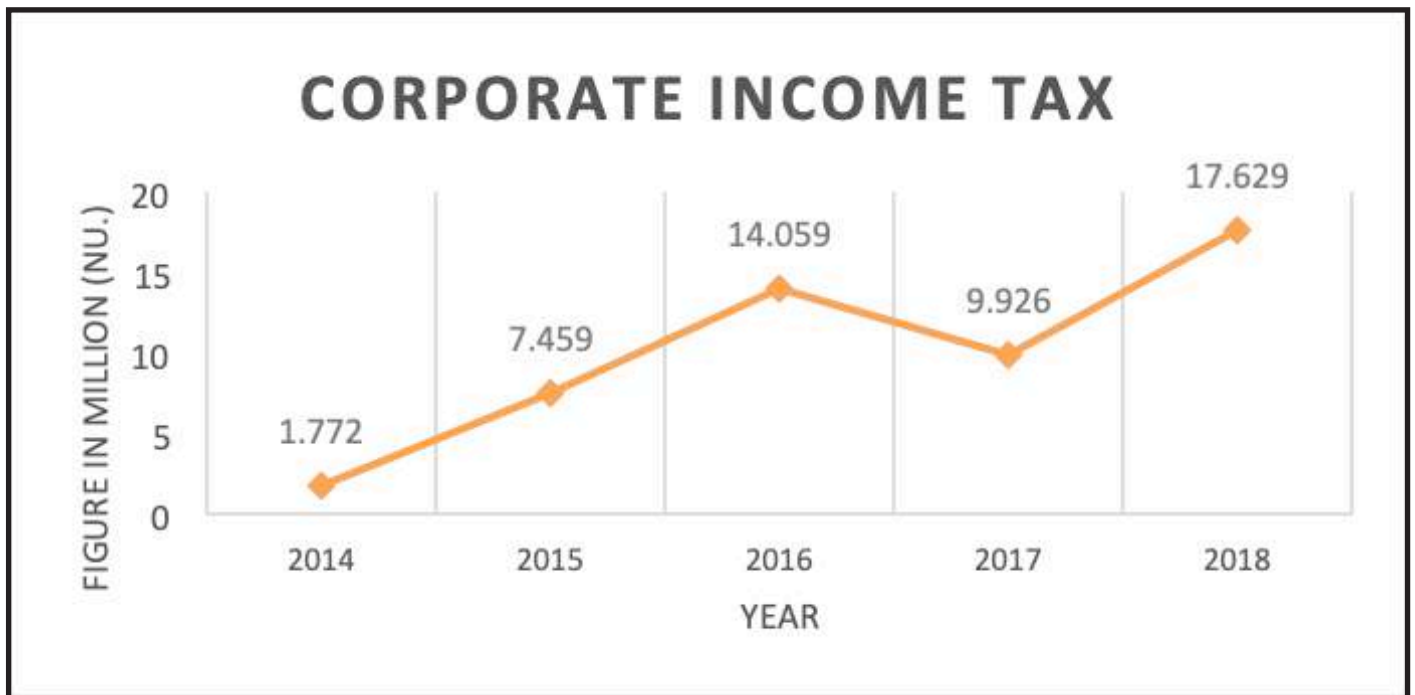
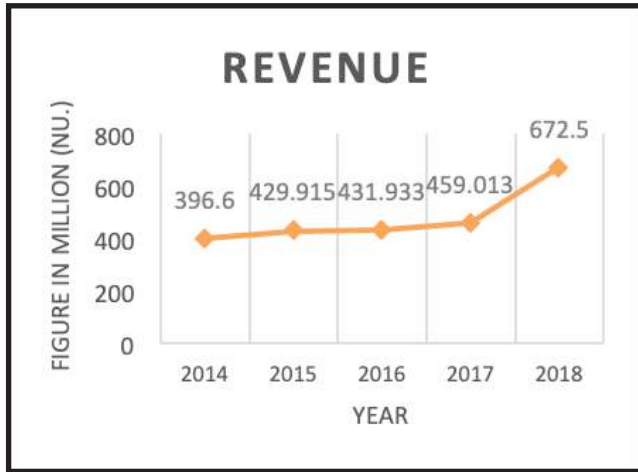
Natural Resources Development Corporation Ltd. was established in November 2007 based on an executive order of the Royal Government of Bhutan, which was issued in response to the Royal Command conveyed to the 87th session of the National Assembly. However, its history dates back to 1979 when it was created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

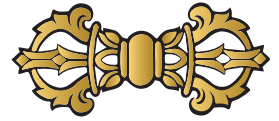
NRDCL is a fully-owned Druk Holding and Investments (DHI) company. The company is governed by the Articles of Incorporation under the Companies Act of the Kingdom of Bhutan 2016.



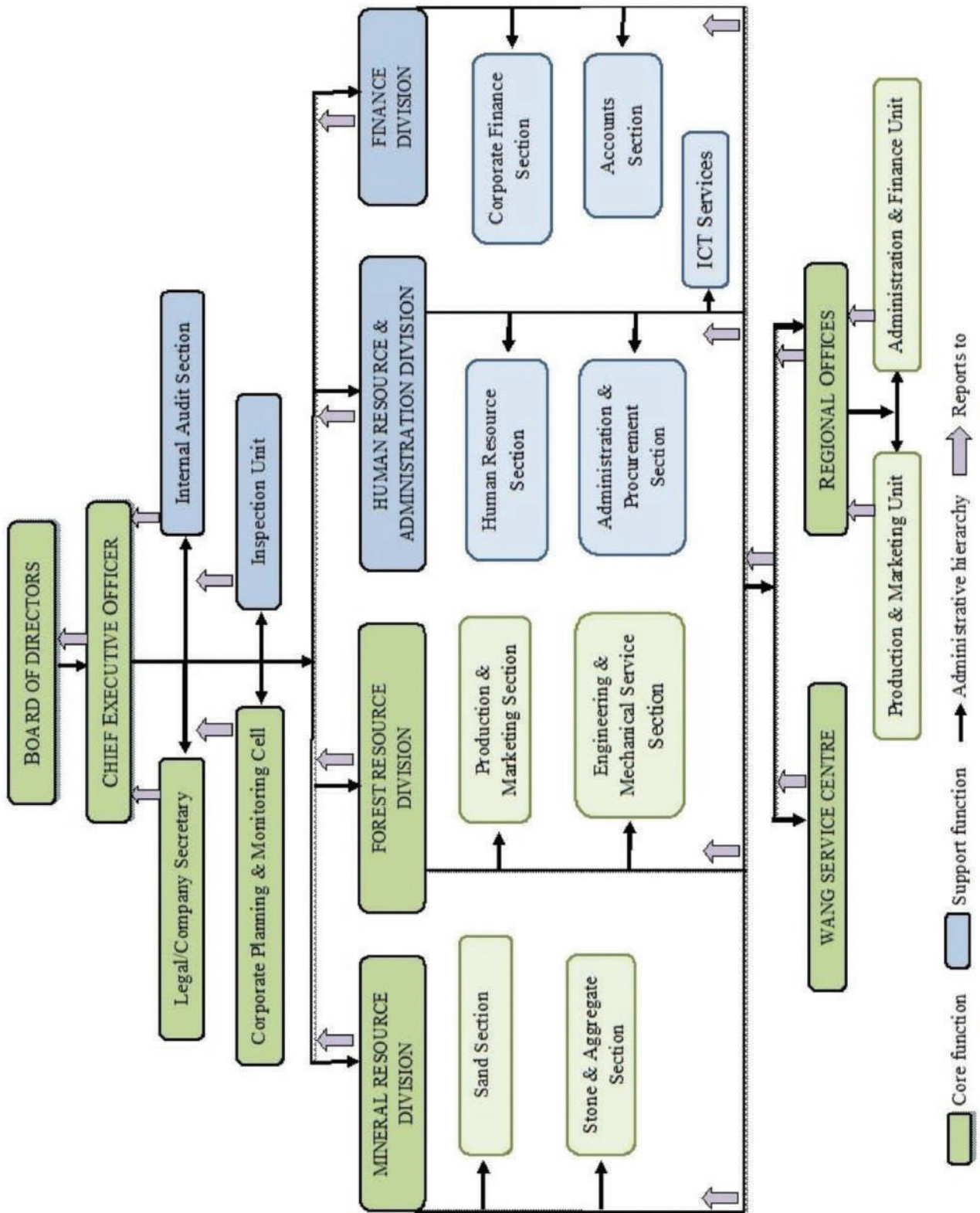


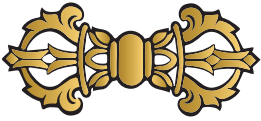
## A glance at the company`s performance in the last five years





# Organization Structure





## BOARD OF DIRECTORS

Dasho Karma W. Penjor is the Secretary of Ministry of Information and Communications. He received his Master in Development Management from Asian Institute of Management, Manila, Philippines and Bachelor in Political Economy from University of California, Berkeley, United States of America. He is the Chairman of NRDCL Board.



Mr. Tashi is currently working as Zimpon Wogm (Deputy Chamberlain) under His Majesty's Secretariat and looks after the Queen's Project Office. He received his Advanced Diploma in Chartered Management Accountants from the Chartered Institute of Management Accountants in London and Bachelor of Commerce from Sherubtse College, Kanglung, Trashigang. He is also a certified IDI/INTO-SAI Training Specialist. He serves as Independent Non-Executive Director on NRDCL Board.

Mr. Karma Dorji is an advisor at Karseng Consultancy Services, a firm based in Thimphu offering consultancy services in Agricultural Bio-security and Food safety. He is the former Director General of Bhutan Agriculture & Food Regulatory Authority, Ministry of Agriculture and Forests. He received his Post Graduate Diploma in Crop Agronomy from Queensland Agricultural College, Gatton, University of Queensland, Australia and Post Graduate Diploma in Rural Project Management from University of Edinburg, Scotland. He joined the Board from March 2017 and serves as Independent Non-Executive Director on NRDCL Board.



Ms. Kinlay Tshering is the Director of Department of Agriculture, Ministry of Agriculture and Forests. She received her Master in Horticulture from Melbourne University, Australia, Post Graduate Diploma in Agricultural Science from Melbourne University, Australia and Bachelor Degree in Horticulture from Wye College, University of London, United Kingdom. She serves as Independent Non-Executive Director on NRDCL Board.





Mr. Phento Tshering is the Director of Department of Forests and Park Services under the Ministry of Agriculture and Forests. He received his Master in Mountain Forest Ecology from the University of Natural Resources and Applied Life Sciences, Vienna, Austria in 2005, Master in Forestry from IGNFA, Dehradun, India and Bachelor of Forestry (Life Science) from Sherubtse College, Kanglung. He serves as Independent Non-Executive Director on NRDCL Board.

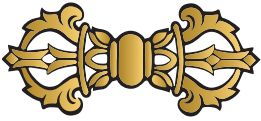


Mr. Karma Jattu is the Managing Director of Phuensum Builders Private Limited, a construction business in Bhutan. He brings with him more than 18 years of experience in the construction industry. He serves as Independent Non-Executive Director on NRDCL Board.

Mr. Damber Singh Kharka has a Masters in Economics from UNB, Canada and a PhD in Finance from Haryana School of Business. He has more than 29 Years of work experience in the field of Finance, Corporate Governance, Corporate Capacity Development and Management disciplines. He is currently serving as the Director, Corporate Performance Department, DHI. He serves as non-independent, non-executive director on NRDCL Board.



Mr. Sonam Wangchuk is the Chief Executive Officer of Natural Resources Development Corporation Ltd. He received his Master in Environmental Science from Yale School of Forestry and Environmental Studies, Yale University, Connecticut, USA and Post Graduate Diploma in Environmental Conservation and Park Management from University of Greenwich, UK. He serves as Non-Independent Executive Director on NRDCL Board.



# MANAGEMENT TEAM



**Mr. Sonam Wangchuk**  
Chief Executive Officer

Mr. Sonam Wangchuk is the Chief Executive Officer of Natural Resources Development Corporation Ltd. He received his Master in Environmental Science from Yale School of Forestry and Environmental Studies, Yale University, Connecticut, USA.



**Mr. Ashit Chhetri**  
Dy. General Manager  
Forest Resource Division

Mr. Ashit Chhetri is the head of the Forest Resource Division. He received his Master in Natural Resource Management from Mahidol University, Thailand.



**Ms. Dorji Wangmo**

Dy. General Manager  
Human Resource and  
Adm. Division

Ms. Dorji Wangmo is the head of Human Resource and Administration Division. She received her Master in Management from the University of Canberra, Australia.



**Mr. Sonam Chopel**

General Manager  
Finance Division

Mr. Sonam Chopel is the head of the Finance Division. He received his Master in Business Administration from the University of Canberra, Australia.



**Mr. Deo Kumar Biswa**

General Manager  
Mineral Resource Division

Mr. Deo Kumar Biswa is the head of the Mineral Resource Division. He received his Master in Business Administration from Utkal University, Bhubaneswar, India



## DIRECTORS' REPORT

To the Shareholders,

As the Acting Chairman of the Board of Directors of your Company (Natural Resources Development Corporation Limited), I, on behalf of the Board of Directors and the management would like to present the Directors' Report for the year ending 31st December 2018.

The company has been entrusted with the very important mandate of making natural resources 'available, accessible and affordable' to the general public. It has been our – the Board, management and employees – continuous effort to enhance service delivery and ultimately fulfil this mandate. The company worked hard on making the resources available, affordable and accessible and achieved most of its production and sales targets set for the year. On the financial front, there is tremendous improvement in the performance of the company in 2018 as compared to the last few years and corresponding improvements are achieved in the operational performances.

### 1. Financial Report

The highlight of the financial performance of the company in 2018 is presented below:

<i>Nu in million</i>				
Sl. No.	Particulars	2018	2017	2016
1	Share Capital	45.000	45.000	45.000
2	Reserves & Surplus	521.938	477.050	547.086
<b>3</b>	<b>Net worth (1+2)</b>	<b>566.938</b>	<b>522.050</b>	<b>592.086</b>
4	Borrowings (Net)	52.491	67.413	28.558
<b>5</b>	<b>Capital Employed (3+4)</b>	<b>619.429</b>	<b>589.463</b>	<b>620.644</b>
6	Gross Block of Assets	959.070	858.684	802.797
7	Net Block of Assets	472.947	432.888	418.189
<b>8</b>	<b>Working Capital</b>	<b>129.718</b>	<b>131.006</b>	<b>173.019</b>
9	Income from Sales	619.289	432.408	407.545
10	Other Income	53.211	26.604	24.135
<b>11</b>	<b>Total Income (9 +10)</b>	<b>672.500</b>	<b>459.012</b>	<b>431.680</b>
12	Expenses	615.063	510.913	409.790
<b>13</b>	<b>Profit before Tax</b>	<b>57.437</b>	<b>(51.901)</b>	<b>21.890</b>
14	Corporate Income Tax	17.568	9.926	14.059
<b>15</b>	<b>Profit After Tax</b>	<b>39.808</b>	<b>(61.827)</b>	<b>7.830</b>



### **Net worth**

The net worth of the company as on 31.12.2018 has increased by 8.59% i.e. increased from Nu.522.050 million in 2017 to Nu. 566.938 million in 2018 mainly because of the increase in retained earnings and general reserves.

### **Assets**

The gross block of assets of the company has increased by 11.69% in 2018 i.e. increased from Nu. 858.684 million in 2017 to Nu. 959.070million in 2018, which is an increase of Nu. 110.390 million. This increase is attributed mainly to capitalization of new assets purchased/constructed during the year such as cable cranes, dredging machines, loaders and road.

### **Revenue**

The company registered 46.51% increase in its total revenue i.e., an increase of Nu. 213.487 million in 2018 (from Nu. 459.013 million in 2017 to Nu. 672.499 million in 2018). This increase is mainly due to increase in sale of timber, sand and stone as compared to the previous year.

### **Profit**

During the year the company has earned profit after tax (PAT) of Nu. 39.808 million as compared to loss of Nu. 61.827 million in 2017. The liabilities no longer required to pay amounting to Nu. 14.928 million on account of provision created for compensation payment to the contractors and leveraged to the advantage of the company has also contributed to increase in PAT.

The actual profit earned by the company for the year without considering the liabilities written back is worked out at Nu. 20.657 million

### **Cash Flow**

There is overall cash outflow of Nu. 68.787 million in 2018 as compared to inflow of Nu. 71.382 million in 2017. This outflow is mainly attributed to huge compensation payment to the quarry contractors as per the provision created.

The Cash inflow from the operating activities is Nu. 32.284 million only in 2018 as compared to Nu. 98.253 million in 2017 mainly because of compensation payment.

Cash outflow from investing and financing activities is Nu. 79.643 million and Nu. 21.428 million respectively because of huge capital investment and repayment of long term debts (loan).

The cash and cash equivalent as of December 31, 2018 stood at Nu. 57.317 million in 2018 as compared to Nu.120.467 million in 2017.



The Board would like to highlight that on the whole, the performance of the company in 2018 has been commendable.

### **Expenditure**

The company registered a 20.38% increase in its total expense i.e., an increase of Nu 104.15 million (increased from Nu. 510.913 million in 2017 to Nu. 615.063 million in 2018). This increase is mainly to the increase in the production of timber and stone and inclusion of transportation cost in the cost of sales for sand.

## **2. Operational Performance**

The product-wise production and disposal report for 2018 vis-à-vis 2017 and 2016 are presented in the table below:

Sl. No.	Particulars	2018			2017	2016
		Annual Target	Achievement (Quantity)	%		
<b>Core products</b>						
1	Timber production (cft.)	1,862,278.50	2,043,102.19	109.71	1,662,036.08	1,687,091.74
2	Timber disposal (cft.)					
	a. Logs	1,350,606.28	1,368,604.53	101.33	1,281,797.39	1,770,200.20
	b. Sawn/Blocks	301,053.61	336,492.15	111.77	176,734.09	-
3	Sand production (m3)	501,790	501,586.84	99.96	526,490.28	410,107.85
4	Sand disposal (m3)	501,790	452,042.27	90.09	501,011.13	433,799.95
5	Stone production (cft)	7,241,200.00	12,146,420.74	167.74	5,575,566.87	5,429,201.38
6	Stone disposal (cft)	7,637,200.00	12,359,780.74	161.84	5,378,332.87	5,447,635.11
7	Stone chips prod. (cft)	765,000.00	775,925.09	101.43	743,273.87	1,073,960.89
8	Stone chips disposal (cft)	1,000,926.003	984,522.38	98.36	1,004,746.13	1,423,920.95

### **a. Timber**

a. Timber production in 2018 was 2.043 million cft. against the target of 1.862 million cft and in comparison to the production of 1.662 million cft in 2017, we have seen a noticeable growth of 22.9%. During the year, 1.368 million cft. log timber was disposed against the target of 1.350 million cft. and in comparison to 2017 there is a growth of 6.7%.

b. Total revenue of Nu. 313.025 million was earned from the sale of timber in 2018 against the target of Nu.297.370 million as compared to revenue earning of Nu. 277.766 million in 2017.

### **b. Sand**

a. 501,586.84 m3 of sand were extracted against the target of 501,790.00 m3 in 2018 and 452,042.27 m3 disposed against the target of 501,790.00 m3. There is a stock balance of 83, 298, 22 m3 worth



Nu. 13.433 million.

b. Transportation of sand from Sha Region by taking control over transportation was implemented from January 2018. Revenue from sand increased by Nu. 106.440 million (increased from Nu. 97.141 million in 2017 to 203.580 million in 2018). The increase was mainly due to regulation and incorporation of sand transportation cost in the revenue.

c. In order to boost the production of sand and meet the increasing demand of sand from Sha Region, profit center concept was initiated for sand dredging activity at Sha Region. The profit center involved more delegation of power to the Region and incentivizing production. A minimum required benchmark of production is fixed and for any production over and above the benchmark, profit would be shared with the concerned employees involved in the production through payment of overtime based on production. Any lower production than the defined volume would entail penalty including the deduction in the salary of employees. The system was implemented from December 2018.

d. In order to supplement sand supply for central and western dzongkhags, the new sand extraction site at Phaperkheti in Drujeygang, Dagana was operationalized.

#### **c. Stone**

a. The company made a significant progress in terms of the stone production and disposal during the year. A total of 12.146 million cft. of stone/boulders were extracted against the target of 7.241 million cft in 2018 and 12.359 million cft. were disposed against the target of 7.637 million cft. There is a stock balance of 0.213 million cft. worth Nu. 0.191 million.

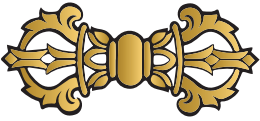
b. Revenue from stone increased by Nu. 34.520 million (increased from Nu. 22.301 million in 2017 to Nu. 56.822 million in 2018). The increase is mainly because of increase in disposal volume and export sales.

#### **d. Stone chips**

a. Stone chips production in 2018 was 0.775 million cft. against the target of 0.765 million cft in 2018 and disposal was 0.984 million cft. against the target of 1.000 million cft.

b. Total revenue of Nu. 15.501 million was earned from the sale of stone aggregates in 2018 against the target of Nu.21.802 million as compared to revenue earning of Nu. 20.829 million in 2017.

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	2018			2017	2016
		Annual Target	Actual (Quantity)	%		
1	Glue laminated timber production (nos.)	300.00	307.00	102.33	493	152
2	Joinery – Production (cft)	21,900	6,784.73	30.82	-	-
3	Joinery –Disposal (cft)	21,900	5,529.85	25.25	-	-
4	Woodchips production & Supply (MT)	2,144.84	3,727.70	3173.80	2,517.78	2,250.68
5	Firewood production & supply (m3)	24,036.04	32,949.91	168.95	34,451.54	38,184.81
6	Briquette production (kg)	350,000.00	246,420.00	70.41	263,160	233,880.00
7	Briquette disposal (kg)	350,000.00	215,040.00	61.44	185,340	266,580.00
8	Plantation Creation (Ha.)	58.35	63.90	109.51	97.72	89.28
9	Seedling production (nos)	300,000	300,033	100.01	276,234	-
10	Seedling disposal (nos)	250,000	250,519	100.21	233,743	-
11	Road construction (km)	14.490	14.490	100.00	6.21	10.770

#### ***e. Glue laminated timber production***

Produced 307 beams of various sizes of glu-laminated timber (equivalent to 3,607.37 cft. of timber) from the Glu-lam Unit at Pangbisa, Paro against the target of 300 beams. These beams were produced mainly for supply to the Royal Academy Project, Pangbisa and 646 nos. (Equivalent to 10,587.65 cft) of Glu-lam were disposed with revenue earning of Nu.7.135 million.

#### ***f. Joinery products***

Produced 6,784.73 cft. and disposed 5,529.85 cft. of joinery products (flooring and panelling) respectively against the target of 21,900 cft. from the joinery units in Ramtokto, Thimphu and Lingmethang, Monggar. As it was the first year in production, the targets were not achieved. The revenue earning from sale of joinery products was Nu.3.752 million against the target of Nu.7.032 million.

#### ***g. Woodchips***

a. A volume of 3,727.70 MT of woodchips was produced and sold against the target of 2,144.84 MT in 2018.

b. Revenue of Nu. Nu.14.177 million was earned from sale of woodchips in 2018 against the target of Nu.7.236 million and as compared to revenue earning of Nu. 9.566 million in 2018.

#### ***h. Firewood***

Supply of firewood was 32,949.91 m3 against the target of 24,036.04 m3 in 2018. Firewood supply is done based on demand and subject to availability of lops and tops or forest residue after extraction of prime timber.





### ***i. Briquette***

246,420.00 kg sawdust briquettes were produced and 215,040.00 kg disposed against the target of 350,000 kg in 2018.

### ***j. Plantation and Nursery***

a. A total of 63.90 Ha. plantation was carried out in 2018, i.e., 59.90 under normal plantaton and 4 Ha under Green Compensatory Plantation Program (GCPP). The company continues to carry out plantation programs under GCPP which was initiated in 2017 in order to promote the company as the green sector among the DHI group of companies, take a lead role in greening the environment, promote plantation programs and hence continue playing its role in supporting the government's policy of conserving natural resource and Bhutan remaining carbon neutral.

Under the GCPP, a total of 4 ha. plantation in different areas was carried out in partnership with two companies namely Bank of Bhutan Ltd and Druk Air Ltd. These companies provided a fund support of a total of Nu.0.887 million.

b. A total amount of Nu. 8.888 million (Nu. 8.233 million for normal plantation and Nu.0.655 million under GCPP) was spent in the creation and maintenance of plantation in 2018.

c. A total of 300,033 nos. of seedlings were raised against the target of 300,000 seedlings and 250,519 nos. were disposed against the target of 250,000 seedlings. These include seedlings which were used for NRDCL's plantations and plantation maintenance works as well as those supplied to outside customers.

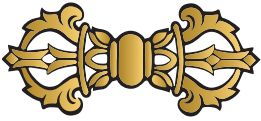
### ***k. Road construction***

A total of 14.579 km of road construction was completed against the target of 12.3 km at a cost of Nu.27.068 million. Approximately Nu. 5.467 million was spent on maintenance. Roads are constructed to facilitate timber harvesting and gain access to the operation areas.

### ***l. Other Challenges***

Apart from the financial and operational performances, the company also worked on streamlining and improving systems and processes geared towards further enhancing the delivery of services and performance of the company. The Board would like to briefly highlight a few of these as follows:

- Capitalizing on the opening of export of river-borne materials (RBM) by the Government from mid-2017, the company increased the RBM activities along the southern belt, particularly under Sarpang, Chukha and Samtse Dzongkhags and took them up on much bigger scales as compared to the past. As a result, there were significant returns from this particular activity during the year.
- With the implementation of the revised sand distribution system from Sha Region from the beginning



---

of 2018 which requires all transportation to be routed through NRDCL, the overall sand landing cost to the customers could be contained to a large extent. It still continues to be a challenge for the company to completely curtail illegal activities/hoarding of sand. Nevertheless, both the Board and management are continuously working towards minimizing it as much as possible and to provide the best possible service by exploring and identifying alternative areas/sources of sand supply and through a fair system of distribution of the scarce resources at our disposal.

- The Corporate Strategic Plan for 2019-2030 for the company was developed in line with the Strategic Road Map of Druk Holding & Investments. The Corporate Strategic Plan will provide strategic direction and focus to the company in the coming years and help in serving the nation and people better through enhanced services.
- Another significant initiative was the development and implementation of ERP System, an open source business process management software. This system uses integrated applications to manage the business and automate back office functions related to buying, selling, manufacturing, accounting and human resources and is expected to enhance business processes and the customer service delivery in NRDCL substantially.
- One major challenge that the company had been facing over the past few years was the inadequate number of logging machineries in the field. Adopting an aggressive machinery replacement plan, the company has been procuring logging machines in the last three years despite its poor financial position. In 2018 also, one set of cable crane was purchased, taking the total number of cable cranes deployed in the field to 12 (twelve) with four machines being fairly new. Recently, NRDCL has placed order for three more. This will enhance production and is also in line with NRDCL's commitment towards 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.
- It has been the endeavor of the company to develop and build the in-housing capacity and specialization in timber extraction works. Accordingly, mobile felling and cross-cutting teams were set up under all Regions and in some areas, execution of all timber harvesting works departmentally was initiated during the year.

The company has signed the Corporate Integrity Pledge with the Anti-Corruption Commission and has taken a zero-tolerance approach to corruption. The Board and management places importance in ensuring clean conduct by all employees, to uphold the company's image and ensure there are no corrupt practices or misuse of public resources.



### **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 2018 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 Bhutan 2016.

### **4. Dividend**

The Board recommended 15% of the Share Capital of Nu.45.000 Million, i.e., 6,750,000 as dividend for the financial year 2018.

### **5. Corporate Governance Report**

It is the Board's and company's continuing endeavor 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 eight 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 and the Company Act of Kingdom of Bhutan. 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 may also attend in order to provide the board with required information as and when they are called in. The Board is assisted by a Company Secretary who is not a member of the Board. Composition of the Board and attendance in 2018.



Name of Director	Category	Profile	Date of appointment	No. of Board meetings attended
Dasho Karma W. Penjor	Chairman	Secretary, Ministry of Information & Communications	March 2016	4
Mr. Tashi	Independent Non-Executive	Zimponwom, Office of the Gyalpoi Zimpon	March 2011	7
Mr. Karma Jattu	Independent Non-Executive	Managing Director, Phuen-sum Builders Pvt. Ltd.	April 2015	5
Mr. Phento Tshering	Independent Non-Executive	Director, Department of Forest & Park Services, MoAF	March 2016	6
Ms. Kinlay Tshering	Independent Non-Executive	Director, Department of Agriculture, MoAF	March 2016	7
Mr. Karma Dorji	Independent Non-Executive	Former Director General, BAFRA	March 2017	7
Dr. Damber Singh Kharka	Non-Independent, Non-Executive	Director, CPD, DHI	March 2018	5
Mr. Sonam Wangchuk	Non-Independent Executive	CEO, NRDCL	September 2017	7

Seven Board meetings were conducted in 2018, maintaining the quorum requirements and the gaps between the meetings not exceeding three months in accordance with the Companies Act 2016 and DHI CG Code.

Notices including agenda with the necessary information and reference materials are sent to Board Directors before the meetings in keeping with the requirements of the CG Code. Additional meetings 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 2018.
2. Board Governance Committee: Its primary responsibility is to review and make recommendations



to the Board on issues related to policies, procedures, systems and the company’s budget and business plans. It also functions as the HR and procurement committee of the Board.

The Board Governance Committee is comprised of four Directors, including the CEO as members and three meetings were held in 2018.

3. Nomination and Governance Committee: The NGC for the selection of CEO is carried out by the Board with board members representing from the DHI. The NGC is set up as and when required and follows procedures as streamlined within the DHI Guideline for Selection and Appointment of CEOs in DHI Owned Companies. No NGC meetings were conducted in 2018 as there was no requirement.

### **General Meetings**

The Annual General Meeting was held on March 15, 2018.

An Extraordinary General Meeting was convened on July 4, 2018 for formalization of the appointment of Board Directors.

## **6. Corporate Social Responsibility**

### **a. Green Compensation Plantation Program**

The Green Compensatory Plantation Program (GCPP) was carried out with the support of Bank of Bhutan Ltd and Druk Air Ltd., from whom a total fund support of Nu.0.886 million was received during the year to carry out plantations and maintenance as given below:

<b>Company name</b>	<b>Fund support (Nu. in million)</b>	<b>Location</b>	<b>Area (ha)</b>
Bank of Bhutan Ltd.	0.443	Depsi, Thimphu	2
Druk Air Ltd.	0.443	Depsi, Thimphu	2
<b>Total</b>	<b>0.886</b>		<b>4</b>

The GCPP includes afforestation in blank areas, reforestation in degraded/deforested areas, rehabilitation of fire burnt and pest/disease affected areas, protection of watershed areas.

### **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, firewood worth Nu.84,985 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 fuel wood.



#### **d. Donations**

In 2018, the company made donations amounting to a total of Nu. 1,137,108 for various social, religious and welfare purposes. Out of the above total amount, Nu.1.000 million was contributed through the DHI group towards construction of chorten at Thrumshingla pass.

#### **e. Construction and maintenance of forest roads**

Many of the forest roads constructed and maintained by NRDCL for timber extraction in different regions also generate immense socio-economic benefits to the local communities. Apart from the roads constructed by NRDCL, the company also contributes annually towards maintenance of farm roads which are used for log transportation. This is done at Longchu in Haa, Rodungla in Bumthang and Teki-Agona in Wangdue Phodrang.

### **7. Environment Protection and Promotion Activities**

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

- a. Use of environment-friendly technology and processes in its operations such as mechanized logging operations, environment friendly road constructions, etc.
- b. NRDCL has been investing in afforestation and reforestation activities. In 2018, Nu. 8.888 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 2018, timber salvage operations were carried out in bark beetle affected and fire-burnt areas in Paro, Thimphu and Haa.
- d. River protection and mitigation works are carried out wherever required. During the year, the company carried out following activities:

- Gabion wall construction and mitigation works, including channelizing of different rivers and seasonal streams in Gelephu, for which a total amount of Nu.2.892 million was spent. Out of this total amount, Nu.1.726 alone was spent on channelizing rivers (2.28 km) as part of corporate social responsibility.
- Similarly, at Tshokona, Wangdue, construction of 100 m gabion wall at a cost of Nu. 1.508 million and 295 m wind barricade protection wall for paddy fields near the sand stockyard at a cost of Nu.0.303 million was carried out.

### **8. Customer Service**

The Customer Satisfaction Index (CSI) for 2018 is 3.46 out of 5 as per the Customer Satisfaction Survey Report. It is the endeavour of the Board, management and employees of the company to render public service in the best way possible manner.



## **9. Organizational and Human Resource Management and Development**

NRDCL has a total of 394 employees (353 regular, 5 contract and 36 ESP) managing operations at the Head Office and the six Regional Offices covering the whole country. The number of employees has increased in 2018 with the setting up of mobile felling and cross-cutting units, joinery units, one additional cable crane set, two sand dredging machines among others.

The organization structure was revised and implemented from January 2018, with the main objective of having clear segregation of responsibilities, avoid duplication in the functions and to have specialized Divisions looking after the specific core products – forest resources and mineral resource, thereby increasing efficiency of service delivery. As a result, two core Divisions, Forest Resource Division and Mineral Resource Division, were created at the Head Office in place of Production Division and Business Development and Marketing Division. Similarly, Wang Region was merged with Rinpung Region and a Wang Service Centre (WSC) created at Ramtokto.

Working towards building the human resource capacity of the company, an amount of Nu.6.727 million was spent towards HR development and training during the year.

## **10. 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, Thromdes and local governments, rural communities and other concerned government and private agencies for their guidance, continued cooperation and support, feedback and encouragement which have been valuable for directing the course of the Company affairs and achievement of its various goals and objectives.

The Board would also like to extend appreciation for the leadership and guidance provided by 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.

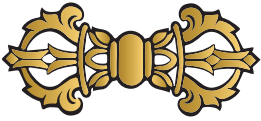
**TASHI DELEK**

***For and on behalf of the Board.***

(Damber Singh Kharka)

**Acting Chairman**

**NRDCL**



## CORPORATE GOVERNANCE REPORT

Natural Resources Development Corporation complied with the requirements of the Companies Act of the Kingdom of Bhutan 2016, Corporate Governance Code of DHI and other statutory requirements. The Board was constituted of eight members, including the Chief Executive Officer. Board meetings were conducted in keeping with the requirements of the Companies Act 2016 and DHI CG Code.

### **Board Directors**

<b>Name of Director</b>	<b>Category</b>	<b>Profile</b>	<b>Date of appointment</b>	<b>Term on the Board</b>
Dasho Karma W. Penjor	Chairman	Secretary, Ministry of Information & Communications	March 2016	Second
Mr. Tashi	Independent Non-Executive	Zimponwom, Office of the Gyalpoi Zimpon	March 2011	Fourth
Mr. Karma Jattu	Independent Non-Executive	Managing Director, Phuensum Builders Pvt. Ltd.	April 2015	Second
Mr. Phento Tshering	Independent Non-Executive	Director, Department of Forest & Park Services, MoAF	March 2016	Second
Ms. Kinlay Tshering	Independent Non-Executive	Director, Department of Agriculture, MoAF	March 2016	Second
Mr. Karma Dorji	Independent Non-Executive	Former Director General, BAFRA	March 2017	First
Mr. Damber Singh Kharka	Non-Independent, Non-Executive	Director, CPD, DHI	March 2017	First
Ms. Choni Ome	Non-Independent, Non-Executive	Sr. Analyst, DHI	March 2017	First
Mr. Sonam Wangchuk	Non-Independent Executive	CEO, NRDC	September 2017	First

### **BOARD MEETINGS**

Seven Board meetings were conducted in 2018. The details of the Board attendance in 2018 are as follows:

<b>Meeting No.</b>	<b>Date</b>	<b>Members Present</b>	<b>Leave of absence</b>
69th	1st Feb 2018	1.Dasho Karma W. Penjor 2.Mr. Tashi 3.Mr. Phento Tshering 4.Mr. Karma Dorji 5.Ms. Kinlay Tshering 6.Mr. Sonam Wangchuk	1.Mr.Karma Jattu 2.Ms. Choni Ome



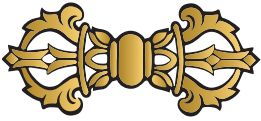


70th	12th March 2018	1.Dasho Karma W.Penjor 2.Mr. Tashi 3.Mr. Karma Jattu 4.Mr. Phento Tshering 5.Ms. Kinlay Tshering 6.Mr. Karma Dorji 7.Ms. Choni Ome 8.Mr. Sonam Wangchuk	None
71st	6th June 2018	1.Dasho Karma W.Penjor 2.Mr. Tashi 3.Mr. Karma Jattu 4.Mr. Phento Tshering 5.Ms. Kinlay Tshering 6.Mr. Karma Dorji 7.Dr. Damber Singh Kharka 8.Mr. Sonam Wangchuk	None
72nd	4th July 2018	1.Dasho Karma W.Penjor 2.Mr. Tashi 3.Mr. Karma Jattu 4.Mr. Phento Tshering 5.Ms. Kinlay Tshering 6.Mr. Karma Dorji 7.Dr. Damber Singh Kharka 8.Mr. Sonam Wangchuk	None
73rd	20th August 2018	1.Mr. Tashi 2.Mr. Phento Tshering 3.Ms. Kinlay Tshering 4.Dr. Damber Singh Kharka 5.Mr. Karma Dorji 6.Mr. Sonam Wangchuk	1.Dasho Karma W. Penjor 2.Karma Jattu
74th	13th November 2018	1.Mr. Tashi 2.Mr. Karma Jattu 3.Ms. Kinlay Tshering 4.Mr. Karma Dorji 5.Dr. Damber Singh Kharka 6.Mr. Sonam Wangchuk	1.Dasho Karma W. Penjor 2.Mr. Phento Tshering
75th	27th December 2018	1.Mr. Tashi 2.Mr. Karma Jattu 3.Mr. Phento Tshering 4.Ms. Kinlay Tshering 5.Mr. Karma Dorji 6.Mr. Damber Singh Kharka 7.Mr. Sonam Wangchuk	1.Dasho Karma W. Penjor

### **Board Committees**

The Company had three Board Committees in 2017 as follows:

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



2. Board Executive Committee with the primary responsibility 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.

3. Nomination and Governance Committee (NGC): 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.

## BOARD AUDIT COMMITTEE

The Board Audit Committee was comprised of three independent non-executive Directors as members and four meetings were held in 2018 as follows:

Meeting No.	Date	Members Present	Leave of absence
21st	3rd March 2018	1. Dasho Tash 2. Mr. Phento Tshering 3. Ms. Kinlay Tshering 4. Mr. Sonam Wangchuk	None
22nd	21st June 2018	1. Dasho Tashi 2. Mr. Phento Tshering 3. Mr. Sonam Wangchuk	1. Ms. Kinlay Tshering
23rd	13th August 2018	1. Dasho Tashi 2. Mr. Phento Tshering 3. Ms. Kinlay Tshering 4. Mr. Sonam Wangchuk	None
24th	29th October 2018	1. Dasho Tashi 2. Ms. Kinlay Tshering 3. Mr. Sonam Wangchuk	1. Mr. Phento Tshering

## BOARD GOVERNANCE COMMITTEE

The Board Governance Committee was comprised of four Directors, including the Chief Executive Officer as members and three meetings were held in 2018 as follows:

Meeting No.	Date	Members Present	Leave of absence
40th	1st August 2018	1. Mr. Karma Dorji 2. Mr. Karma Jattu 3. Dr. Damber Singh Kharka 4. Mr. Sonam Wangchuk	None
41st	3rd October 2018	1. Mr. Karma Dorji 2. Mr. Karma Jattu 3. Dr. Damber Singh Kharka 4. Mr. Sonam Wangchuk	None
42nd	19th December, 2018	1. Mr. Karma Dorji 2. Mr. Karma Jattu 3. Dr. Damber Singh Kharka 4. Mr. Sonam Wangchuk	None



### **Nomination and Governance Committee (NGC)**

No Nomination and Governance Committee (NGC) meeting was conducted in 2018.

### **Board remuneration**

Each board member received fees and reimbursement for reasonable costs related to their participation in board meetings and board committee meetings. The remuneration and fees paid to the Directors and CEO during the year are presented below:

SI. No.	Name & Position	Salary and remuneration (Nu.)	Sitting fees (Nu)
1	Dasho Karma W. Penjor, Chairman	-	32,000.00
2	Mr. Phento Tshering, Director	-	60,000.00
3	Ms. Kinlay Tshering, Director	-	76,000.00
4	Mr. Tashi, Director	-	80,000.00
5	Mr. Karma Dorji, Director	-	76,000.00
6	Mr. Karma Jattu, Director	-	52,000.00
7	Ms. Choni Ome, Director	-	16,000.00
8	Mr. Damber Singh Kharka, Director	-	52,000.00
9	Mr. Sonam Wangchuk, CEO	2,029,696.00	76,000.00
<b>Total</b>		<b>2,029,696.00</b>	<b>520,000.00</b>

### **Annual General Meeting**

The Annual General Meeting (AGM) was held on 15 March 2018, at the NRDCL Head Office. The following businesses were transacted during the AGM:

- i. Consideration of the Audited Accounts for the financial year ended 31 December 2016, Auditors' Report and Directors' Report
- ii. Declaration of Dividend, if any
- iii. Consideration of appointment/retirement of Board Directors
- iv. Appointment of, and fixing the remuneration of Statutory Auditors
- v. Declaration of remuneration paid to Chief Executive Officer and Directors.
- vi. Consideration of the Annual Compact Evaluation Report and declaration of PBVA based on the outcome of the Annual Compact 2016



The following directors resigned or were appointed/reappointed during the AGM:

<b>Name of Director</b>	<b>Action</b>
Dasho Karma W. Penjor	Re-appointment
Mr. Tashi	Re-appointment
Mr. Phento Tshering	Re-appointment
Ms. Kinlay Tshering	Re-appointment
Mr. Damber Singh Kharka	New appointment
Ms. Choni Ome	Resignation

### ***Risk Management System***

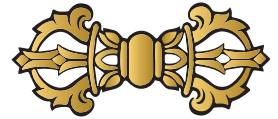
The company had in place a Risk Management System. Potential risks to the company were identified and categorized as operational, reputational, strategic, legal and financial. Accordingly, mitigation measures to combat the identified risks were put in place.

### ***Corporate Social Responsibility***

The company carried out various activities as part of its corporate social responsibility, the details of which are reported under the Directors' Report in the previous section.

### ***Policies and Practices of CEO and Board Evaluation***

The company complied with the policies and practices of CEO and Board evaluation as outlined in the guidelines issued by DHI. The performance evaluation of the CEO constituted of two components: a) leadership competency assessment which constituted 20% weightage and was carried out by the Board of Directors facilitated by DHI; and b) Annual Compact achievement constituting 80% weightage. The Board of Directors were evaluated on their performance through an online system facilitated by DHI.



# INDEPENDENT AUDITORS' REPORT

**R. Subramanian and Company LLP**  
**CHARTERED ACCOUNTANTS**



New No:6, Old No.36, Krishnaswamy Avenue, Luz, Mylapore, Chennai - 600 004.  
Phone : 044 - 24992261 / 24991347 / 24994231, Fax : 044 - 24991408  
Email : rs@rscompany.co.in Website : www.rscompany.co.in

## 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 Financial Statements

#### 1. Opinion

We have audited the accompanying financial statements of M/S. Natural Resources Development Corporation Ltd Thimphu, ("the company") which comprise the Statement of Financial Position as at 31<sup>st</sup> December 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies. In our opinion, the accompanying financial statements present fairly, in all material aspects the financial position of the Company as at December 31<sup>st</sup>, 2018, and its financial performance and its cash flows for the year then ended in accordance with Bhutanese Accounting Standards.

#### 2. Basis for Opinion

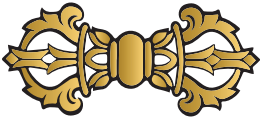
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with 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 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.

#### Emphasis of Matters

Without qualifying our opinion, we draw attention to Note 35 regarding non confirmation/reconciliation in respect of receivables, creditors, advances and payables where balance confirmations were not obtained.



Branch : S512 - 514, Manipal Centre, 47, Dickenson Road, Bangalore 560 042 Phone : 2558 5443, 2558 8001



R. Subramanian and Company LLP  
Chartered Accountants

---

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

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

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

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

### 4. Auditor's Responsibilities for the Audit of the Financial Statements

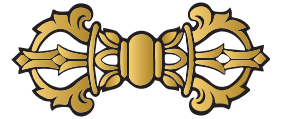
- a) Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
- b) As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. Further as per the requirement paragraph 40(b) of ISA700, we describe our responsibilities in the Annexure "A" to this report.

### 5. Report on Other Legal and Regulatory Requirements

- a) As required by Section 266 of the Companies Act of Bhutan 2016, we enclose in the Annexure "B" a statement on the "Minimum Audit Examination and Reporting Requirements".
- b) Further to our comments in the Annexure "B" referred to above, as required under Section 265 of the Companies Act of Bhutan 2016, we report that: -
  - i. 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.



2



**R. Subramanian and Company LLP**  
Chartered Accountants

---

- ii. 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.
- iii. 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.
- iv. Based on the information, explanations and management representations received during the course of our audit, the Company has complied with other legal and regulatory requirements.

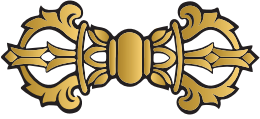
For R SUBRAMANIAN AND COMPANY LLP  
Chartered Accountants  
Firm Reg No: 004137S/S200041

*M S Ramesh*

M S Ramesh  
Partner  
Membership No.: 028144



Place: Chennai  
Date: 8<sup>th</sup> March, 2019



R. Subramanian and Company LLP  
Chartered Accountants

**Annexure "A" to Auditor's Report  
(Referred to the paragraph 4(b) of our Report of even date)**

**Our Responsibilities for the Audit of the Financial Statements:**

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

For R SUBRAMANIAN AND COMPANY LLP  
Chartered Accountants  
Firm Reg No: 004137S/S200041

*MS Ramesh*

M S Ramesh  
Partner  
Membership No.: 028144



Place: Chennai  
Date: 8<sup>th</sup> March, 2019





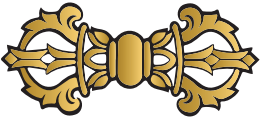
R. Subramanian and Company LLP  
Chartered Accountants

Annexure "B" to the Auditor's Report  
REPORT ON MINIMUM AUDIT EXAMINATION & REPORTING  
REQUIREMENTS  
(Referred to the paragraph 5(b) of our Report of even date)

1. On the basis of examination of the records and information made available to us, the company has maintained adequate records as specified under Section 228 of the Companies Act of Bhutan 2016.
2. Based on the information provided to us, the Company audited adhere to the Corporate Governance Guidelines and Regulations as applicable to them.
3. Based on our checks, the governing board/authority of the company pursue a prudent and sound financial management practice in managing the affairs of the company.
4. The Company has a system for maintaining proper records showing full particulars including quantitative details and situation of fixed assets. However, such system needs to be further improved in order to achieve optimum standard. Physical verification of the fixed assets has been conducted at the Regional and Head quarter Level by respective management team. No material discrepancies were noticed on perusal of such verification reports made available to us.
5. None of the fixed assets were revalued during the current period.
6. The stock of Timber 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.
7. Based on information and explanations provided to us, the procedures of Physical verification of stock of timber as laid down by the management are reasonable and adequate in relation to the size of the Corporation and the nature of its business.
8. The Closing stock of Sand and Stone as on 31.12.2018, has been updated based on the opening stock as per books as on 01.01.2018, the production and sale during 2018 as per records maintained by the company. The physical verification was not carried out and any difference between the physical stock available and the closing stock based on production and sale data could not be verified and the impact if any on the financials could not be quantified.
9. 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. Taking into consideration the slow moving of the materials the company has provided Nu.13,05,122 towards any possible diminution in the value of such inventories.
10. 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.



5



R. Subramanian and Company LLP  
Chartered Accountants

---

11. Based on the information provided to us, the company has not granted any loans, secured or unsecured, from company's firms or other parties and /or from companies under the same management.
12. 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.
13. 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, **except in few cases reported in the management report** and accumulation of large advances against a particular individual is avoided.
14. 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 needs to be further strengthened in the area of payments of royalty to Government, 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.**
15. 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.
16. 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.
17. 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.
18. 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.
19. 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.
20. Based on our verification, the company is maintaining reasonable records for sales and disposal of realizable by-products and scraps where applicable.



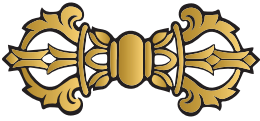


**R. Subramanian and Company LLP**  
Chartered Accountants

---

21. The Company is generally regular in depositing rates and taxes, duties, royalties, provident fund and other statutory dues with appropriate authorities except in the Jakar region where delay of one month was observed in deposit of TDS for Nu. 98,039.  
  
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.
22. 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.
23. 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.
24. 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.
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 has a documented credit policy.
28. On the basis of information provided to us, the mandatory obligations social or otherwise have been fulfilled by the company.
29. The Company has no commission agents in connection with sales made by them.
30. The system for continuous follow-up with debtors and other parties need to be adequately strengthened for recovery of outstanding amounts.
31. The management of liquid resources particularly in respect cash, bank and short-term deposits are generally adequate. However certain suggestions are given in our previous Management report which the company may consider for optimum utilisation of funds.
32. As explained to us the activities carried out by the company are lawful and as per the Articles of Incorporation of the Company.
33. Activities / Investment decisions are made subject to prior approval of the Board.
34. The Company has established an effective budgetary control system.





**R. Subramanian and Company LLP**  
**Chartered Accountants**

---

35. The details of remuneration to the Managing Director and Board Director have been disclosed in Para 37 of the Explanatory Notes to Financial Statements.
36. We have not come across any case where the directives of the board have not been complied with.
37. 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.
38. **Computerized Accounting Environment**
- a) The organisational and system development controls and other intern controls are adequate relative to size and nature of computer installations.
  - b) According to the information and explanation given to us, the Company has adequate safeguard measures of its data and back up facilities.
  - c) 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.
  - d) The operational controls may be improved to ensure correctness and validity of input data and output information.
  - e) As explained to us, measures taken by the Company to prevent unauthorized access over the computer installation and files are generally adequate.

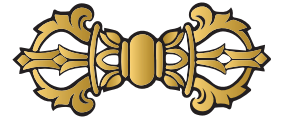
**39. Compliance of Companies Act**

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 the Securities Exchange.

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





**R. Subramanian and Company LLP**  
Chartered Accountants

---

**40. 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

**41. Ratio Analysis**

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

**42. 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  
Firm Reg No: 004137S/S200041

*M S Ramesh*

M S Ramesh  
Partner  
Membership No.: 028144



Place: Chennai  
Date: 8<sup>th</sup> March, 2019



R. Subramanian and Company LLP  
Chartered Accountants

**Annexure "C" to the Auditor's Report**  
(Refer to Paragraph 37 of the Minimum Audit Requirement)

**A. Ratio Assessing Profitability:**


Ratio	Profitability	Numerator - 2018	Denominator - 2018	31.12.18	31.12.17 (Ref. Note)
Return on Investment	(EBIT/Net Assets or Net worth) * 100	6,23,99,446	54,44,93,858	11.46 %	(8.43)
Operating Profit	(Operating Profit excluding financial charges)/Net Sales *100	6,23,99,446	67,24,99,675	9.28 %	(10.23)
Net Profit Ratio	Net Profit before Tax/Net Sales*100	5,74,36,584	67,24,99,675	8.54 %	(11.31)

Note: The Company had a Loss of Nu.61.8 Million in the year 2017.

**B. Ratio for Assessing the Financial Health:**

Ratio	Financial Health	Numerator - 2018	Denominator - 2018	31.12.18	31.12.17
Capital Turnover Ratio	Net Sales/ (Average Capital employed (Less Capital Reserve))	67,24,99,675	54,44,93,858	1.24	0.82
Fixed Assets Turnover Ratio	Net Sales/Net Fixed Assets	67,24,99,675	47,73,68,860	1.41	1.06
Stock Turnover Ratio	Cost of Goods sold including selling expenses/Average Inventory	53,06,54,881	10,94,86,271	4.85	3.91
Current Ratio	Current Asset/Current Liabilities	24,18,77,663	11,21,59,358	2.16	1.84
Liquid Ratio	(Current Assets Less Inventory Less Pre-Paid Expenses)/ (Current Liabilities Less Bank Overdraft)	11,29,36,546	11,21,59,358	1.01	1.26

For R SUBRAMANIAN AND COMPANY LLP  
Chartered Accountants  
Firm Reg No: 004137S/S200041

  
M S Ramesh  
Partner  
Membership No.: 028144



Place: Chennai  
Date: 8<sup>th</sup> March, 2019



**NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED**  
Statement of Financial Position as at 31 December 2018

PARTICULARS	Note	Year Ended	
		31-12-2018	31-12-2017
		(Nu.)	(Nu.)
<b>Assets</b>			
<b>Non current assets</b>			
Property, plant and equipment	2	472,946,934	432,888,455
Intangible assets	3	4,421,926	28,003
Capital work-in-progress	4	1,270,259	19,273,344
Other non current assets	5	813,156	1,192,786
Net retirement benefit assets - gratuity	5	2,022,522	108,005
Other receivables	6	3,335,234	2,965,474
<b>Total non current asset</b>		<b>484,810,031</b>	<b>456,456,068</b>
<b>Current assets</b>			
Other current assets	7	12,817,128	42,244,325
Cash and cash equivalent	8	57,317,131	126,103,997
Trade and other receivables	9	43,353,827	27,113,373
Inventories	10	128,389,577	90,582,965
<b>Total current assets</b>		<b>241,877,663</b>	<b>286,044,660</b>
<b>Total assets</b>		<b>726,687,694</b>	<b>742,500,728</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	SOCE	45,000,000	45,000,000
Retained earnings	SOCE	251,001,742	214,075,760
Statutory and other restricted reserves	SOCE	39,737,836	39,737,836
Other reserves	SOCE	231,198,050	223,236,492
<b>Total equity</b>		<b>566,937,628</b>	<b>522,050,088</b>
<b>Liabilities</b>			
<b>Noncurrent liabilities</b>			
Non current borrowings	11	36,365,032	52,830,177
Government grant	12	4,085,816	5,360,816
Provision for employee benefits	13	7,139,860	7,220,470
<b>Total noncurrent liabilities</b>		<b>47,590,708</b>	<b>65,411,463</b>
<b>Current liabilities</b>			
Current borrowings	11	16,126,440	14,582,944
Government grant	12	1,275,000	1,275,000
Provision for employee benefits	13	536,170	321,520
Trade and other payables	14	53,717,198	41,406,137
Other current liabilities	15	24,939,086	89,763,205
Provision for corporate income tax	16	15,565,464	7,690,370
<b>Total Current liabilities</b>		<b>112,159,358</b>	<b>155,039,177</b>
<b>Total liabilities</b>		<b>159,750,066</b>	<b>220,450,640</b>
<b>Total liabilities and equity</b>		<b>726,687,694</b>	<b>742,500,728</b>

Company Overview and Significant Accounting Policies 1

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

*M.S. Ramesh*  
(M.S Ramesh)  
Partner  
Membership No. 028144  
Chennai

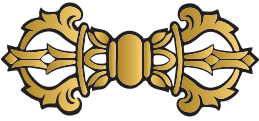
*[Signature]*  
CHAIRMAN

*[Signature]*  
DIRECTOR

*[Signature]*  
CHIEF EXECUTIVE OFFICER  
Thimphu  
8.3.2019

Dated: The 8<sup>th</sup> day of March 2019





**NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED**  
Statement of comprehensive Income for the period ended 31 December 2018

Particulars	Note	Year Ended	
		31-12-2018 (Nu.)	31-12-2017 (Nu.)
<b>Continuing operations</b>			
Revenue	17	672,499,675	459,012,743
<b>Total revenue</b>		<b>672,499,675</b>	<b>459,012,743</b>
Cost of Sales	18	529,015,451	361,195,809
<b>Gross Profit</b>		<b>143,484,224</b>	<b>97,816,934</b>
<b>Operating Expenses:</b>			
Selling & Marketing Expenses	19	1,639,430	5,027,233
Administrative Expenses	20	84,408,210	68,837,136
Provision for Compensation		-	75,853,592
<b>Total Operating expenses</b>		<b>86,047,640</b>	<b>149,717,961</b>
Operating profit (loss)		57,436,584	(51,901,028)
<b>Profit (loss) before income tax</b>		<b>57,436,584</b>	<b>(51,901,028)</b>
Income tax expense	21	17,628,795	9,926,456
<b>Profit (loss) for the year from continuing operations</b>		<b>39,807,789</b>	<b>7,737,261</b>
(Profit) loss for the year from discontinued operations			
<b>Profit (loss) for the year</b>		<b>39,807,789</b>	<b>(61,827,484)</b>
<b>Earnings per share attributable to owners of the parent:</b>			
<b>Basic earnings per share</b>			
From continuing operations		88.46	(137.39)
From profit for the year		88.46	(137.39)
<b>Diluted earnings per share</b>			
From continuing operations		88.46	(137.39)
From profit for the year		88.46	(137.39)
<b>Statement of Other comprehensive income</b>			
Profit (loss) for the year from continuing operations		39,807,789	(61,827,484)
Actuarial gain(losses) on defined benefit plans		5,079,750	(7,917,620)
<b>Total comprehensive income for the year</b>		<b>44,887,539</b>	<b>(69,745,104)</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the parent		44,887,539	(69,745,104)
		<b>44,887,539</b>	<b>(69,745,104)</b>
<b>Total comprehensive income attributable to owners of the parent arises from:</b>			
Continuing operations		44,887,539	(69,745,104)
		<b>44,887,539</b>	<b>(69,745,104)</b>

Company Overview and Significant Accounting Policies

1

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

  
(M.S Ramesh)  
Partner  
Membership No. 028144  
Chennai  
Dated : The 8<sup>th</sup> day of May 2019

 CHAIRMAN  
 DIRECTOR

  
CHIEF EXECUTIVE OFFICER  
Thimpha  
8.3.2019







**NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED**  
Statement of changes in equity for the period ended 31 December 2018

**A. Equity Share Capital**

Particulars	No. of Shares	Par Value	Amount in Nu.
			Total issued and paid up capital
As at 1st January 2017	450,000	100	45,000,000
Shares issued to DPH during the year	-	-	-
As at 31st December 2017	450,000	100	45,000,000
Changes in Equity during 2018	-	-	-
As at 31st December 2018	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			
<b>A Balance as at 1 January 2017</b>	108,066,477	283,913,572	115,170,015	39,737,836	546,887,900	-	546,887,900
Profit for the year	-	(61,827,485)	-	-	(61,827,485)	-	(61,827,485)
Retirement benefit obligations-Retained Earning	-	(7,917,620)	-	-	(7,917,620)	-	(7,917,620)
Tax Paid relating to earlier years	-	(92,707)	-	-	(92,707)	-	(92,707)
Transfers to reserves	-	-	-	-	-	-	-
Tax Paid relating to earlier years	-	-	-	-	-	-	-
<b>Total Comprehensive Income</b>	108,066,477	214,075,750	115,170,015	39,737,836	477,050,088	-	477,050,088
Dividends paid	-	-	-	-	-	-	-
Proceeds from Shares issued	-	-	-	-	-	-	-
<b>Total Contributions by and Distributions to Owners</b>	-	-	-	-	-	-	-
<b>Total transactions with Non-Controlling Interests directly recognised in Equity</b>	-	-	-	-	-	-	-
<b>E Balance as at 31st December 2017 (A+B+C+D)</b>	108,066,477	214,075,750	115,170,015	39,737,836	477,050,088	-	477,050,088
<b>A Balance as at 1 January 2018</b>	108,066,477	214,075,750	115,170,015	39,737,836	477,050,088	-	477,050,088
Profit for the year	-	39,807,789	-	-	39,807,789	-	39,807,789
Retirement benefit obligations-Retained Earning	-	5,079,750	-	-	5,079,750	-	5,079,750
Tax Paid relating to earlier years	-	-	-	-	-	-	-
Transfers to reserves	7,951,558	(7,951,558)	-	-	-	-	-
<b>Total comprehensive income for the year</b>	116,028,035	251,001,742	115,170,015	39,737,836	521,937,628	-	521,937,628
Dividends paid	-	-	-	-	-	-	-
Proceeds from Shares issued	-	-	-	-	-	-	-
<b>Total Contributions by and Distributions to Owners</b>	-	-	-	-	-	-	-
<b>Total transactions with Non-Controlling Interests directly recognised in Equity</b>	-	-	-	-	-	-	-
<b>E Balance as at 31st December 2018 (A+B+C+D)</b>	116,028,035	251,001,742	115,170,015	39,737,836	521,937,628	-	521,937,628

**Number of shares authorised for each class of shares:**

Authorised share capital	As at 31 December	
	2018	2017
Number of ordinary shares of face value Nu.100 each	500,000	500,000

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: 0041375 / S200041

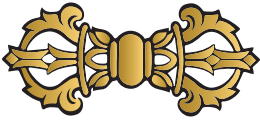
On behalf of the Board

*M.S. Ramesh*  
(M.S. Ramesh)  
Partner  
Membership No. 028144  
Chennai  
Dated: The 21<sup>st</sup> day of Mar 2019

*R. Subramanian*  
CHAIRMAN  
*[Signature]*  
DIRECTOR

*[Signature]*  
CHIEF EXECUTIVE OFFICER  
Trimphu  
8.3.2019





**NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED**  
 Period covered: 31 December 2018  
**Statement of Cash Flows**

Particulars	Note	Year ended	
		31-12-2018	31-12-2017
		(Nu.)	(Nu.)
<b>Cash flows from operating activities</b>			
Profit before income tax		57,436,584	(51,901,028)
Adjustments for:			
- Depreciation and amortisation	2&3	63,752,894	57,696,689
- Non cash		-	-
- Provision for impairment of non current assets	2	-	-
- (Profit) loss on disposal of property, plant and equipment	17	(5,715,227)	(3,054,505)
- Actuarial gain(losses) on defined benefit plans	SOCE	5,079,750	(7,917,620)
- Release of Grant received to SCI	12	(1,275,000)	(1,065,644)
- Liabilities no more required written back	17	(2,973,594)	(1,651,323)
- Fixed assets written off	14	-	-
- Changes in inventories	10	(37,806,611)	5,759,309
- Changes in trade and other receivables	9	(16,240,452)	43,618,748
- Changes in trade and other payables	11,13	16,962,190	16,911,432
- Changes in other liabilities	15	(64,824,118)	71,297,705
- Changes in current and non-current assets	4,6,7	29,437,067	(19,383,356)
<b>Cash generated from operations</b>		<b>43,833,483</b>	<b>110,309,406</b>
Interest paid	20	4,962,862	4,964,026
Interest received	17	(6,758,554)	(6,033,320)
Income tax paid		(9,753,701)	(10,987,190)
<b>Net cash flows from operating activities</b>		<b>32,284,090</b>	<b>98,252,922</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	2	(104,207,584)	(67,891,242)
Purchase of intangible assets	3	(4,500,000)	-
Purchase of capital WIP	4	18,003,085	(5,273,398)
Receipt of Grant for Glulam Project	12	-	1,500,000
Proceeds from sale of property, plant and equipment		6,217,515	3,763,359
Net Retirement Benefit Assets	5	(1,914,517)	8,219,188
Interest Received	17	6,758,554	6,033,320
<b>Net cash used in investing activities</b>		<b>(79,642,947)</b>	<b>(53,976,639)</b>
<b>Cash flows from financing activities</b>			
Interest Paid	20	(4,962,862)	(4,964,026)
Long Term Borrowings repaid	11	(16,465,146)	32,069,955
Issue of Share Capital	SOCE	-	-
Dividends paid to owners of the parent		-	-
<b>Net cash used in financing activities</b>		<b>(21,428,008)</b>	<b>27,105,929</b>
<b>Net increase or (decrease) in cash and cash equivalents</b>		<b>(68,786,865)</b>	<b>71,382,211</b>
Cash and cash equivalents at beginning of year		126,103,997	49,084,323
<b>Cash and cash equivalents at end of the year</b>	5	<b>57,317,131</b>	<b>126,103,997</b>

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

*M.S. Ramesh*  
 (M.S Ramesh)  
 Partner  
 Membership No. 028144  
 Chennai

*Signature*  
 CHAIRMAN

*Signature*  
 DIRECTOR

*Signature*  
 CHIEF EXECUTIVE OFFICER  
 P. Pimphu  
 8.3.2019

Dated : The 8<sup>th</sup> day of May 2019





NOTE-1

## Company Overview and Significant Accounting Policies

### 1. Reporting Entity (Company overview)

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

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

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

These financial statements relate to the year ended 31 December 2018.

### 2. Directors' statement of Compliance

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

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

### 3. Basis of preparation of financial statements

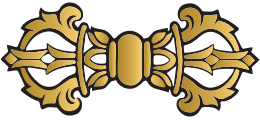
#### (i) Compliance with International Financial Reporting Standards (IFRS)

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

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

The preparation of financial statements is in conformity with IFRS that requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the group's accounting policies. The areas involving a higher degree





of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are:

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

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

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

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

The functional currency of preparation is the Bhutanese Ngultrum.

**(ii) Historical cost convention**

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

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

**4. Current versus non-current classification**

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

An asset is classified as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

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





All other liabilities are classified as non-current.

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

#### **5. Accounting estimates**

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

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

#### **6. Application of International Financial Reporting Standards**

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

#### **7. Foreign Currency translation**

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

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

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

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

#### **8. Property, Plant and equipment**

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairments, if any. Cost includes purchase price, taxes and duties, labour cost, direct overheads for self constructed assets, other direct costs incurred up to the date the assets is





ready for its intended use including initial estimate of dismantling and site restoration cost, if any.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is possible that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced part is recognized.

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

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

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

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

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

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

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





Computers and office equipment	6 -7 years
Furniture and fixture	6-7 years
Vehicles	6-7 years
Software application	3 years

\*Forest roads treated as semi-permanent are amortized over a useful life of 10 years

Depreciation methods, useful lives and residual values are reviewed, and adjusted appropriately at each reporting date. Change in the estimated useful life, residual value and/or depreciation method, if any, is depreciated prospectively over the asset's remaining revised useful life.

The cost and related accumulated depreciation are eliminated from the financial statements upon sale or retirement of the asset and the resultant gains or losses are recognized in net profit in the statement of comprehensive income. Assets to be disposed off are reported at the lower of the carrying value or the fair value less cost to sell.

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

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

On transition to IFRS, the company has elected to measure its property, plant and equipment at cost in accordance with IFRS as the deemed cost of the property, plant and equipment as at 1 January, 2016.

#### 9. Intangible assets

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

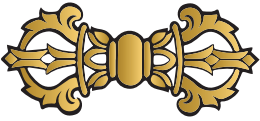
Costs associated with maintaining computer software programmes are recognized as an expense as incurred.

On transition to IFRS, the company has elected to measure its intangible assets on cost in accordance with IFRS as the deemed cost of the intangible assets as at 1 January, 2016.

#### 10. Impairment

The company assesses at each balance sheet date whether there is objective evidence that an asset or a group of assets is impaired. An asset is considered impaired if objective evidence indicates that one or more events have had a negative effect on the value of an asset. Property, Plant and Equipment (PPE) are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For





the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flow that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the Cash Generating Unit (CGU) to which the asset belongs.

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

### **11. Borrowing costs**

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

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

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

### **12. Grants**

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

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

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

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

### **13. Research and Development costs**

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







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

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

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

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

#### 15. Financial assets

##### (i) Initial measurement

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

##### (ii) Classification and subsequent measurement

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

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

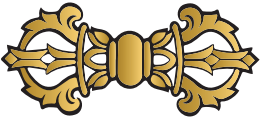
The classification of financial assets depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. Management determines the classification of its financial assets at initial recognition.

Financial assets measured at amortized cost:

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

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





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

#### Financial instruments measured at fair value through other comprehensive income

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

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

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

#### Financial instruments measured at fair value through profit and loss

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

#### (iii) Impairment of financial assets

The Company assesses on a forward looking basis the expected credit losses associated with its assets carried at amortized cost and FVOCI debt instruments. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 24 (C) details how the Company determines whether there has been a significant increase in credit risk.

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

#### (iv) Derecognition of financial assets

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





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

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

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

(v) Income recognition

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

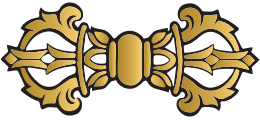
*Dividend income:* Dividends are recognized in profit or loss only when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Company, and the amount of the dividend can be measured reliably.

## 16. Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs.

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





## 17. Financial liability

### (i) Initial recognition and measurement

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

### (ii) Subsequent measurement

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

#### *Financial Liabilities at fair value through profit or loss*

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

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

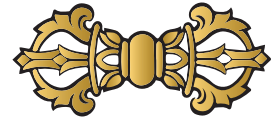
Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit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

#### *Borrowings*

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

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.





Where there is a breach of a material provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand on the reporting date, the entity classifies the liability as current, if the lender does not agree not to demand payment as a consequence of the breach before reporting date.

#### *Trade and other payables*

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

#### iii) Derecognition

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

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

#### *Financial guarantee contracts*

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

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





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

#### **18. Cash and cash equivalents**

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

#### **19. Offsetting financial instruments**

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

#### **20. Current and deferred income tax**

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

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

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

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

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

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





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

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

## **21. Employee benefits**

### **a) Retirement Benefits**

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

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

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

### **b) Other benefits**

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

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

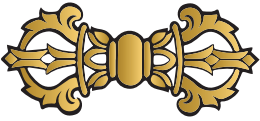
## **22. Provisions and Contingent Liabilities**

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

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

Contingent Assets are neither recognized, or disclosed





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

### **23. Revenue recognition**

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

#### **a) Income from sale of Construction materials:**

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

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

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

#### **b) Interest income**

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

#### **c) Other items of revenue**

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

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

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







## 24. Segment Reporting

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

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

## 25. Earnings per Share

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

## 26. Exploration for and Evaluation of mineral resources

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

## 27. Events After Balance Date

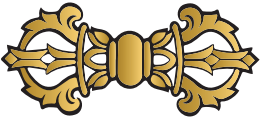
On 8.3.2019 the Board of Directors approved one and half month's basic pay as on 31.12.2018 as Bonus for the year and provided 14.39% of the annual basic pay as Performance Based Variable Allowance (PBVA) as recommended by the Board.

15% dividend was proposed for the year 2018.

## 28. Comparative information

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





Cont: NOTE – 1

**Explanatory Notes on Financial Statements**

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

33. Financial Statements

33.1 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).

33.2 Capital Management

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

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

34. Inventory

a) Products

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





b) Spare parts inventory

- i) The carrying amount of inventory on spare parts as on 31<sup>st</sup> December'18 is Nu. 23,584,597.92 (Nu. 15,323,613.73) including dead stock of Nu. 2,651,653.67 (previous year Nu. 2,659,207.20). Provision has been made fully in respect of the Dead stock.
- ii) During the year, spare part inventory for disposed 100 TPH crushing plant worth Nu. 1,743,402.40 were sold at the discounted rate of Nu. 1,236,767.19

35. Debtors, Receivables, Creditors

The balances outstanding as on 31st December, 2018 in respect of certain receivables, creditors, advances and payables wherever not confirmed, in so far as they have not been subsequently recovered or adjusted are subject to confirmation or reconciliation.

36. Retirement Benefit Obligations

a) Defined Benefit Scheme

Qualifying employee are members of the defined benefit plan sponsored by the company. Employees are entitled to a lump sum payment computed based on the last basic pay drawn times the number of completed years of service with maximum limit of Nu. 1,500,000 (One million five hundred thousand).

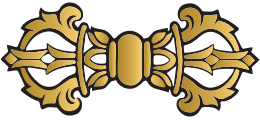
i) Statement of Financial Position

	2018	2017
<b>Defined benefit obligation (DBO)</b>	(75,977.22)	(72,788,955)
Fair value of Plan Assets (FVA)	77,999.75	72,896,960
Funded Status (Surplus/(Deficit))	2,022.53	108,005
Effect of Asset ceiling	-	-
<b>Net defined benefit asset (DBA)</b>	<b>2,022.53</b>	<b>108,005</b>

ii. Statement of Comprehensive Income

	2018	2017
<b>Current Service Cost</b>	5,530.97	3,662,680
Past Service cost- plan amendments	-	-
Curtailement cost/(credit)	-	-
Settlement cost/(credit)	-	-
Service cost	5,530.97	3,662,680
Net interest on net defined liability/(assets)	(244.25)	(863,480)
Immediate recognition of (gains)/losses-other long term employee benefit plans		
<b>Cost Recognized in Statement of comprehensive Income</b>	<b>5,286.72</b>	<b>2,799,200</b>





iii. Other Comprehensive Income

	2018	2017
<b>Actuarial (gain)/loss due to liability experience</b>	(7,316.12)	7,917,620
Actuarial (gain)/loss due to liability assumption changes	2,236.37	
Actuarial (gain)/loss arising during period	(5,079.75)	7,917,620
Return on plan assets (greater)/less than discount rate	1,225.69	1,096,700
Actuarial (gains)/losses recognized in OCI	(3,854.06)	9,014,320
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.

37. Details of transactions with Related Parties:

Name of Related Party	Relationship	Nature of transaction with the related party	Amount in Nu.
Druk Holding and Investments	Holding company	a. Equity Shares held by DHI	45,000,000.00
		b. Inter group Brand management Fees (expense)	107,596.86
		c. Hire charges (Income)	40,000.00
		d. Corporate Guarantee Fee	266,969.95
		e. Trade payables	266,969.95
		f. Compensation for Building(Income)	4,562,653.23





Bhutan Power Corporation Limited	Fellow Subsidiary	a. Electricity Charges	1,422,115.86
		b. Sale of Natural Resources (Income)	43,306.00
		c. Trade payables	48,234.00
Bank of Bhutan Limited	Fellow Subsidiary	a. Bank Charges	15,179.41
		b. Bank balance	44,173,705.90
		c. Hire charges (Income)	10,000.00
Bhutan Telecom Limited	Fellow Subsidiary	a. Communication; internet and telephone charges	2,037,742.00
		b. Hire charges (Income)	45,000.00
		c. Trade payable	129,187.00
		d. Trade payable Purchase of Lease line equipments	58,044.00
		e. Trade payable Purchase of ERP Software	4,500,000.00
Wood Craft Center Ltd	Fellow Subsidiary	a. Sale of natural resources	1,464,008.00
		b. Trade receivables	533,162.00
		c. Running & Maintenance of equipments	1,600.00
Druk Air Corporation Limited	Fellow Subsidiary	a. Flight tickets expenditure	791,032.00
		b. Commission (Income)	29,105.80
		c. Trade receivables	29,105.80
State Trading Corporation Limited	Fellow Subsidiary	a. Running & Maintenance Of Vehicle	2,087,762.83
		b. Purchase of ICT products	65,000.00
		c. Purchase of vehicles	7,637,510.00
		d. Hire Charges (Income)	10,000.00
		e. Trade payables	212,862.30
Construction Development Corporation Limited	Fellow Subsidiary	a. Sale of natural resources	1,678,393.84
		b. Running & Maintenance others	475,235.12
		c. Hire Charges (Income)	30,000.00
		d. Trade payable	144,596.69
		e. Trade receivables	318,202.83
Druk Green Power Corporation Limited	Fellow Subsidiary	a. Sale of natural resources	118,751.91





State Mining Corporation Limited	Fellow Subsidiary	a. Sale of natural resources	208,946.39
		b. Trade receivables	26,323.16
Thimphu TechPark Limited	Fellow Subsidiary	a. Staff training and development expenses	236,000.00

The relationship and transactions during the year have been identified by the company and relied upon by the auditors.

#### Key Management Personnel

##### A) Managing Director's Remuneration and other benefits

Particulars	2018 (Nu)	2017 (Nu)
Salary	1,599,840	1,235,882
Other benefits	323,200	88,836
Provident Fund	106,656	70,400
Sitting fee	76,000	52,000
<b>Total</b>	<b>2,105,696</b>	<b>1,447,118</b>

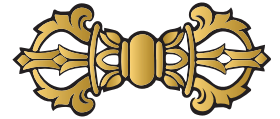
##### B) Board Directors

Position	Name	2018 (Nu)	2017 (Nu)	Remarks
Chairperson	Dasho Karma W Penjor	32,000	96,000	
Director	Mr. Phento Tshering	60,000	88,000	
Director	Mrs. Kinley Tshering	76,000	88,000	
Director	Mr. Tashi	80,000	104,000	
Director	Mr. Karma Dorji	76,000	72,000	
Director	Mr. Karma Jattu	52,000	96,000	
Director	Mr. Choney Om	16,000	84,000	Resigned
Director	Mr. Damber Singh Kharka	52,000		New

##### C) Special Invitees

Position	Name	2018 (Nu)	2017 (Nu)
Company Secretary	Mr. Dorji Wangmo	30,000	24,000
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 Chophel		44,000
Company Secretary	Mr. Kinley Wangdi	4,000	36,000
Internal Auditor	Mr. Lobzang Thinley	8,000	2,000
DHI	Mr. Ugyen Wangdi		6,000
DHI	Mrs. Phub Lham		6,000
Company Secretary	Ms. Sangay Choden	4,000	





### 38. Foreign Exchange Translation

Certain foreign exchange transactions were undertaken by the Company during the year. However these transactions did not result into any profit or loss from foreign exchange transaction because all payment on account of foreign purchases are done upfront using the spot exchange rate between the functional currency (Ngultrum) and foreign currency at the date of transaction. Since 100% payment is released upfront 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.

### 39. Green Compensatory Plantation

Name of the sponsor	Total Plantation area (Hec)	Opening balance (Nu)	Fund Received (Nu)	Interest Earned (Nu)	Total Fund (Nu)	Fund Utilized (Nu)	Balance Fund (Nu)
Bhutan Telecom Ltd		515,719.95		20,306.69	536,026.64	64,245.00	471,781.64
Bank of Bhutan	2.00	374,978.12	443,294.90	23,829.78	842,102.80	164,894.00	677,208.80
Bhutan Power Corporation		487,804.64		18,739.71	506,544.35	68,547.00	437,997.35
Druk Green Power Corporation		1,048,381.62		38,893.19	1,087,274.81	226,741.00	860,533.81
Druk Air Corporation	2.00		443,295.00	8,354.29	451,649.29	131,134.00	320,515.29
<b>Total</b>		<b>2,426,884.33</b>	<b>886,589.90</b>	<b>110,123.66</b>	<b>3,423,597.89</b>	<b>655,561.00</b>	<b>2,768,036.89</b>

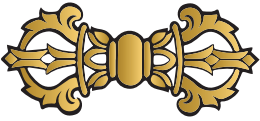
Note: Bhutan Telecom Ltd, Bank of Bhutan, Bhutan Power Corporation and Druk Green Power Corporation funded plantation for 6 hec, 4 hec, 4 hec and 8 hec respectively in 2017. During the year 2018 the expenses incurred were for maintenance work only. As per the mandate, plantation will be maintained for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

### 40. 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. 1,068,571.03

41. The inventory is valued based on the physical stock report. The provision for spoilt (rotten) stock has been provided in the books of account as given below:





Region	Quantity (cft)	Rate	Amount (Nu)	Remarks
Jakar Region	1,315.51	125.95	165,693.57	Logs (Mixed)
Wang	314.70	225.16	70,856.95	Sawn timber (MHW)
<b>Total</b>	<b>1,630.21</b>		<b>236,550.52</b>	

42. During the year the company as per the policy has identified bad debts and have provided for the sale amounting to Nu. 3,204,028.44
43. In the year 2017, based on the decision of the Supreme Court and the High Court of Bhutan, the company had provided liabilities for a net compensation of Nu. 75,853,592 payable to the contractors for pre-closure of the contract. The company has settled the compensation with the contractors based on final court verdict issued by the Supreme Court during the year 2018 as given below:

Contractor	Liability provision (Nu)	Actual compensation paid (Nu)	Difference (Nu)	Remarks
M/s C.B.Subba Construction	43,098,424.48	43,098,424.48	0.00	Supreme court verdict
M/s Dotila Construction	32,755,168.00	17,826,682.00	14,928,486.00	Supreme court verdict

During the year, the company has written back the excess provision (liabilities no longer required) on account of compensation to the contractor for pre-closure of contract amounting to Nu. 16,177,073.42 (14,928,486.00 + 1,248,587.42).

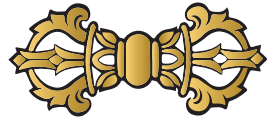
44. Ripper machine, with purchase value of Nu. 3,721,800, surrendered by the quarry contractor (M/s C.B. Subba Construction) have been accounted as an asset for the company at the depreciated value of Nu. 1,248,587.42.
45. Contingent Liability

The Ngangshing stone quarry leased from Department of Geology & Mines, Ministry of economic affairs has not been in operation for more than two years. As per the policy it is subjected to automatic termination of the contract. The company has the obligation to restore the harvested areas. As per the policy requirement, the company has opened joint account with the Department of Geology and Mines and deposited Nu. 450,380 as security deposit for restoring the harvested areas. The actual liability for quarry restoration work is not ascertained.

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







Annexure-I

NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED

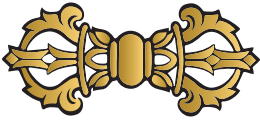
QUANTITATIVE ANALYSIS(CFT) OF STOCK as on 31.12.2018

SI.No.	Divisions	Opening Stock as on 1.1.18 (Cft.)	Production (Cft.)	Disposal (Cft.)	Book Balance as on 31.12.2018 (Cft.)	Physical Balance as on 31.12.2018 (Cft.)	Total Value as on 31.12.2018
1	Wang-2018	27,854.78	97,022.80	92,246.15	32,631.44	32,631.25	5,143,010.86
	-2017	34,498.08	156,424.92	159,787.04	31,135.96	27,854.78	4,390,191.65
2	Rimpung-2018	40,447.80	702,441.10	663,067.49	79,821.41	79,403.94	10,950,839.87
	-2017	32,962.34	502,673.96	495,188.55	40,447.75	40,447.80	4,109,979.52
3	Zhonggar-2018	132,400.72	210,891.16	221,331.26	121,960.62	121,960.27	15,975,293.54
	-2017	143,519.67	161,704.34	172,823.28	132,400.74	132,400.72	16,564,970.82
4	Sha-2018	59,848.75	216,887.78	214,272.87	62,463.67	62,463.67	9,455,958.56
	-2017	43,659.42	298,158.34	281,969.01	59,848.75	59,848.75	6,746,073.87
5	P/Ling -2018	10,302.12	62,063.83	58,391.76	13,974.18	13,974.18	2,082,991.27
	-2017	10,105.27	35,841.85	35,645.00	10,302.12	10,302.12	1,535,633.37
6	Jakar -2018	91,943.39	727,542.21	599,998.07	219,487.52	219,543.28	27,737,306.24
	-2017	99,407.46	414,405.42	421,869.49	91,943.39	91,943.39	12,592,300.37
	<b>Total : 2018</b>	<b>362,797.56</b>	<b>2,016,848.88</b>	<b>1,849,307.60</b>	<b>530,338.84</b>	<b>529,976.60</b>	<b>71,345,400.34</b>
	<b>Total : 2017</b>	<b>364,152.25</b>	<b>1,569,208.83</b>	<b>1,567,282.39</b>	<b>366,078.69</b>	<b>362,797.56</b>	<b>45,939,149.59</b>

Briquette

SI.No.	Divisions	Opening Stock as on 1.1.18 (KG)	Production (KG)	Disposal (KG)	Book Balance as on 31.12.2018 (KG)	Physical Balance as on 31.12.2018 (KG)	Total Value as on 31.12.2018
1	Wang-Briq. -2018	81,000.00	246,420.00	215,040.00	112,380.00	112,380.00	674,280.00
	-2017	3,180.00	263,160.00	185,340.00	81,000.00	81,000.00	486,000.00
	<b>Total : 2018</b>	<b>81,000.00</b>	<b>246,420.00</b>	<b>215,040.00</b>	<b>112,380.00</b>	<b>112,380.00</b>	<b>674,280.00</b>
	<b>Total : 2017</b>	<b>3,180.00</b>	<b>263,160.00</b>	<b>185,340.00</b>	<b>81,000.00</b>	<b>81,000.00</b>	<b>486,000.00</b>
	<b>Firewood</b>						
1	Wang-Firewood -2018	426.00	1,280.94	1,108.14	598.80	598.80	529,309.26
	-2017	179.00	720.00	473.00	426.00	426.00	376,562.70
	<b>Total : 2018</b>	<b>426.00</b>	<b>1,280.94</b>	<b>1,108.14</b>	<b>598.80</b>	<b>598.80</b>	<b>529,309.26</b>
	<b>Total : 2017</b>	<b>179.00</b>	<b>720.00</b>	<b>473.00</b>	<b>426.00</b>	<b>426.00</b>	<b>376,562.70</b>





NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED

QUANTITATIVE ANALYSIS OF STOCK as on 31.12.2018

SI.No.	Divisions	Opening Stock as on 1.1.18 (m <sup>3</sup> )	Production (m <sup>3</sup> )	Disposal (m <sup>3</sup> )	Book Balance as on 31.12.18 (m <sup>3</sup> )	Physical Balance as on 31.12.18 (m <sup>3</sup> )	Total Value as on 31.12.18 (m <sup>3</sup> )
1	Wang -2018	60.39	612.50	277.11	395.78	342.39	75,291.56
	-2017	4.99	296.00	240.60	60.39	60.39	13,279.76
2	Rinpong-2018	-	216.00	216.00	-	-	-
	-2017	-	21.00	21.00	-	-	-
3	Zhonggar -2018	-	88,194.62	48,886.34	39,308.28	39,308.28	7,409,679.32
	-2017	1,496.00	53,212.79	54,708.79	-	-	-
4	Sha -2018	19,669.00	342,282.80	318,714.35	43,237.45	32,981.55	4,777,632.74
	-2017	23,680.00	319,130.00	313,112.00	29,698.00	19,669.00	2,272,842.03
5	PLing -2018	-	34,587.40	34,587.40	-	-	-
	-2017	4,523.00	48,553.00	53,076.00	-	-	-
6	Jakar -2018	25,424.75	35,693.52	49,361.07	11,757.20	10,666.00	1,212,964.76
	-2017	-	105,277.49	79,852.74	25,424.75	25,424.75	2,281,017.68
	Total : 2018	45,154.14	501,586.84	452,042.27	94,698.71	83,288.22	13,475,568.37
	Total : 2017	29,703.99	526,490.28	501,011.13	55,183.14	45,154.14	4,567,139.48

Sand

SI.No.	Divisions	Opening Stock as on 1.1.18 (Cft)	Production (Cft)	Disposal (Cft)	Book Balance as on 31.12.18 (Cft)	Physical Balance as on 31.12.18 (Cft)	Total Value as on 31.12.18 (Cft)
1	Wang -2018	0.00	0.00	0.00	0.00	0.00	0.00
	-2017	0.00	0.00	0.00	0.00	0.00	0.00
2	Rinpong -2018	0.00	846.00	846.00	0.00	0.00	0.00
	-2017	0.00	11,844.00	11,844.00	0.00	0.00	0.00
3	Zhonggar -2018	0.00	491,970.00	491,970.00	0.00	0.00	0.00
	-2017	0.00	567,651.91	567,651.91	0.00	0.00	0.00
4	Sha -2018	0.00	11,280.00	11,280.00	0.00	0.00	0.00
	-2017	0.00	30,174.00	30,174.00	0.00	0.00	0.00
6	PLing -2018	213,360.00	7,271,426.29	7,484,786.29	0.00	0.00	0.00
	-2017	0.00	3,625,600.00	3,412,240.00	213,360.00	213,360.00	192,691.47
7	Jakar -2018	0.00	4,370,898.45	4,370,898.45	0.00	0.00	0.00
	-2017	318,902.47	1,340,296.96	1,356,422.96	302,776.47	0.00	0.00
	Total : 2018	213,360.00	12,146,420.74	12,359,780.74	0.00	0.00	0.00
	Total : 2017	318,902.47	5,575,566.87	5,378,332.87	516,136.47	213,360.00	192,691.47

Stone

*[Handwritten signature]*

*[Handwritten signature]*

*[Handwritten signature]*



NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED

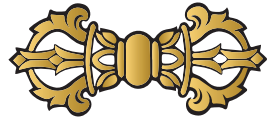
QUANTITATIVE ANALYSIS OF STOCK as on 31.12.2018

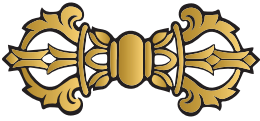
Stones Chips

Sl.No.	Divisions	Opening Stock as on 1.1.18 (CFT)	Production (CFT)	Disposal (CFT)	Book Balance as on 31.12.18 (CFT)	Physical Balance as on 31.12.18 (CFT)	Total Value as on 31.12.18 (CFT)
1	Zhonggar						
	Tingzam SCP -2018	341,387.15	241,932.00	402,885.30	180,433.85	180,433.85	2,970,964.61
	-2017	392,081.41	105,473.74	156,178.00	341,387.15	341,387.15	5,800,652.46
	Kencholing SCP-2018	77,944.10	67,510.00	80,925.00	64,529.10		
	-2017	50,051.00	304,318.10	276,425.00	77,944.10	77,944.10	495,814.29
	Golanti SCP -2018	26,384.36		7,115.68	19,268.68	19,268.68	57,806.04
	-2017	73,205.68		46,821.32	26,384.36	26,384.36	164,987.68
	Njangshing SCP -2018	74,187.52			74,187.52	74,187.52	1,374,449.24
	-2017	80,285.52		6,098.00	74,187.52	74,187.52	1,374,449.24
2	Jakar						
	Bhur SCP -2018	259,950.50	466,483.09	493,596.40	232,837.19	232,837.19	969,512.72
	-2017	340,218.35	438,955.77	519,223.81	259,950.31	259,950.50	2,126,473.46
	Homdar SCP -2018						
	-2017						
	<b>Grand Total: 2018</b>	<b>779,853.63</b>	<b>775,925.09</b>	<b>984,522.38</b>	<b>571,256.34</b>	<b>506,727.05</b>	<b>5,372,732.61</b>
	<b>Grand Total: 2017</b>	<b>935,851.96</b>	<b>848,747.61</b>	<b>1,004,746.13</b>	<b>779,853.44</b>	<b>779,853.63</b>	<b>9,962,377.12</b>

Rawmaterials for Stone Crusher

Sl.No.	Divisions	Opening Stock as on 1.1.18 (CFT)	Production (CFT)	Disposal (CFT)	Book Balance as on 31.12.18 (CFT)	Physical Balance as on 31.12.18 (CFT)	Total Value as on 31.12.18 (CFT)
1	Zhonggar						
	Tingzam SCP -2018	387,095.78		67,491.00	299,634.78	299,634.78	3,892,255.79
	-2017	428,029.78		60,934.00	367,095.78	367,095.78	4,768,574.18
	Kencholing SCP -2018	30,243.10	40,800.90	71,044.00	(0.00)	(0.00)	(0.00)
	-2017	21,089.00	324,648.00	315,493.90	30,243.10	30,243.10	402,784.36
	Golanti SCP -2018						
	-2017	50,097.44			50,097.44		
	Njangshing SCP-2018	317,526.80			317,526.80	317,526.80	4,016,714.02
	-2017	617,561.05		4,744.00	612,817.05	317,526.80	4,016,714.02
3	Jakar						
	Bhur SCP -2018	336,318.97	847,601.16	465,919.90	698,000.23	698,000.23	4,334,581.43
	-2017	201,419.77	591,304.48	456,444.00	336,280.25	336,318.97	2,086,956.73
	Homdar SCP -2018	615,833.23		112,512.75	503,320.48	503,320.48	6,668,996.29
	-2017	704,701.72		88,668.49	615,833.23	615,833.23	8,159,790.23
	<b>Total : 2018</b>	<b>1,667,017.88</b>	<b>888,402.06</b>	<b>736,937.65</b>	<b>1,818,482.29</b>	<b>1,818,482.29</b>	<b>18,912,547.53</b>
	<b>Total : 2017</b>	<b>2,022,898.76</b>	<b>915,952.48</b>	<b>926,484.39</b>	<b>2,012,366.85</b>	<b>1,667,017.88</b>	<b>19,434,819.52</b>
	Rawmaterials for Briquette Unit(TL)						
	1 Wang-Briq. Unit-2018	21.00	459.10	256.69	233.42	233.42	1,639,774.83
	-2017	30.00	95.00	104.00	21.00	21.00	147,527.31
	<b>Total : 2018</b>	<b>21.00</b>	<b>459.10</b>	<b>256.69</b>	<b>233.42</b>	<b>233.42</b>	<b>1,639,774.83</b>
	<b>Total : 2017</b>	<b>30.00</b>	<b>95.00</b>	<b>104.00</b>	<b>21.00</b>	<b>21.00</b>	<b>147,527.31</b>
	<b>Grand Total: 2018</b>						<b>111,949,612.95</b>
	<b>Grand Total: 2017</b>						<b>81,106,267.19</b>





NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED  
Statement of Fixed Assets as at 31-12-2018

Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Balance as on 1.1.18	Addition during '17	On Sales & Other Adjts	Balance as on 31-12-18	Up to 1.1.18	For the Period	On sale & Other Adjts	Up to 31-12-2018	As at 31-12-2018	As at 31-12-2017
Land	150,298,403	-	-	150,298,403	-	-	-	-	150,298,403	150,298,403
Building	19,345,516	5,284,545	(1,875,341)	22,754,720	59,342,146	8,202,811	(1,372,438)	57,176,224	65,380,487	59,004,070
Road*	2,687,107	27,067,691	-	34,342,297	153,871,644	28,990,294	-	102,881,919	151,080,879	151,003,162
Cable Crane	52,246,264	41,813,623	-	94,059,887	38,372,252	5,872,709	-	45,245,091	48,814,796	12,873,972
Plant and Machines	185,791,437	18,611,221	-	204,312,657	117,606,188	16,622,481	-	134,228,669	70,053,688	68,095,240
Tractor	2,501,650	-	-	2,501,650	1,665,480	150,386	-	1,798,866	762,784	93,170
Truck	10,001,159	-	-	10,001,159	10,001,191	-	-	10,001,191	8	8
Vehicle	25,321,145	7,335,572	(1,625,330)	30,991,386	10,206,718	1,461,129	(1,625,338)	19,032,510	6,998,866	1,024,077
Furniture	9,159,483	371,126	(79,386)	9,451,143	7,894,417	452,853	(79,356)	8,264,414	1,186,730	1,357,886
Office Equipment	22,113,062	3,723,807	(242,897)	25,593,982	15,795,635	1,979,872	(241,528)	17,443,969	8,170,014	5,407,427
<b>Total:</b>	<b>825,684,186</b>	<b>104,207,584</b>	<b>(3,821,944)</b>	<b>925,069,826</b>	<b>425,295,721</b>	<b>57,596,087</b>	<b>(8,372,166)</b>	<b>425,795,731</b>	<b>432,888,457</b>	<b>423,302,054</b>
Previous Year	802,796,717	67,891,212	(12,005,773)	858,682,156	376,571,830	57,596,087	(8,372,166)	425,795,731	432,888,457	423,302,054

Note: 1. Road is Constructed on Government land

NOTE- 3

Intangible assets

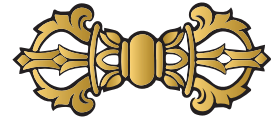
Current Year	2,367,948	4,800,000		6,867,948	2,339,945	106,077		2,446,022	4,421,025,52	28,003
Previous Year	2,367,948	-		2,367,948	2,339,243	100,602		2,339,545	28,003	128,615

NOTE- 4

Statement of Capital Work in Progress as at 31-12-2018

Particulars	Opening 1.1.2018	Addition	Adjustment	Closing 31.12.18
Road W.I.P	3,473,950	11,108,151	13,490,842	1,088,259
Machine W.I.P	35,402,394	33,471,453	48,874,857	0
Building W.I.P	400,000	2,845,235	3,063,235	182,000
<b>Total: CWIP</b>	<b>19,273,344</b>	<b>47,424,848</b>	<b>65,427,934</b>	<b>1,270,259</b>
Previous Year	13,999,947	39,173,529	24,900,131	19,273,344





NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED

Particulars	Year Ended	
	31-12-2018	31-12-2017
	(Nu.)	(Nu.)
<b>NOTE- 5</b>		
<b>Other non current assets</b>		
Fair Value of Plan Assets(FVA)	77,999,747	72,896,960
Defined Benefit Obligation(DBO)	75,977,225	72,788,955
Net retirement benefit assets - gratuity	2,022,522	108,005
Unamortised Mine Cost	813,156	1,192,786
<b>Total Non Current</b>	<b>2,835,678</b>	<b>1,300,791</b>
<b>NOTE- 6</b>		
<b>Other receivables</b>		
Security deposit to others	3,335,234	2,965,474
<b>Total</b>	<b>3,335,234</b>	<b>2,965,474</b>
<b>NOTE- 7</b>		
<b>Other current assets</b>		
Advance to Contractors	4,044,138	9,988,364
Advance to Suppliers	3,678,114	26,371,490
Advance to Others	1,262,519	1,266,723
Deferred Revenue Expenditure	-	168,667
FA to Unit Manager/FA/Remittance	221,607	462,993
Prepaid expenses	551,540	713,120
Advance for Corporate tax	-	-
GFFMO Cost	125,305	206,493
TDS withheld by customer	0	-
Unamortised Mine Cost	355,820	345,544
Int./Income accrued on FD	-	45,409
Advance to staff recoverable	2,578,086	2,675,522
<b>Total Current</b>	<b>12,817,128</b>	<b>42,244,325</b>
<b>NOTE- 8</b>		
<b>Cash and cash equivalent</b>		
Cash in hand	570,965	249,103
<b>Bank Balances</b>		
Local Banks-Others	12,572,460	48,039,100
Balances with BOBL	44,173,706	72,178,331
<b>Cash &amp; Cash Equivalents</b>	<b>57,317,131</b>	<b>120,466,534</b>
<i>Short Term Bank Deposit</i>		
Term Deposit with BDBL	-	5,637,463
	<b>57,317,131</b>	<b>126,103,997</b>
<b>NOTE- 9</b>		
<b>Trade and other receivables</b>		
Sundry debtors	52,531,494	33,087,011
Provision for doubtful Debts	(9,177,667)	(5,973,638)
	<b>43,353,827</b>	<b>27,113,373</b>
<b>NOTE- 10</b>		
<b>Inventories</b>		
Stock of Timber	71,345,400	45,939,150
Stock of Briquette	674,280	486,000
Stock of Sand	13,475,568	4,567,139
Stock of Stone	-	192,691
Stock of Stone Chip	5,372,733	9,962,377
Stock of Firewood	529,309	376,563
Stock of Rawmaterial for Stone chips	18,912,548	19,434,820
Stock of Rawmaterial for Briquette Unit	1,639,775	147,527
Stock of store/spare parts	23,584,598	15,323,614
Provision for Timber	(236,701)	-
Provision for Stone chip Rawmaterial	(4,256,279)	(3,187,708)
Provision for Slow moving stock of spares	(2,651,654)	(2,659,207)
	<b>128,389,577</b>	<b>90,582,965</b>





NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED

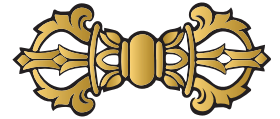
Particulars	Year Ended	
	31-12-2018	31-12-2017
	(Nu.)	(Nu.)
<b>NOTE- 11</b> <b>Non current borrowings</b> -Noncurrent Maturities of Long term Borrowings	36,365,032	52,830,177
	<b>36,365,032</b>	<b>52,830,177</b>
<b>Current borrowings</b> Current maturities of long term borrowings	16,126,440	14,582,944
	16,126,440	14,582,944
<b>NOTE- 12</b> <b>Government grant</b> Balance as at 1st january 2018	6,635,816	6,202,460
Received during the year	-	1,500,000
Released to the statement of comprehensive income	1,275,000	1,066,644
<b>Balance as at 31st December 2018</b>	<b>5,360,816</b>	<b>6,635,816</b>
	<b>41,725,848</b>	<b>59,465,994</b>
<b>Current Portion of Grant</b>	<b>1,275,000</b>	<b>1,275,000</b>
<b>Noncurrent Portion of Grant</b>	<b>4,085,816</b>	<b>5,360,816</b>
<b>NOTE- 13</b> <b>Provision for employee benefits</b> Provision for Leave Encashment	7,676,030	7,541,990
	<b>7,676,030</b>	<b>7,541,990</b>
<b>Current</b>	<b>536,170</b>	<b>321,520</b>
<b>Noncurrent</b>	<b>7,139,860</b>	<b>7,220,470</b>
<b>NOTE- 14</b> <b>Trade and other payables</b> Trade payables	24,257,431	23,489,674
Other payables	21,435,330	8,765,805
Security deposit	3,111,248	4,177,110
Earnest money deposit	362,131	616,974
Retention money	1,570,388	1,755,726
Other receipts & payments	2,929,346	2,598,573
Bank loan (employees)	51,324	-
Staff welfare fund	-	2,275
	<b>53,717,198</b>	<b>41,406,137</b>
<b>NOTE- 15</b> <b>Other current liabilities</b> Advance from customers	17,755,919	5,118,568
TDS on contractors payable	87,835	464,137
Health contribution	11,216	-
GPF employee's share	-	2,227
TDS from salary	11,676	5,183
Royalty payable	7,072,439	8,319,498
Provision for Compensation	-	75,853,592
	<b>24,939,086</b>	<b>89,763,206</b>
<b>NOTE- 16</b> <b>Provision for corporate income tax</b> Provision for corporate tax	15,565,464	7,690,370
	<b>15,565,464</b>	<b>7,690,370</b>

A

H

*[Handwritten signature]*

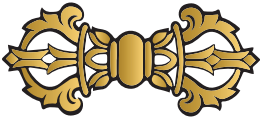




NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED

Particulars	Year Ended	
	31-12-2018	31-12-2017
	(Nu.)	(Nu.)
<b>NOTE- 17</b>		
<b>Revenue</b>		
Sale of Timber	313,024,753	277,765,627
Sale of Briquette	1,290,240	1,115,590
Sales woodchips	14,176,649	9,566,134
Sale of firewood	1,442,109	1,157,964
Sale of Forest Residues	2,564,976	2,530,368
Sale of Glulam Timber	7,135,079	-
Sale of Joinery Products	3,751,623	-
<b>Sale of Timber and By-products</b>	<b>343,385,427</b>	<b>292,135,683</b>
Sales Sand	203,580,533	97,141,196
Sales Stone	56,821,734	22,301,562
Sales Stone Chips	15,500,641	20,829,345
	<b>619,288,335</b>	<b>432,407,786</b>
<b>Other income</b>		
Hire charge	13,367,112	9,475,765
Other Misc. Income	7,075,512	5,074,009
Toll Fee	625,444	566,150
Profit from sale of Fixed Assets	5,715,227	3,054,505
Profit on sale of stores and spares	-	-
Liabilities no more required written back	2,973,594	1,651,323
Provision for Compensation written back	16,177,073	-
Audit recovery	202,256	48,176
Interest on Fixed deposit	5,452,001	5,048,943
Interest on others	1,306,553	1,029,786
Prior period Adjustment	-	373,526
Unwinding of environment restoration fund	316,568	282,774
	<b>53,211,340</b>	<b>26,604,957</b>
	<b>672,499,675</b>	<b>459,012,743</b>





NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED

Particulars	Year Ended	
	31-12-2018	31-12-2017
	(Nu.)	(Nu.)
<b>NOTE- 18</b>		
<b>Cost of Sales</b>		
<b>Reforestation Expenses</b>		
Nursery Expenses	515,186	677,809
Creation of Plantation	2,979,925	3,647,933
Plantation maintenance	3,432,118	4,325,298
Nursery creation	1,305,447	2,206,617
<b>Personnel cost</b>		
Salary & wages	68,328,063	62,613,114
Leave Encashment	4,207,074	3,615,158
Bonus	6,952,425	5,468,973
PBVA	8,003,632	2,625,107
GPF Employers Contribution	5,256,782	4,855,739
Uniform/Leveries	280,800	265,000
LTC	3,314,755	3,095,935
TFA/TG	1,667,275	1,331,240
TA/DA	14,073,969	11,524,660
<b>Production Expenses</b>		
Marking cost	72,946	72,932
Felling & cross-cutting	10,111,197	5,254,218
Debarking	548,765	586,062
Extraction from Stump site to Depot	103,190,751	73,748,996
Extraction of Sand	153,892,984	34,245,300
Extraction of Stone	18,735,209	2,787,394
Extraction from Quarry to crusher Site	4,863,067	7,967,879
Electricity	827,263	481,726
Extraction of Wood Chip	12,068,126	8,194,268
Mine cost	369,354	269,108
FMU expenses/Inventory	1,531,990	1,415,218
Maint. of trucks incl. POL	2,795,423	2,600,518
Maint. of machines Incl. POL	33,357,715	23,214,246
Maint. of road	5,467,196	6,904,734
Timber handling & Stacking	3,847,180	3,222,227
Maint. of depot	1,088,066	938,005
Profit on sale of stores and spares	-	-
Prior period Adjustment	1,492,930	-
Provision for Timber	236,701	-
Provision for Slow moving stock	1,068,571.02	878,529
<b>Royalty</b>		
Royalty-Timber	19,819,465	17,993,051
Royalty-Woodchips	295,576	339,585
Royalty-Sand	1,816,760	2,332,800
Royalty-Stone	1,215,280	1,142,714
Royalty-Stone Chips	-	46,880
<b>Stock</b>		
Loss of Stock due to natural calamities (Increase)/Decrease in stocks	(30,843,346)	5,226,350
<b>Depreciation and amortisation</b>		
Depreciation-Building	6,969,262	6,124,630
Depreciation-Road	28,990,294	28,361,795
Depreciation-Cable Crane	5,872,799	2,453,607
Depreciation-Equipment	16,652,481	15,336,535
Depreciation-Tractor	150,386	89,408
Depreciation-Truck	-	588,658
Depreciation-Vehicle	686,260	861,974
Depreciation-Furniture	266,053	287,913
Depreciation-Office Equipment	1,135,218	875,365
Depreciation-Tally ERP.9 -Software	106,077	100,602
	<b>529,015,451</b>	<b>361,195,809</b>

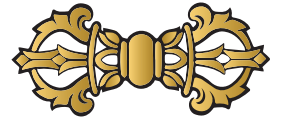
*[Signature]*

*[Signature]*

*[Signature]*



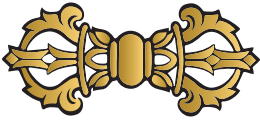




NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED

Particulars	Year Ended	
	31-12-2018	31-12-2017
	(Nu.)	(Nu.)
<b>NOTE- 19</b>		
<b>Selling &amp; Marketing Expenses</b>		
Customer Survey	208,097	198,188
Advertisement	710,743	1,035,916
Auction expenditures	720,590	471,729
Flower Exhibition	-	-
<b>Personnel cost</b>		
Salary & wages	-	2,548,942
Leave Encashment	-	164,450
Bonus	-	-
PBVA	-	-
GPF Employers Contribution	-	229,086
LTC	-	86,325
TA/DA	-	292,598
	<b>1,639,430</b>	<b>5,027,233</b>

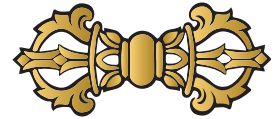




**NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED**

Particulars	Year Ended	
	31-12-2018	31-12-2017
	(Nu.)	(Nu.)
<b>NOTE- 20</b>		
<b>Administrative Expenses</b>		
Printing & Stationary	1,088,867	1,080,901
Telephone/Fax/Postage	3,087,166	2,275,702
Audit Fees	113,190	107,800
Audit Expenses	376,822	329,599
Rent	1,433,162	1,451,870
Rates and Taxes	194,979	223,591
Entertainment	884,554	990,201
Electricity/Lighting(office)	682,645	552,082
Books & periodicals	73,649	47,589
Workshop/Seminar	354,411	385,549
Board expenses	587,973	1,013,703
Trade Licence	35,480	31,400
Insurance	1,499,944	1,130,857
Subscription & donations	1,137,108	130,000
Consultancy fees	82,209	578,375
Legal Expenses	2,600	65,900
Provision for doubtful Debts	3,204,030	6,580,679
Research & Development		
Welfare Expenses	767,890	865,018
Training Expenditure	6,727,319	4,755,365
Consumable stores	475,928	494,893
Maint. of Building	1,213,670	745,399
Maint. of Vehicle incl. POL	4,736,335	4,079,578
Maint. of Office equipment	826,541	740,884
Bank Charges	15,429	17,072
Interest on Loan	4,962,862	4,790,146
Corporate Guarantee Fees	266,970	173,880
Brand & Management Fee	107,597	812,973
Deferred Revenue expenditure	-	-
Loss on sale of stores and spares	506,635	-
<b>Personnel cost-HQ</b>		
Salary & wages	19,383,129	15,253,421
Leave Encashment	1,240,066	1,040,412
TA/DA	2,694,979	1,912,362
TTA/TG	880,597	1,086,127
LTC	688,200	559,110
Bonus	1,947,375	-
PBVA	2,241,818	-
GPF Employers Contribution	1,540,792	1,169,330
Medical Expenses	2,265	537,940
Uniform/Leveries	3,803,759	1,558,575
Gratuity	11,615,200	8,652,650
<b>Depreciation and amortisation</b>		
Depreciation-Building	1,238,249	1,394,192
Depreciation-Vehicle	674,860	187,085
Depreciation-Furniture	186,300	197,570
Depreciation-Office Equipment	824,654	837,356
	<b>84,408,210</b>	<b>68,837,137</b>

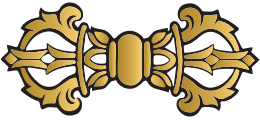




NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED

Particulars	Year Ended	
	31-12-2018	31-12-2017
	(Nu.)	(Nu.)
<b>NOTE- 21</b>		
<b>Income tax expense</b>		
<b>PROFIT BEFORE TAX</b>	<b>57,436,584</b>	<b>(51,901,028)</b>
ADD: Provision for doubtful Debts	3,204,030	6,580,679
ADD: Gift & Donation	1,137,108	130,000
ADD: Prior Period Adjustment	1,492,930	-
ADD: Impairment of Non-current Assets	-	(2,922,733)
ADD: Provision for Slowmoving stock	1,068,571	878,529
ADD: Provision for stock of timber	236,701	-
ADD: Bonus & PBVA	11,487,066	4,469,149
ADD: Provision for Compensation	-	75,853,592
Less : Carry Forward and Offset of Losses	(17,300,343)	-
<b>NET TAXABLE AMOUNT</b>	<b>58,762,648</b>	<b>33,088,188</b>
<b>30% CIT</b>	<b>17,628,795</b>	<b>9,926,456</b>
<b>Total Tax Expense</b>	<b>17,628,795</b>	<b>9,926,456</b>





**Note 22 : Fair value measurements**

(All amounts in Nu , unless otherwise stated)

**Financial instruments by category**

Particulars	31-Dec-18			31-Dec-17		
	FVPL	FVOCI	Amortised cost	FVPL	FVOCI	Amortised cost
<b>Financial assets</b>						
Security deposit to others	-	-	3,335,234	-	-	2,965,474
Cash and cash equivalent	-	-	57,317,131	-	-	126,103,997
Sundry debtors	-	-	52,531,494	-	-	33,087,011
Int./Income accrued on FD	-	-	-	-	-	45,409
Advance to staff recoverable	-	-	2,578,086	-	-	2,675,522
<b>Total financial assets</b>	-	-	<b>115,761,945</b>	-	-	<b>164,877,413</b>
<b>Financial liabilities</b>						
Borrowing	-	-	52,491,471	-	-	67,413,121
Trade payables	-	-	24,257,431	-	-	23,489,674
Other payables	-	-	21,435,330	-	-	8,765,805
Security deposit	-	-	3,111,248	-	-	4,177,110
Earnest money deposit	-	-	362,131	-	-	616,974
Retention money	-	-	1,570,388	-	-	1,755,726
Other receipts & payments	-	-	2,929,346	-	-	2,598,573
<b>Total financial liabilities</b>	-	-	<b>106,157,345</b>	-	-	<b>108,816,984</b>





(All amounts in Nu., unless otherwise stated)

**(i) Fair value hierarchy**

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

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

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

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

**(ii) Valuation technique used to determine fair value**

Specific valuation techniques used to value financial instruments include:

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

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

Particulars	31-Dec-18		31-Dec-17		1-Jan-17	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>						
Environment restoration bond	2,993,807	2,993,807	2,677,239	2,677,239	2,292,404	2,292,404
Security deposit	341,427	341,427	288,235	288,235	697,144	697,144
<b>Total financial assets</b>	<b>3,335,234</b>	<b>3,335,234</b>	<b>2,965,474</b>	<b>2,965,474</b>	<b>2,989,548</b>	<b>2,989,548</b>
<b>Financial liabilities</b>						
Borrowing	52,491,471	52,491,471	67,413,121	67,413,121	28,408,828	28,408,828
<b>Total financial liabilities</b>	<b>52,491,471</b>	<b>52,491,471</b>	<b>67,413,121</b>	<b>67,413,121</b>	<b>28,408,828</b>	<b>28,408,828</b>

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

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

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

**Significant estimates**

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

*[Handwritten signature]*

*[Handwritten signature]*

*[Handwritten signature]*





(All amounts in Nu , unless otherwise stated)

**Note 23: Capital management**

**(a) Risk management**

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

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

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





(All amounts in Nu , unless otherwise stated)

**Note 24: Financial Risk Management**

The Company's activities expose it to credit risk, liquidity risk and market risk (i.e. foreign currency risk, interest rate risk and price risk).

This note explains the sources of risk which the entity is exposed to and how the entity manages the risk and the impact of it in the financial statements.

Risk	Exposure arising from	Measurement	Management
Credit risk	Cash and cash equivalents, trade receivables, financial assets measured at amortised cost	Aging analysis Credit ratings	Diversification of customer base
Liquidity risk	Borrowings and other liabilities	Cash flow forecasts	Availability of committed facilities
Market risk – foreign exchange	Future commercial transactions and recognised financial liabilities not denominated in Bhutanese Ngultrum (Nu.)	Cash flow forecasting Sensitivity analysis	Currently the Company has no such transactions
Market risk – interest rate	Long-term borrowings at fixed rates	Sensitivity analysis	Portfolio of loan contains fixed interest loans from financial institutions

**(A) Market risk**

**(i) Foreign currency risk**

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

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

**(ii) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates.

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

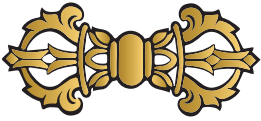
**(iii) Price Risk**

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

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





(All amounts in Nu , unless otherwise stated)

**(B) Liquidity risk**

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

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

**(i) Maturities of financial liabilities**

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

• all financial liabilities

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

Contractual maturities of financial liabilities 31 December 2018	Less than 1 year	More than 1 years	Total
Trade and other payables	53,717,198	-	53,717,198
Borrowings	16,126,440	36,365,032	52,491,471
Interest on borrowing	3,804,921	-	3,804,921
<b>Total financial liabilities</b>	<b>73,648,558</b>	<b>36,365,032</b>	<b>110,013,590</b>

Contractual maturities of financial liabilities 31 December 2017	Less than 1 year	More than 1 years	Total
Trade and other payables	41,406,137	-	41,406,137
Borrowings	14,582,944	52,830,177	67,413,121
Interest on borrowing	5,347,397	-	5,347,397
<b>Total financial liabilities</b>	<b>61,336,478</b>	<b>52,830,177</b>	<b>114,166,655</b>

Contractual maturities of financial liabilities 1 January 2017	Less than 1 year	More than 1 years	Total
Trade and other payables	33,489,897	-	33,489,897
Borrowings	7,648,605	20,760,223	28,408,828
Interest on borrowing	3,186,433	-	3,186,433
<b>Total financial liabilities</b>	<b>44,324,935</b>	<b>20,760,223</b>	<b>65,085,157</b>

Handwritten signatures in blue ink.







(All amounts in Nu , unless otherwise stated)

**(C) Credit risk**

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions and other financial instruments.

**i) Trade receivables**

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. The Company makes sales on cash basis except when the sale are made for long project. Trade receivables are non-interest bearing and are generally on 30-45 days credit term. Further the Company recovers its debtors within a span of one year. The Company regularly monitors its outstanding customer receivables. The ageing of trade receivables as of balance sheet date is given below. The age analysis have been considered from the due date:

Particulars	Less than six months	More than six months less than 3 years	More than 3 years	Total
Trade receivable as on 31 December 2018	34,556,432	13,682,900	4,292,162	52,531,494
<b>Trade receivable as on 31 December 2018</b>	<b>34,556,432</b>	<b>13,682,900</b>	<b>4,292,162</b>	<b>52,531,494</b>

Particulars	Less than six months	More than six months less than 3 years	More than 3 years	Total
Trade receivable as on 31 December 2017	22,090,696	10,712,628	283,688	33,087,011
<b>Trade receivable as on 31 December 2017</b>	<b>22,090,696</b>	<b>10,712,628</b>	<b>283,688</b>	<b>33,087,011</b>

Trade receivable as on 1 January 2017	54,980,452	15,545,023	206,645	70,732,121
<b>Trade receivable as on 31 December 2016</b>	<b>54,980,452</b>	<b>15,545,023</b>	<b>206,645</b>	<b>70,732,121</b>

The requirement for impairment is analysed at each reporting date. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 22. The Company does not hold collateral as security.

**ii) Financial instruments and cash deposits**

Credit risk from balances with banks and financial institutions is managed by the Company's finance department. Investments of surplus funds are made only with approved counterparties in accordance with the Company's policy. The counterparties are accordingly governed by the regulatory authorities to mitigate financial loss during failure to make payment.

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

Handwritten signatures in blue ink.

