

# NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED



**NRDCL**

**dhi** Company

**ANNUAL REPORT  
2019**



# THE YEAR IN REVIEW

The year 2019 has been one of the most productive and progressive year for the Natu-

ral Resources Development Corporation Limited (NRDCL) in its pursuit towards living up to the noble vision of His Majesty the King to make the construction materials accessible, available and affordable. At the operational level, almost all the physical targets assigned by the Board has been achieved in full with some targets exceeding even beyond in particular the timber operation merit a special mention due to the over achievement of target from 2.252 million cft to 2.510 million cft. Furthermore, Rudgongla FMU, saw for the first time the accomplishment of entire target including spill over production from 2018 totaling 447,506.95 cft. Similarly, the sand production also exceeded beyond the projected target from 489,051.57m<sup>3</sup> to 516,999.33m<sup>3</sup> and stones from 22 million MT to 26.137 million MT.



Even in the financial front, NRDCL's performance in 2019 is the highest in the last nine years. The revenue generation increased by 17.90% and its profitability increased by 45.42% as compared to the year 2018.

The company's production capacity and its ability to carry out the scientific and environment friendly forest harvest have been enhanced with the continued investment in the logging machineries. Further, the company adopted the production based payment system starting with the sand operation at Wangdue and replicating the same to other operation units. The production based payment system has proven to be effective not only in boosting the productivity of both its employees and machineries but also in promoting the performance driven culture in the company.



Further, under the company's drive to diversify and promote value added products, the company took up for the first time the remodelling of National Council Conference Hall by using glu-laminated timber and joinery products.

The company also has achieved a significant improvement in the efficiency and



transparency in its operations with the migration to Enterprise Resource Planning (ERP) from manual. Further improvement is expected with the development in pipeline of a mobile based application for making NRDCL's services available online to initially focus on the digitalization of sand supply. The project is technically supported by Thimphu Tech Park Limited.

The year 2019 also saw a tremendous improvement in the customer satisfaction index (CSI) from 3.46 in 2018 to 3.94 in 2019 year indicating the positive transition of the company towards rendering public service in the best way possible and upholding the noble mandates entrusted to the company from the highest level.

In its' pursuit to fulfill its mandates and its moral obligation as the organizational citizen of this beautiful nation, NRDCL came across many challenges. However, with its spirit to take up the challenges positively and as the avenue to enable us to improve services, the management have overcome the challenges and further remain committed to pursue the very important mandate of making resources 'available, accessible and affordable' steadfastly.

Lastly, on behalf of the management and staff, I would like to extend our heartfelt gratitude to all the stakeholders and partners for continued co-operation and support, and also the Board of directors and DHI for continued guidance and support. It is also my honour and privilege to deeply acknowledge the support from the former Chairman of NRD-CL Board, late Dasho Karma W. Penjor and incoming new Chairman, Dasho Karma Tshiteem. The management looks forward to a fulfilling year 2020 and aspire to serve better to support the Nation Building.

**Tashi Delek**

**(Sonam Wangchuk)**

**CHIEF EXECUTIVE OFFICER**





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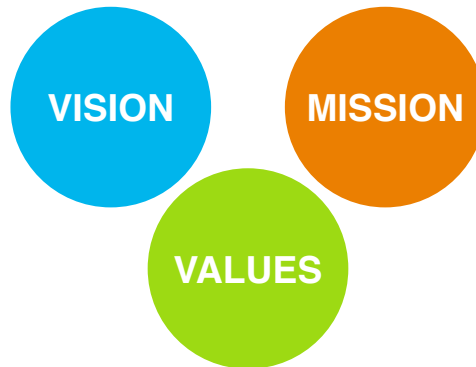
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## COMPANY PROFILE

### 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

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



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.

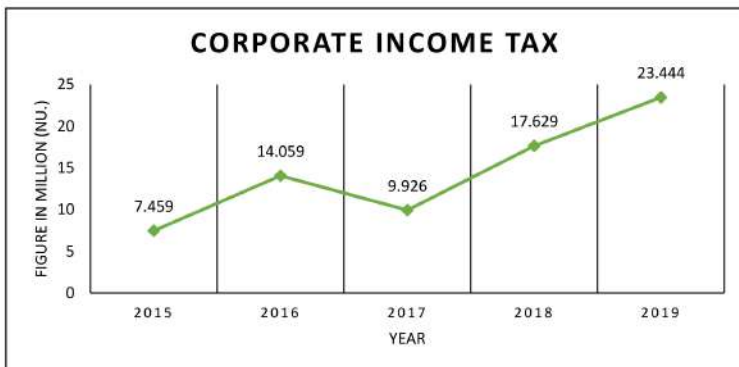
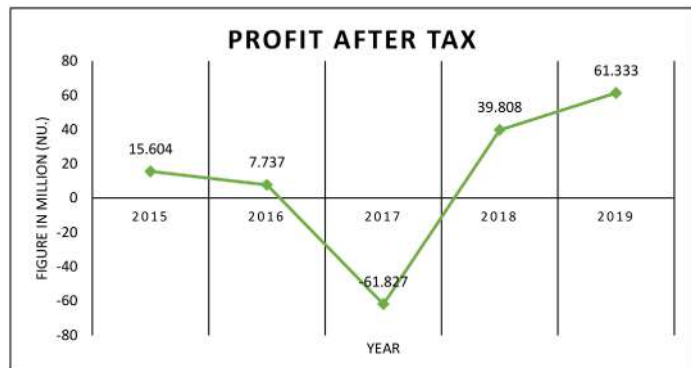
NRDCL is a fully-owned Druk Holding and Investments (DHI) company. The company is governed by the Articles of Incorporation under the Companies Act of the Kingdom of Bhutan 2016.

**A glance at the company's performance in the last five years**



REVENUE	
Year	Revenue
2015	429.915
2016	431.933
2017	459.013
2018	672.5
2019	792.855

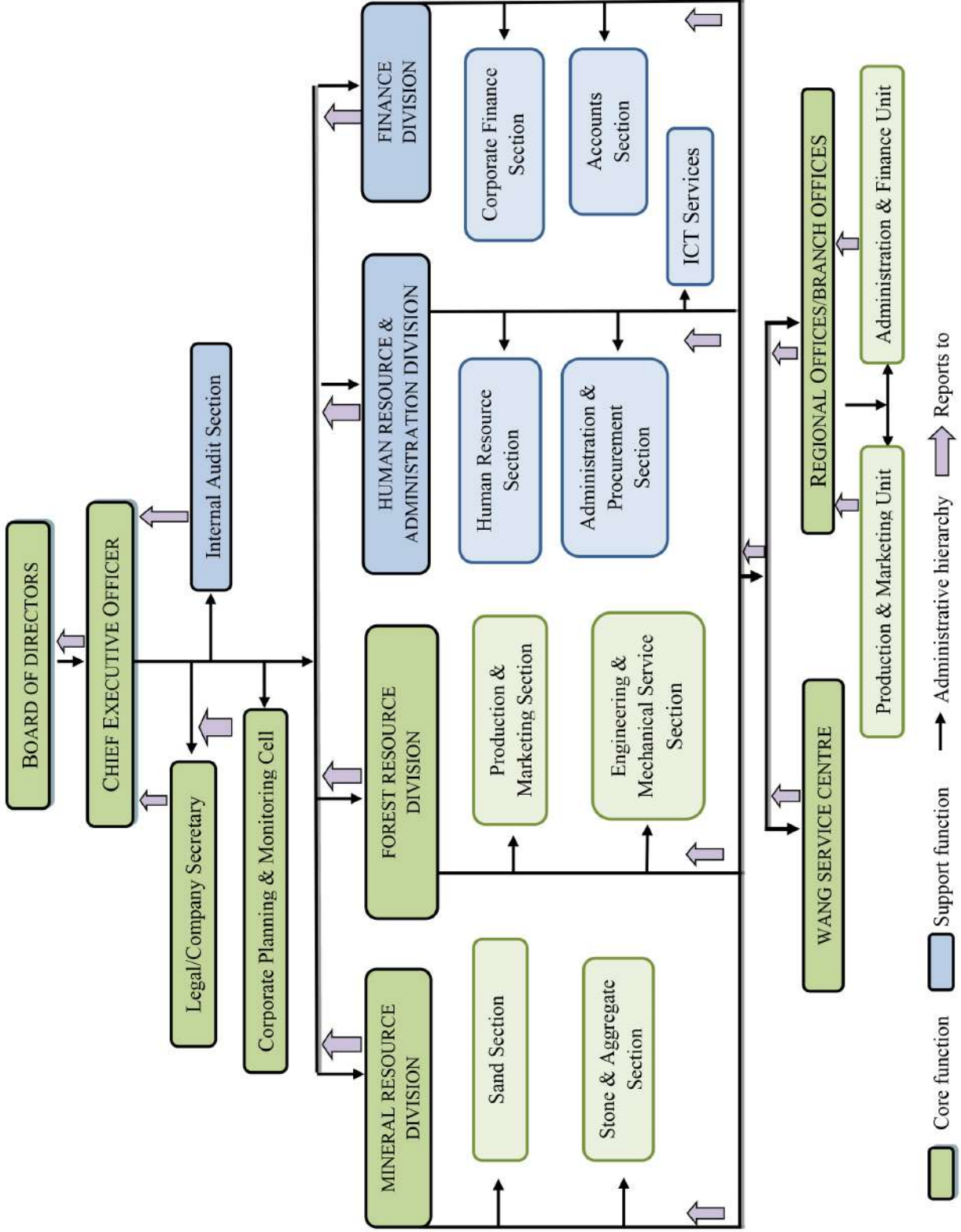
PROFIT AFTER TAX	
Year	PAT
2015	15.604
2016	7.737
2017	-61.827
2018	39.808
2019	61.333



CORPORATE INCOME TAX	
Year	CIT
2015	7.459
2016	14.059
2017	9.926
2018	17.629
2019	23.444



# NRDCL Organization Structure





## BOARD OF DIRECTORS



Dasho Karma Tshiteem has MBA from University of Canberra, Australia. Dasho is currently serving as the Head of the National Service Core Working Group. Prior to that, Dasho has served in various capacities in the Royal Government of Bhutan such as the Member of the Internal Government, 2018, Chairman of the Royal Civil Service Commission and the Secretary of the Gross National Happiness Commission. Dasho has also served in many other important managerial positions in public service and also holds additional portfolios in various committee and boards including The Royal Academy and the Royal Institute of Governance and Strategic Studies. Dasho was awarded the Red Scarf by His Majesty the King on 17 December, 2015. Dasho, 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/INTOSAI 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. Lobzang Dorji is the Director of Forest and Park Services. He has a Master degree from University of Edinburgh, Scotland, United Kingdom and Master degree on Forestry from Associate of Indira Gandhi National Forest Academy, Dehradun, India. He joined the Board from ----- and serves as Independent Non-Executive Director of 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**  
**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.



**Mr. Karma Wangdi**  
Sr. Analyst,  
Corporate Planning and  
Monitoring Cell

Mr. Karma Wangdi is the Head of the Corporate Planning and Monitoring Cell. He has Master in Business Administration from Lovely Professional University, India.



**Ms. Sangay Choden**  
Company Secretary

Ms. Sangay Choden is the Company Secretary. She has B.A. LL.B (Hons) from Guru Gobind Indraprastha University, Delhi, India and PGDNL from Royal Institute of Management, Bhutan.



## DIRECTORS' REPORT

To the Shareholders,

As the 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 2019.

Being entrusted with the very important mandates of making natural resources 'available, accessible and affordable' to the general public, it is our – the Board, management and employees – endeavour to work hard towards fulfilling these mandates. Through the untiring efforts and hard work of everyone in the company, the company achieved most of its production and sales targets set for the year. On the financial front also, the company performed exceedingly well. In fact, the financial performance in 2019 is the highest in the last nine years. The details of the physical and financial performances are presented in the later part of the report.

Apart from the operational activities, the company also worked on strengthening the capacity of the company, and 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:

- Continuing with the vigorous efforts to increase the capacity of the company in forest operations, three sets of cable cranes, one mini-cableway, one tractor skidder and one log loader were purchased during the year, adding to the fleet to the timber harvesting machineries with the company. Through this, timber production will be enhanced. It 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.
- The five-year HR Master Plan (2020-2024) was developed, aligning with the Corporate Strategic Plan and business plans, through the engagement of an independent consultant. The HR Master Plan will guide the company in its HR utilization, management and development over the coming years.
- To boost production and increase productivity in field operations, the company started production based payment system, starting with sand operation from Wangdue Phodrang. This system is being replicated in other operation units. Apart from increasing productivity and efficiency of the employees, this system is also expected to further promote performance driven culture in the company.
- The company took up the National Council Conference Hall remodelling project, using glu-laminated timber from the Glu-lamination Plant in Pangbisa and wood panelling from the Wang Service Center in Ramtokto. This has been a break for the company in its efforts towards marketing the value added timber from NRDCL. With NRDCL products being showcased in such a prestigious hall, it is hoped that the market will expand for such products.
- In line with His Majesty's wisdom of using information technology for service delivery, the company initiated the development of an application for online services of its products in collaboration with Thimphu Tech Park Limited to be dedicated to His Majesty's 40th birth anniversary celebrations in 2020. It is one of the first steps in the digitalization journey of NRDCL and would take NRDCL one step closer to fulfilling the noble aspiration of making the resources 'accessible' to our people.



- Placing high importance on health and safety of the employees in the work place, the company, during the year, conducted training on occupational health and safety for almost all the employees. The trainings were conducted in collaboration with the Ministry of Labour and Human Resources.

The year 2019 nevertheless had many challenges for the company. However, in the face of all challenges and difficulties, NRDCL, as in the past, would continue to work very hard towards fulfilment of its very important mandate and objective of making our country's scarce natural resources 'accessible, available and affordable' in the domestic market and contribute to the nation building process.

The Board would now like to present the report on the operational and financial performance of the company for the year 2019.

## 1. Operational Report

The product-wise production and disposal report for 2019 vis-à-vis 2018 and 2017 are presented in the table below.

Sl. No.	2019				2018	2017
	Particulars	Annual Target	Achievement (Quantity)	%		
	<b>Core products</b>					
1	Timber production (cft.)	2,252,486.00	2,509,837.00	111.42	2,043,102.19	1,662,036.08
2	Timber disposal (cft.)	2,154,958.00	2,128,936.93	98.79	1,705,096.68	1,458,531.48
3	Sand production (m3)	588,720.00	516,999.33	87.81	501,586.84	526,490.28
4	Sand disposal (m3)	588,720.00	478,885.99	81.34	452,042.27	501,011.13
5	Stone production (cft)	14,013,022.00	26,137,086.11	186.51	12,146,420.74	5,575,566.87
6	Stone disposal (cft)	14,109,022.00	25,311,132.94	179.39	12,359,780.74	5,378,332.87
7	Stone chips prod. (cft)	900,000.00	940,784.40	104.53	775,925.09	743,273.87
8	Stone chips disposal (cft)	900,000.00	931,824.83	103.53	984,522.38	1,004,746.13

### 1.1. Timber

- Timber production in 2019 was 2.50 million cft. against the target of 2.25 million cft.
- Total revenue of Nu. 347.673 million was earned from the sale of timber in 2019 against the target of Nu.347.157 million as compared to revenue earning of Nu.313.025 million in 2018.
- The closing stock of log timber stood at 688,941.86 cft. and sawn timber at 114066.99 cft. at the end of 2019. The sawn timber was converted back to log timber and the overall closing stock shown as 851894.70 cft. in the Accounts.
- The lack of uniformity in rates of timber sourced from private and community hinders the image of the company. Routing of all timber including timber from private and community forestry through one window will enable single pricing in the market.



- e. There is no freehand in terms of marketing and distribution of all timbers extracted by the company although NRDCL invests heavily in machineries for scientific logging from various parts of the country. 50% of timber is allotted to Association of Wood Based Industries and the other 50% has to be supplied through close coordination with the DoFPS.

### **1.2. Sand**

- a. Sand extraction in 2019 was 516,999.33 m<sup>3</sup> against the target of 588,720 m<sup>3</sup> in 2019 and disposal 478885.99 m<sup>3</sup> against the target of 588720 m<sup>3</sup>.
- b. Total revenue of Nu.250.774 million was earned from sale of sand in 2019 against the target of Nu. 190.537 million as compared to revenue earning of Nu. 203.581 million in 2018.
- c. Sha Region continues to be the main supply source of sand for western and central parts of the country, with supply from there comprising of more than 62% of the total supply made by the company during the year. Although sources are depleting with less natural sand deposits occurring annually, an uninterrupted supply of sand was maintained throughout the year through the supply of dredged sand.
- d. One of the major challenges NRDCL continues to face is the mismatch in demand and supply centers of sand. The major demand for sand is in the western Dzongkhags whereas the source of supply is from Wangdue only. In order to supplement the supply from Wangdue, alternative sources for supply of sand were identified. However, due to the distance and transportation costs, the preference is still for sand from Wangdue. In places where there is abundant availability of sand, there is limited market.

### **1.3. Stone**

- a. Stone/boulder extraction in 2019 was 26.137 million cft. against the target of 14.013 million cft in 2019 and disposal was 25.311 million cft. against the target of 14.109 million cft.
- b. Total revenue of Nu. 75.983 million was earned from sale of stone in 2019 against the target of Nu. 48.504 million as compared to revenue earning of Nu. 56.822 million in 2018.
- c. Though the company performed quite well in its stone business during the year, its performance could have been better. The performance was hampered due to issues faced, especially in RBM (river-bed materials) business. The RBM business along the southern belt, especially in Gelephu came to a near halt due to various issues faced despite potential market in Bangladesh such as enroute problems for transportation of boulders through Indian roads; restriction on carrying capacity of the trucks by Bhutanese and Indian authorities for export of boulders; informal and unhealthy competition among the Bhutanese exporters largely impacting the boulder market; uncertainty of the RBM business with frequent changes in the policy.

### **1.4. Stone chips**

- a. Stone chips production in 2019 was 0.941 million cft. against the target of 0.900 million cft in 2019 and disposal was 0.932 million cft. against the target of 0.900 million cft.
- b. Total revenue of Nu. 18.818 million was earned from the sale of stone aggregates in 2019 against the target of Nu.16.957 million as compared to revenue earning of Nu. 15.501 million in 2018.



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	2019			2018	2017
		Annual Target	Achievement (Quantity)	%		
1	Glue laminated timber production (nos.)	200.00	987.00	493.5	307.00	493.00
2	Joinery- Production (sq ft.)	286,430.00	218,343.56	76.23	6,784.73	-
3	Joinery- Disposal (sq. ft.)	286,430.00	188,923.5	65.95	5,529.85	-
4	Woodchips production & Supply (MT)	4628.53	2774.45	59.94	3,727.70	2,517.78
5	Firewood production & supply (m3)	26955.70	37537.54	139.25	32,949.91	34,451.54
6	Briquette production (kg)	300,000.00	261,060.00	87.02	246,420.00	263,160.00
7	Briquette disposal (kg)	300,000.00	196,290.00	65.43	215,040.00	185,340.00
8	Plantation Creation (Ha.)	38.37	39.91	104.01	63.90	97.72
9	Seedling production (nos)	183,000.00	231,676.00	126.59	300,033.00	276,234.00
10	Road construction (km)	10.81	11.830	114.18	14.490	6.21

#### **1.5. Glue laminated timber production**

987 beams of various sizes of glu-laminated timber (equivalent to 3408.80 cft. of timber) were produced at the Glulam Unit at Pangbisa, Paro against the target of 200 beams. These beams were produced mainly for supply to the Royal Academy Project, Pangbisa and other important Government Projects.

#### **1.6. Joinery products**

Produced 218,343.56 sq. ft. and disposed 188,923.5 sq. ft. of joinery ( flooring and panelling) respectively against the target of 286,430 sq. ft. from the joinery unit in Ramtokto, Thimphu and Lingmithang, Mongar. The revenue earning from sale of joinery products was Nu. 8.819 Million against the target of Nu. 18.317 Million.

#### **1.7. Woodchips**

- a. A volume of 2774.45 MT of woodchips was produced and sold against the target of 4628.53 MT in 2019.
- b. Revenue of Nu.11.793 million was earned from sale of woodchips in 2019 against the target of Nu.8.507 million as compared to revenue earning of Nu. 14.177 million in 2018.

#### **1.8. Firewood**

Supply of firewood was 37537.54 m3 against the target of 26955.70 m3 in 2019. Firewood supply was done based on demand and subject to availability of lops and tops or forest residue after extraction of prime timber.

#### **1.9. Briquette**

261,060 kg sawdust briquettes were produced and 196,290 kg disposed against the target of 300,000 kg in 2019.

#### **1.10. Plantation and Maintenance**

- a. A total of 39.91 Ha. Plantation was carried out in 2019 against the target of 38.37 ha.
- b. A total amount of Nu. 6.532 million was spent for the creation and maintenance of plantation in 2019.



### 1.11. Road construction

11.830 km of road construction was completed against the target of 10.81 km at a cost of Nu.21.929 million. Approximately Nu. 6.040 million was spent on maintenance. Roads are constructed to facilitate timber harvesting and gain access to the operation areas.

## 2. Financial Report

The highlight of the financial performance of the company in 2019 is presented below:

<i>Nu in million</i>				
Sl. No.	Particulars	2019	2018	2017
1	Share Capital	45.000	45.000	45.000
2	Reserves & Surplus	543.587	521.938	477.050
3	<b>Net worth (1+2)</b>	<b>588.587</b>	<b>566.938</b>	<b>522.050</b>
4	Borrowings (Net)	81.953	52.491	67.413
5	<b>Capital Employed (3+4)</b>	<b>678.493</b>	<b>619.429</b>	<b>589.463</b>
6	Gross Block of Assets	1,034.191	959.070	858.684
7	Net Block of Assets	485.789	472.947	432.888
8	<b>Working Capital</b>	<b>171.725</b>	<b>129.719</b>	<b>131.006</b>
9	Income from Sales	751.591	628.454	432.408
10	Other Income	41.263	53.211	26.604
11	<b>Total Income (10 +11)</b>	<b>792.854</b>	<b>681.665</b>	<b>459.012</b>
12	Expenses	716.030	624.228	510.913
13	<b>Profit before Tax</b>	<b>76.824</b>	<b>57.437</b>	<b>(51.901)</b>
14	Corporate Income Tax	23.444	17.629	9.926
15	<b>Profit After Tax</b>	<b>53.380</b>	<b>39.808</b>	<b>(61.827)</b>

### Net worth

The Net Worth of the company as on 31.12.2019 has increased by 3.82% i.e. an increase of Nu. 21.649 million (Increased from Nu.566.938 million in 2018 to Nu. 588.587 million in 2019).

The Net Worth of the company has increase despite the transfer of freehold land 0.83 acerage in Paro to DHI in line with the Land Policy Implementation Guidelines, 2016 at the corresponding book value of Nu. 5.153 million because of the increased in retained earnings and general reserves.

### Assets

The gross block of assets of the company has increased by 7.83 % in 2019 i.e., an increase of Nu.75.121 million (Increased from Nu. 959.070 million in 2018 to Nu. 1034.191 million in 2019).

This increase is attributed mainly to capitalization of new assets purchased/constructed during the year such as cable cranes, Loaders and road.

### Revenue

The company registered 16.31% increase in its total revenue i.e., an increase of Nu. 111.189 million (Increased from Nu. 681.665 million in 2018 to Nu. 792.854 million in 2019).





This increase is mainly due to increase in sale of timber, sand and stone as compared to the previous year.

- a. Revenue from timber and by products has increased by Nu. 53.465 million because of increase in timber disposal, sale firewood and joinery products.
- b. Revenue from sand has increased by Nu. 47.192 million mainly due to increase volume of regulated sand transportation.
- c. Revenue from stone has increased by Nu. 19.161million mainly because of increase in disposal volume on account of export sales.

### **Expense**

The company registered 14.71% increase in its total expense i.e., an increase of Nu 91.802 million (increased from Nu. 624.228 million in 2018 to Nu. 716.030 million in 2019). This increase is mainly because of the reasons given below:

- a. Cost of sales has increased by Nu. 85.343 million because of the increase in the production of timber and stone and inclusion of transportation cost in the cost of sales for sand.
- b. Overall operating expense has increase mainly because on increase in interest liability on account of long term borrowings (loan),

Expense constitutes 90.31% on revenue. High cost percentage is attributed to the following:

- a. Government regulation on prices for timber and sand. NRDCL earns a pre-tax margin of 10% only on sale of these products.
  - b. Timber and sand price was last revised in January 2007. NRDCL has borne the cost escalation for the past three which has resulted increase in cost percentage.
  - c. NRDCL has managed to absorb the cost escalation to certain extent through increased volume of timber and sand production and other cost control.
  - d. NRDCL regulates the sand transportation as social service by charging 1% as service cost to the customers. During the year the company has handle transportation worth Nu. 150.135 million from which service charges of Nu. 1.500million was received.
  - e. NRDCL also absorb loss from other business activities such as briquette, stone chips, Joinery and Glu-lam products.
- Briquette business is continued on social and environmental benefits as it make better use of the sawdust (wood waste) and also reduce the pressure on firewood.
  - Business on stone chips is not able to make good return because of the wrong location of the crushing plants.



- Joinery is fairly a new business and currently under loss because of the gestation (incubation) period. It is expected to make good return soon
- Glu-lam plant currently serves the product requirement for The Royal Construction Project (TRCP), Pangbitsa, Paro only.

### **Profit**

During the year the company has earned profit after tax (PAT) of Nu. 53.380 million as compared to profit of Nu. 39.8088 million in 2018.

- a. Revenue from timber and by-products is Nu. 430.430 million. It constitutes more than 54% of the total revenue for the company but the operating profit earned is Nu. 12.027 million only. Pre-tax profit margin (return) is 2.79% only.
  - b. Revenue from sand and stone is Nu.323.971 million and operating profit earned is Nu. 71.809 million. Average pre-tax margin from sand and stone activities is 22.17%.
- From the total revenue of 251.872 million from sale of sand operating Profit earned is Nu. 20.901 million only. Pre-tax profit margin is 8.32% only.
  - From the total revenue of 72.099 million from sale of stone operating profit earned is Nu. 50.908 million. Pre-tax profit margin is 70.61%. Under the current system, all cost on extraction and dredging of stone is borne by the private parties; therefore, revenue accounted from sale of stone (RBM) is the net income earned giving exceptionally high return.

### **Cash Flow**

- There is overall cash outflow of Nu. 11.008 million in 2019 which is mainly attributed to huge capital investment mainly on forest road and logging machines.
- Cash inflow from the operating activities is Nu. 61.313 million in 2019 as compared to Nu. 32.284 million in 2018.
- Cash outflow from investing activities is Nu. 89.368 million because of huge capital investment.
- Cash inflow from the operating activities is not able to finance the capital investment of the company.

There is cash inflow of Nu. 17.046 million from financing activities. This is because the company has availed long term borrowings of Nu. 50.00 million from NPPF.

The cash and cash equivalent as of December 31, 2019 stood at Nu. 46.308 million in 2019 as compared to Nu. 57.317 million in 2018.

The Board would like to highlight that on the whole, the performance of the company in 2019 has been commendable both in terms of physical and financial.



### **3. Audit Report**

The company was audited by M/s Gosh & Associates, Chartered Accountants, Kolkata, 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 2019 the Auditors have not made any adverse observations on NRDCL Accounts, except for some suggestions and recommendations for further improvement.

Board is pleased to inform the shareholder that the company has managed to resolve the qualification under "Matter of Emphasis" of account of Debtor's confirmation.

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 23% of the Share Capital of Nu.45.000 Million, i.e., Nu. 10,350,000 as dividend for the financial year 2019.

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

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

#### ***Board size and composition***

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

The NRDCL Board was comprised of 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. None of the Directors held more than a total of three directorships in other DHI owned companies. The CEO attended all board meetings, except when the CEO's terms and conditions are being evaluated. The CEO reported to the Board on the operation, management and performance of the company. Other members of the management team attended as and when required in order to provide the board with required information. The Board was assisted by a Company Secretary who was not a member of the Board.



## Composition of the Board and attendance in 2019

Name of Director	Category	Profile	Date of appointment/ Reappointment	No. of Board meetings attended
Dasho Karma Tshiteem	Chairman	Former Chairperson, Royal Civil Service Commission	Appointed on July 2019	3
Mr. Tashi	Independent Non-Executive	Zimponwom, Office of the Gyalpoi Zimpon	Re-appointed on June 2018	7
Mr. Lobzang Dorji	Independent Non-Executive	Director, Department of Forest and Park Services	Appointed on March 2019	3
Mr. Phento Tshering	Independent Non-Executive	Director, National Environment Commission	Re-appointed on June 2018	7
Ms. Kinlay Tshering	Independent Non-Executive	Director, Department of Agriculture, MoAF	Re-appointed on June 2018	4
Mr. Karma Dorji	Independent Non-Executive	Former Director General, BAFRA	Re-appointed on March 2019	7
Dr. Damber Singh Kharka	Non-Independent, Non-Executive	Director, CPD, DHI	Appointed on June 2018	7
Mr. Sonam Wangchuk	Non-Independent Executive	Chief Executive Officer, NRDCL.	Appointed on September 2017	7

Seven Board meetings were conducted in 2019, maintaining the quorum requirements and the gaps between the meetings not exceeding three months in accordance with the Companies Act 2016 and DHI CG Code.

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

### **Board Committees and meetings**

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

The Board committees are:

1. Board Audit Committee: Its primary function was to provide oversight of the financial reporting process, the audit process, the system of internal controls and compliance with laws and regulations.  
The Board Audit Committee was comprised of three independent non-executive Directors as members and five meetings were held in 2019.



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 as members including Chief Executive Officer and six meetings were held in 2019.
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 2019 as there was no requirement.

### **General Meetings**

The Annual General Meeting was held on 8th April 2019. No Extraordinary General Meeting was convened during the year.

### **Board Remuneration**

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

## **6. Corporate Social Responsibility**

### **a. Firewood supply**

The company 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, the company has supplied 108 truckloads (846 m<sup>3</sup>) of firewood worth Nu.726,000 to the People's Project in Thimphu.

### **b. Briquette production and marketing**

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

### **c. Donations**

In 2019, the company made donations amounting to a total of Nu. 507056.63 for various social, religious and welfare purposes.

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

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

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



#### ***e. Clearing of boulders and lowering of artificial pond formed through flooding***

The removal of huge quantity of debris/boulders and opening the passage of water formed through the creation of artificial lake at Phelreychu along Punatshangchu River in Athang Gewog of Wangduephodrang caused due to the massive flood of 6th August 2019 was entrusted to NRDCL by the Dzongkhag Administration of Wangduephodrang. The work was accomplished successfully by incurring an expense of Nu. 2,825,272.24 in the form of man and machinery. Around 3000 truckloads (847,680 cft) of boulders worth Nu. 4,458,796.80 is stocked for disposal.

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

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

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

### **8. Customer Service**

The Customer Satisfaction Index (CSI) for 2019 is 3.94 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 and achieve and uphold the very important and noble mandates and responsibilities entrusted to the company from the highest level – the Golden Throne.

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

NRDCL had a total of 417 employees (367 regular, 23 contract and 27 ESP) managing operations at the Head Office, four Regional Offices and three Branch Offices covering the whole country. The number of employees increased in 2019 with the setting up of three cable cranes, one mini cable way, one tractor Skidder, ten wheeler truck, two Boleros and one tractor.

The organization structure was reviewed and restructured for implementation from March 2019, particularly segregating Gelephu from Jakar Regional Office and making Gelephu, a profit centre along with Wang Service centre in Thimphu and Sha Branch Office in Wangdue. This restructuring was aimed at separating some of the major operation areas of sand and stone from the Regions and managing them separately as profit centres by giving them more autonomy, fixing specific targets and incentivizing production. This is expected to reduce the bureaucratic processes of having to route through the regional managements and result in increased efficiency and productivity.

Working towards building the human resource capacity of the company, an amount of Nu.14.800 million was spent towards HR development and training during the year.



## **10. Acknowledgement**

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

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

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

**TASHI DELEK**

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

**(Karma Tshiteem)**  
**Chairman**  
**NRDCL**



## 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

Name of Director	Category	Profile	Date of appointment/ Reappointment	Term on the Board
Dasho Karma Tshiteem	Chairman	Former Chairperson, Royal Civil Service Commission	Appointed on July 2019	First
Mr. Tashi	Independent Non-Executive	Zimponwom, Office of the Gyalpoi Zimpon	Re-appointed on June 2018	Fourth
Mr. Lobzang Dorji	Independent Non-Executive	Director, Department of Forest and Park Services	Appointed on March 2019	First
Mr. Phento Tshering	Independent Non-Executive	Director, Department of Forest & Park Services, MoAF	Re-appointed on June 2018	Second
Ms. Kinlay Tshering	Independent Non-Executive	Director, Department of Agriculture, MoAF	Re-appointed on June 2018	Second
Mr. Karma Dorji	Independent Non-Executive	Former Director General, BAFRA	Re-appointed on March 2019	Second
Mr. Damber Singh Kharka	Non-Independent, Non-Executive	Director, CPD, DHI	Appointed on June 2018	First
Mr. Sonam Wangchuk	Non-Independent Executive	CEO, NRDCL	Appointed on September 2017	First

### Board meetings

Seven Board meetings were conducted in 2019. The details of the Board attendance in 2019 are as follows:

Meeting No.	Date	Members Present	Leave of absence
76th	8th March 2019	1. Mr. Tashi 2. Mr. Phento Tshering 3. Mr. Damber Singh Kharka 4. Mr. Karma Dorji 5. Mr. Karma Jattu 6. Mr. Sonam Wangchuk	7. Dasho Karma W. Penjor 8. Ms. Kinlay Tshering





77th	22th March 2019	1. Mr. Tashi 2. Mr. Karma Jattu 3. Mr. Phento Tshering 4. Mr. Karma Dorji 5. Mr. Damber Singh Kharka 6. Mr. Sonam Wangchuk	7. Dasho Karma W.Penjor 8. Ms. Kinlay Tshering
78th	22th June 2019	1. Mr. Tashi 2. Mr. Phento Tshering 3. Ms. Kinlay Tshering 4. Mr. Karma Dorji 5. Dr. Damber Singh Kharka 6. Mr. Sonam Wangchuk	7. Dasho Karma W.Penjor 8. Mr. Lobzang Dorji
79th	6th June 2019	1. Mr. Tashi 2. Mr. Lobzang Dorji 3. Mr. Phento Tshering 4. Ms. Kinlay Tshering 5. Mr. Karma Dorji 6. Dr. Damber Singh Kharka 7. Mr. Sonam Wangchuk	8. Dasho Karma W.Penjor
80th	6th August 2019	1. Dasho Karma Tshiteem 2. Mr. Tashi 3. Mr. Lobzang Dorji 4. Mr. Phento Tshering 5. Ms. Kinlay Tshering 6. Dr. Damber Singh Kharka 7. Mr. Karma Dorji 8. Mr. Sonam Wangchuk	None
81st	20th November 2019	1. Dasho Karma Tshiteem 2. Mr. Tashi 3. Mr. Lobzang Dorji 4. Mr. Phento Tshering 5. Mr. Karma Dorji 6. Dr. Damber Singh Kharka 7. Mr. Sonam Wangchuk	8. Ms. Kinlay Tshering



82nd	19th December 2019	1. Dasho Karma Tshiteem 2. Mr. Tashi 3. Mr. Phento Tshering 4. Ms. Kinlay Tshering 5. Mr. Karma Dorji 6. Mr. Damber Singh Kharka 7. Mr. Sonam Wangchuk	8. Mr. Lobzang Dorji
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### Board Committees

The Company had three Board Committees in 2019 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 Governance 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 five meetings were held in 2019 as follows:

Meeting No.	Date	Members Present	Leave of absence
25th	25th February 2019	1. Dasho Tashi 2. Ms. Kinlay Tshering	3. Mr. Phento Tshering
26th	11th April 2019	1. Dasho Tashi 2. Mr. Phento Tshering 3. Ms. Kinlay Tshering	None
27th	9th May 2019	1. Dasho Tashi 2. Mr. Phento Tshering 3. Ms. Kinlay Tshering	None
28th	30th July 2019	1. Dasho Tashi 2. Ms. Kinlay Tshering	3. Mr. Phento Tshering
29th	30th October 2019	1. Dasho Tashi 2. Mr. Phento Tshering 3. Ms. Kinlay Tshering	None



## BOARD GOVERNANCE COMMITTEE

The Board Governance Committee was comprised of four Directors, including the Chief Executive Officer as members and six meetings were held in 2019 as follows:

Meeting No.	Date	Members Present	Leave of absence
43rd	27th February 2019	1. Dr. Damber Singh Kharka 2. Mr. Karma Dorji 3. Mr. Karma Jattu 4. Mr. Sonam Wangchuk	None
44th	18th March 2019	1. Dr. Damber Singh Kharka 2. Mr. Karma Dorji 3. Mr. Karma Jattu 4. Mr. Sonam Wangchuk	None
45th	5th July 2019	1. Dr. Damber Singh Kharka 2. Mr. Karma Dorji 3. Mr. Lobzang Dorji 4. Mr. Sonam Wangchuk	None
46th	12th September 2019	1. Dr. Damber Singh Kharka 2. Mr. Karma Dorji 3. Mr. Lobzang Dorji 4. Mr. Sonam Wangchuk	None
47th	28th September 2019	1. Dr. Damber Singh Kharka 2. Mr. Karma Dorji 3. Mr. Lobzang Dorji 4. Mr. Sonam Wangchuk	None
48th	10th December 2019	1. Dr. Damber Singh Kharka 2. Mr. Karma Dorji 3. Mr. Sonam Wangchuk	4. Mr. Lobzang Dorji

## Nomination and Governance Committee (NGC)

No Nomination and Governance Committee (NGC) meeting was conducted in 2019.

## 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 2019 are presented below:

SL. No	Name and Position	Salary and remuneration (Nu.)	Sitting Fee (Nu.)
1	Dasho Karma Tshiteem, Chairman	-	28,000
2	Mr. Tashi, Director	-	84,000
3	Dr. Damber Singh Kharka, Director	-	92,000
4	Mr. Lobzang Dorji, Director	-	40,000
5	Mr. Karma Dorji, Director	-	92,000
6	Mr. Phento Tshering, Director	-	68,000



7	Ms.Kinlay Tshering, Director	-	60,000
8	Mr. Karma Jattu, Director	-	24,000
9	Mr. Sonam Wangchuk, CEO/Director	2,314,654	89,000
<b>Total</b>		<b>2,314,654</b>	<b>577,000</b>

### Annual General Meeting

The Annual General Meeting (AGM) was held on 8th April 2019, 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 2018, 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 2018.

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

Name of Director	Action
Dasho Karma Tshiteem	New appointment
Mr. Lobzang Dorji	New appointment
Mr.Karma Dorji	Re- appointment
Dasho Karma W. Penjor	Retired
Mr. Karma Jattu	Retired

\* Dasho Karma Tshiteem was appointed on July 2019.

### 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



### Ghosh & Associates

Chartered Accountants

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Phone : 94330 11022, 97487 11022

P-325, C. I. T. Road, Kankurgachi, Kolkata -700 054  
Phone : 2362-8870, 2364-8215, Fax : 2359-3907

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Website : www.ghoshandassociates.in

### INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

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

#### Report on the Audit of the Financial Statements

#### Opinion

We have audited the accompanying financial statements of M/S. Natural Resources Development Corporation Limited Thimphu, ("the company") which comprise the Statement of Financial Position as at 31st December 2019, 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 respects, the financial position of the company of its financial performance and its cash flows for the year then ended in accordance with Bhutanese Accounting Standards (BAS/BFRS).

#### Basis for Opinion

We conducted our audit in accordance with Bhutanese Accounting Standards (BAS/BFRS). 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 within the meaning of IESBA Code and have fulfilled our other responsibilities under those relevant ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

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

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

**As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit.** We also,

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



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on Other Legal and Regulatory Requirements

As required by Section 266 of the Companies Act of Bhutan, 2016 (the Minimum Audit Examination and Reporting Requirements), we give in the **Annexure A** a statement on the matters specified therein to the extent applicable.

As required by Section 265 of the Act, we report that:

- a) We have obtained, except for matters described in the Basis for Qualified Opinion section, all the information and explanation, which to the best of our knowledge and beliefs were necessary for the purposes of our audit.
- b) In our opinion, proper books of account as required by law have been kept by the company so far as appear from our examination of the books, proper returns adequate for purpose of our audit have been received,
- c) The Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows dealt with by this report are in agreement with the books of accounts.
- d) In our opinion, the company has complied with other legal and regulatory requirements.

**For Ghosh & Associates**  
**Chartered Accountants**  
Firm Reg No: **322016E**

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by PRIYAJI T DUTT  
Date: 2020.04.13  
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P Dutt  
Partner

Membership No.: 305257

Date: 05<sup>th</sup> March, 2020

Place: Thimphu



## Annexure "A" to the Auditor's Report

### REPORT ON MINIMUM AUDIT EXAMINATION & REPORTING REQUIREMENTS

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. 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.
3. Based on our checks, the governing board/authority of the company pursued 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 31.12.2019 has been updated based on the opening stock as per books as on 01.01.2019, the production and sale during 2019 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.401,671 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.
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 circumstances 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.
21. The Company is generally regular in depositing rates and taxes, duties, royalties, provident fund and other statutory dues with appropriate authorities except in few instances

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 management.
  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.
  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 Bhutan 2016 except for the following: -

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

#### 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 Ghosh & Associates**

#### **Chartered Accountants**

Firm Reg No: **322016E**

P Dutt  
Partner

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DUTT  
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PRIYA/JIT/DUTT  
Date:  
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Membership No.: 305257

Date: 05<sup>th</sup> March, 2020

Place: Thimphu



## Annexure "C" to the Auditor's Report

(Refer to Paragraph 37 of the Minimum Audit Requirement)

### A. Ratio Assessing Profitability:

Ratio	Profitability	Numerator - 2019	Denominator - 2019	31.12.19	31.12.18
Return on Investment	(EBIT/Net Assets or Net worth) * 100	8,30,67,923	57,77,62,306	14.38	11,460
Operating Profit	(Operating Profit excluding financial charges)/Net Sales *100	8,30,67,923	79,28,54,703	10.48	9.729
Net Profit Ratio	Net Profit before Tax/Net Sales*100	7,68,24,161	79,28,54,703	9.69	8.541

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

Ratio	Financial Health	Numerator - 2019	Denominator - 2019	31.12.19	31.12.18
Capital Turnover Ratio	Net Sales/ (Average Capital employed (Less Capital Reserve))	79,28,54,703	57,77,62,306	1.37	1.24
Fixed Assets Turnover Ratio	Net Sales/Net Fixed Assets	79,28,54,703	48,87,10,697	1.62	1.41
Stock Turnover Ratio	Cost of Goods sold including selling expenses/Average Inventory	62,51,41,717	14,18,01,220	4.41	4.85
Current Ratio	Current Asset/Current Liabilities	31,31,95,797	14,14,70,927	2.21	2.16



Liquid Ratio	(Current Assets Less Inventory Less Pre-Paid Expenses)/ (Current Liabilities Less Bank Overdraft)	15,72,68,066	14,14,70,927	1.11	1.01
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**For Ghosh & Associates**  
**Chartered Accountants**  
Firm Reg No: 322016E

P Dutt  
Partner

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Date: 2020.04.13  
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Membership No.: 305257

Date: 05<sup>th</sup> March, 2020  
Place: Thimphu



**NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED**  
Statement of Financial Position as at 31 December 2019

PARTICULARS	Note	Year Ended	
		31-12-2019	31-12-2018
		(Nu.)	(Nu.)
<b>Assets</b>			
<b>Non current assets</b>			
Property, plant and equipment	2	485,788,621	472,946,934
Intangible assets	3	2,922,076	4,421,926
Capital work-in-progress	4	11,677,325	1,270,259
Other non current assets	5	467,612	813,156
Net retirement benefit assets - gratuity	5	-	2,022,522
Other receivables	6	3,665,487	3,335,234
<b>Total non current asset</b>		<b>504,521,121</b>	<b>484,810,031</b>
<b>Current assets</b>			
Other current assets	7	29,352,780	12,817,128
Cash and cash equivalent	8	46,308,515	57,317,131
Trade and other receivables	9	82,321,638	43,353,827
Inventories	10	155,212,864	128,389,577
<b>Total current assets</b>		<b>313,195,797</b>	<b>241,877,663</b>
<b>Total assets</b>		<b>817,716,919</b>	<b>726,687,694</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	SOCE	45,000,000	45,000,000
Retained earnings	SOCE	277,804,638	251,001,742
Statutory and other restricted reserves	SOCE	34,584,297	39,737,836
Other reserves	SOCE	231,198,050	231,198,050
<b>Total equity</b>		<b>588,586,984</b>	<b>566,937,628</b>
<b>Liabilities</b>			
<b>Noncurrent liabilities</b>			
Non current borrowings	11	66,405,619	36,365,032
Government grant	12	2,810,816	4,085,816
Provision for employee benefits	13	18,442,572	7,139,860
<b>Total noncurrent liabilities</b>		<b>87,659,008</b>	<b>47,590,708</b>
<b>Current liabilities</b>			
Current borrowings	11	15,546,269	16,126,440
Government grant	12	1,275,000	1,275,000
Provision for employee benefits	13	3,874,986	536,170
Trade and other payables	14	76,722,710	53,717,198
Other current liabilities	15	27,934,789	24,939,087
Provision for corporate income tax	16	16,117,173	15,565,463
<b>Total Current liabilities</b>		<b>141,470,927</b>	<b>112,159,359</b>
<b>Total liabilities</b>		<b>229,129,934</b>	<b>159,750,066</b>
<b>Total liabilities and equity</b>		<b>817,716,919</b>	<b>726,687,694</b>

Company Overview and Significant Accounting Policies

1

Notes referred to above form an integral part of the Accounts

In terms of our attached report of even dated

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

On behalf of the Board

PRIYAJI  
T DUTT

(Priyajit Dutt)  
Partner  
Membership No.305257  
Kolkata

Dated : The      day of      2020

*lc h.l.t*

CHAIRMAN

DIRECTOR

CHIEF EXECUTIVE OFFICER

Thiraphu  
5.3.2020



**NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED**  
Statement of comprehensive income for the period ended 31 December 2019

Particulars	Note	Year Ended	
		31-12-2019	31-12-2018
		(Nu.)	(Nu.)
<b>Continuing operations</b>			
Revenue	17	792,854,703	681,665,683
Total revenue		792,854,703	681,665,683
Cost of Sales	18	623,524,869	538,181,460
Gross Profit		169,329,835	143,484,224
<b>Operating Expenses:</b>			
Selling & Marketing Expenses	19	1,616,848	1,639,430
Finance cost	20	6,708,439	5,229,832
Administrative Expenses	21	84,180,386	79,178,377
Total Operating expenses		92,505,674	86,047,640
Operating profit (loss)		76,824,161	57,436,584
Profit (loss) before income tax		76,824,161	57,436,584
Income tax expense	22	23,444,149	17,628,795
Profit (loss) for the year		53,380,012	39,807,789
<b>Earnings per share attributable to owners of the parent:</b>			
<b>Basic earnings per share</b>			
From continuing operations		119	88
From profit for the year		119	88
<b>Diluted earnings per share</b>			
From continuing operations		119	88
From profit for the year		119	88
<b>Statement of Other comprehensive income</b>			
Profit (loss) for the year from continuing operations		53,380,012	39,807,789
Actuarial gain(losses) on defined benefit plans		(19,827,116)	5,079,750
Dividends paid to owners of the parent		(6,750,000)	-
Total comprehensive income for the year		26,802,896	44,887,539
Total comprehensive income attributable to:			
Owners of the parent		26,802,896	44,887,539
		26,802,896	44,887,539
Total comprehensive income attributable to owners of the parent arises from:			
Continuing operations		26,802,896	44,887,539
		26,802,896	44,887,539

Company Overview and Significant Accounting Policies

1

Notes referred to above form an integral part of the Accounts

In terms of our attached report of even dated

For Ghosh & Associates

Chartered Accountants

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

On behalf of the Board

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(Priyajit Dutt)  
Partner

Membership No.305257  
Kolkata

Dated : The      day of      2020

CHAIRMAN

DIRECTOR

CHIEF EXECUTIVE OFFICER

Thimphu  
5.3.2020



NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED

Statement of changes in equity for the period ended 31 December 2019

A. Equity Share Capital

Particulars	No. of Shares	Par Value	Amount in Nu.
			Total issued and paid up capital
As at 1st January 2018	450,000	100	45,000,000
Shares issued to DHI during the year	-	-	-
As at 31st December 2018	450,000	100	45,000,000
Changes in Equity during 2019	-	-	-
As at 31st December 2019	450,000	100	45,000,000

B. Other Equity

Particulars	Attributable to the owners of the Parent				Total	Total Equity
	Reserves and Surplus		Other Reserves			
	General Reserves	Retained Earnings	Revaluation Reserves	Capital Reserves		
<b>A Balance as at 1 January 2018</b>	<b>108,066,477</b>	<b>214,075,760</b>	<b>115,170,015</b>	<b>39,737,836</b>	<b>477,050,088</b>	<b>477,050,088</b>
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	-	-	-	-	-	-
Tax Paid relating to earlier years	7,961,558	(7,961,558)	-	-	-	-
<b>Total Comprehensive Income</b>	<b>116,028,035</b>	<b>251,001,742</b>	<b>115,170,015</b>	<b>39,737,836</b>	<b>521,937,628</b>	<b>521,937,628</b>
Dividends paid	-	-	-	-	-	-
Proceeds from Shares issued	-	-	-	-	-	-
<b>Total Contributions by and Distributions to Owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>D Total transactions with Non-Controlling Interests directly recognised in Equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>E Balance as at 31st December 2018 (A+B+C+D)</b>	<b>116,028,035</b>	<b>251,001,742</b>	<b>115,170,015</b>	<b>39,737,836</b>	<b>521,937,628</b>	<b>521,937,628</b>
<b>A Balance as at 1 January 2019</b>	<b>116,028,035</b>	<b>251,001,742</b>	<b>115,170,015</b>	<b>39,737,836</b>	<b>521,937,628</b>	<b>521,937,628</b>
Profit for the year	-	53,380,012	-	(5,153,539)	48,226,473	48,226,473
Retirement benefit obligations-Retained Earning	-	(19,827,116)	-	-	(19,827,116)	(19,827,116)
Tax Paid relating to earlier years	-	-	-	-	-	-
Transfers to reserves	-	-	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>116,028,035</b>	<b>284,554,638</b>	<b>115,170,015</b>	<b>34,584,297</b>	<b>550,336,984</b>	<b>550,336,984</b>
Dividends paid	-	(6,750,000)	-	-	(6,750,000)	(6,750,000)
Proceeds from Shares issued	-	-	-	-	-	-
<b>Total Contributions by and Distributions to Owners</b>	<b>-</b>	<b>(6,750,000)</b>	<b>-</b>	<b>-</b>	<b>(6,750,000)</b>	<b>(6,750,000)</b>
<b>D Total transactions with Non-Controlling Interests directly recognised in Equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>E Balance as at 31st December 2019 (A+B+C+D)</b>	<b>116,028,035</b>	<b>277,804,638</b>	<b>115,170,015</b>	<b>34,584,297</b>	<b>543,586,984</b>	<b>543,586,984</b>

Number of shares authorised for each class of shares:

Authorised share capital	As at 31 December	
	2019	2018
Number of ordinary shares of face value Nu.100 each	500,000	500,000

Notes referred to above form an integral part of the Accounts

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

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Date: 2020.04.13 12:59:18 +05'30'

(Priyjit Dutt)  
Partner  
Membership No.305257  
Kolkata  
Dated : The day of 2020

CHAIRMAN

On behalf of the Board

DIRECTOR

CHIEF/EXECUTIVE OFFICER  
Thimphu  
5.3.2020





**NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED**  
**Period covered: 31 December 2019**  
**Statement of Cash Flows**

Particulars	Note	Year ended	
		31-12-2019	31-12-2018
		(Nu.)	(Nu.)
<b>Cash flows from operating activities</b>			
Profit before income tax		76,824,161	57,436,584
Adjustments for:			
- Depreciation and amortisation	2&3	71,079,480	63,752,894
- Non cash		-	-
- Provision for Impairment of non current assets	2	-	-
- Profit on sale of stores and spares	17	(1,024)	-
- (Profit) loss on disposal of property, plant and equipment	17	(221,742)	(5,715,227)
- Acturial gain(losses) on defined benefit plans	SOCE	(19,827,116)	5,079,750
- Release of Grant received to SCI	12	(1,275,000)	(1,275,000)
- Liabilities no more required written back	17	(7,288,981)	(2,973,594)
- Fixed assets derecognised Loss		20,784	-
- Changes in inventories	10	(26,823,287)	(37,806,611)
- Changes in trade and other receivables	9	(38,967,811)	(16,240,452)
- Changes in trade and other payables	11,13	44,355,875	16,962,190
- Changes in other liabilities	15	2,995,702	(64,824,118)
- Changes in current and non-current assets	5,6,7	(16,520,361)	29,437,067
<b>Cash generated from operations</b>		<b>84,350,681</b>	<b>43,833,483</b>
Interest paid	20	6,243,762	4,962,862
Interest received	17	(6,388,531)	(6,758,554)
Income tax paid		(22,892,440)	(9,753,701)
<b>Net cash flows from operating activities</b>		<b>61,313,472</b>	<b>32,284,090</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	2	(87,863,901)	(104,207,584)
Purchase of intangible assets	3	-	(4,500,000)
Purchase of capital WIP	4	(10,407,066)	18,003,085
Receipt of Grant for Glulam Project	12	-	-
Proceeds from sale of property, plant and equipment		491,000	6,217,515
Net Retirement Benefit Assets	13	2,022,522	(1,914,517)
Interest Received	17	6,388,531	6,758,554
<b>Net cash used in investing activities</b>		<b>(89,368,914)</b>	<b>(79,642,947)</b>
<b>Cash flows from financing activities</b>			
Interest Paid	20	(6,243,762)	(4,962,862)
Change in Long Term Borrowings	11	30,040,587	(16,465,146)
Issue of Share Capital	SOCE	-	-
Dividends paid to owners of the parent	SOCE	(6,750,000)	-
<b>Net cash used in financing activities</b>		<b>17,046,825</b>	<b>(21,428,008)</b>
<b>Net increase or (decrease) in cash and cash equivalents</b>		<b>(11,008,616)</b>	<b>(68,786,865)</b>
Cash and cash equivalents at beginning of year		57,317,131	126,103,997
<b>Cash and cash equivalents at end of the year</b>	5	<b>46,308,515</b>	<b>57,317,131</b>

Notes referred to above form an integral part of the Accounts

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

On behalf of the Board

PRIYAJI T DUTT  
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 Date: 2020.04.13 12:59:41 +05'30'

(Priyajit Dutt)  
 Partner

CHAIRMAN

DIRECTOR

CHIEF EXECUTIVE OFFICER

Thimphu  
 5.3.2020

Membership No.305257  
 Kolkata

Dated : The day of 2020



## 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 2019.

### 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:

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

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

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

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

The functional currency of preparation is the Bhutanese Ngultrum.

**(ii) Historical cost convention**

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

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

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

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

An asset is classified as current when it is:

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

All other assets are classified as non-current.

A liability is classified as current when:

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

All other liabilities are classified as non-current.

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

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## 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.

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

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

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

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

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

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

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

\*Forest roads treated as semi-permanent are amortized over a useful life of 10 years and cost of major maintenance of road are amortized over useful life of 5 years

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

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

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

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

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

## 9. Intangible assets

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

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

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

## 10. Impairment

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

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

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### 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.

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## 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

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b. the asset's contractual cash flow represent SPPI.

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

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

(iii) Impairment of financial assets

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

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

(iv) Derecognition of financial assets

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

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

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

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

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(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.

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

#### *Trade and other payables*

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

#### iii) Derecognition

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

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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

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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)

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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.

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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 5.3.2020 the Board of Directors approved two month's basic pay as on 31.12.2019 as Bonus and on 20.3.2020 the Annual General Meeting approved 15% of the annual basic pay as Performance Based Variable Allowance (PBVA).

No dividend was declared for the year 2019.

#### **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.

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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 noncurrent assets/ liabilities has been done on this basis. Previous year's figures are regrouped/rearranged wherever necessary.
33. Financial Statements

33.1 Share Capital

All ordinary shares are ranked equally. The authorized share capital of the company is Nu. 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

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b) Spare parts inventory

i) The carrying amount of inventory on spare parts as on 31<sup>st</sup> December'19 is Nu. 24,630,467.24 (previous year Nu. 23,584,597.92) including dead stock of Nu. 2,651,653.67 (previous year Nu. 2,651,653.67). Provision has been made fully in respect of the Dead stock.

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

36. Retirement Benefit Obligations

a) Defined Benefit Scheme

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

i) Statement of Financial Position

	Nu. in Thousands	
	2019	2018
<b>Defined benefit obligation (DBO)</b>	(105,765.79)	(75,977.22)
Fair value of Plan Assets (FVA)	93,461.65	77,999.75
Funded Status (Surplus/(Deficit))	(12,304.14)	2,022.53
Effect of Asset ceiling	-	-
<b>Net defined benefit asset (DBA)</b>	<b>(12,304.14)</b>	<b>2,022.53</b>

ii. Statement of Comprehensive Income

	2019	2018
<b>Current Service Cost</b>	7,988.10	5,530.97
Past Service cost- plan amendments	532.24	-
Curtailement cost/(credit)	-	-
Settlement cost/(credit)	-	-
Service cost	8,520.34	5,530.97
Net interest on net defined liability/(assets)	1140.15	(244.25)
Immediate recognition of (gains)/losses-other long term employee benefit plans		
<b>Cost Recognized in Statement of comprehensive Income</b>	<b>7,380.19</b>	<b>5,286.72</b>

iii. Other Comprehensive Income

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	2019	2018
<b>Actuarial (gain)/loss due to liability experience</b>	19,827.12	(7,316.12)
Actuarial (gain)/loss due to liability assumption changes		2,236.37
Actuarial (gain)/loss arising during period		(5,079.75)
Return on plan assets (greater)/less than discount rate	1,578.08	1,225.69
Actuarial (gains)/losses recognized in OCI	21,405.20	(3,854.06)
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 (no ceiling)

b) Leave Encashment Benefits

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

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)	1,261,523.40
		c. Hire charges (Income)	20,000.00
		d. Corporate Guarantee Fee	464,677.44
		e. Trade payables	464,677.44
		f. Lease Rent (Expense)	8,792.59
		g. Dividend	6,750,000.00
		h. Trade receivables	5,000.00
		i. Intergroup Non trade payables	24,136.36
Bhutan Power Corporation Limited	Fellow Subsidiary	a. Electricity Charges	1,566,170.34
		b. Sale of Natural Resources (Income)	137,776.02
		c. Trade payables	112,321.00

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Bank of Bhutan Limited	Fellow Subsidiary	a. Bank Charges	22,005.19
		b. Bank balance(Cash book)	27,256,025.31
		c. Hire charges (Income)	63,000.00
Bhutan Telecom Limited	Fellow Subsidiary	a. Communication; internet and telephone charges	2,008,106.50
		b. Hire charges (Income)	75,000.00
		c. Trade payable	258,939.00
		d. AMC for ERP (Expense)	700,000.00
		e. Sale of Natural Resources (Income)	16,432.80
Wood Craft Center Ltd	Fellow Subsidiary	a. Sale of natural resources (Income)	619,096.00
		b. Trade receivables	619,096.00
Druk Air Corporation Limited	Fellow Subsidiary	a. Flight tickets expenditure	2,041,324.00
		b. Commission (Income)	74,247.40
		c. Trade receivables	74,247.40
		d. Trade payable	173,067.00
State Trading Corporation Limited	Fellow Subsidiary	a. Running & Maintenance Of Vehicle (Expense)	2,730,815.57
		b. Purchase of ICT products	127,500.00
		c. Purchase of vehicles	4,057,826.36
		Sale of natural resources (Income)	301,376.46
		e. Trade payables	34,086.00
Construction Development Corporation Limited	Fellow Subsidiary	a. Sale of natural resources	900,351.37
		b. Running & Maintenance others	325,289.24
		c. Hire Charges (Income)	20,000.00
		d. Trade payable	83,860.34
		e. Trade receivables	218,566.24
Druk Green Power Corporation Limited	Fellow Subsidiary	a. Sale of natural resources	33,077.03
Thimphu TechPark Limited,	Fellow Subsidiary	a. Staff training and development expenses	30,000.00
		b. Digitalization	997,500.00
		c. Trade payable	997,500.00
State Mining Corporation Limited	Fellow Subsidiary	a. Sale of natural resources (Income)	30,952.80

### Key Management Personnel

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

Particulars	2019 (Nu)	2018 (Nu)
Salary	1,868,746	1,599,840
Other benefits	327,240	323,200
Provident Fund	118,668	106,656

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Sitting fee	89,000	76,000
<b>Total</b>	<b>2,403,654</b>	<b>2,105,696</b>

B) Board Directors – Sitting fee

Position	Name	2019 (Nu)	2018 (Nu)	Remarks
Chairperson	Dasho Karma Tshiteem	28,000		New
Chairperson	Dasho Karma W Penjor		32,000	Resign
Director	Mr. Phento Tshering	68,000	60,000	
Director	Mrs. Kinlay Tshering	60,000	76,000	
Director	Mr. Tashi	84,000	80,000	
Director	Mr. Karma Dorji	92,000	76,000	
Director	Mr. Karma Jattu	24,000	52,000	Resign
Director	Mr. Choney Om		16,000	Resign
Director	Mr. Damber Singh Kharka	92,000	52,000	
Director	Mr. Lobzang Dorji	40,000		New

C) Special Invitees- Sitting fee

Position	Name	2019 (Nu)	2018 (Nu)
Company Secretary	Mr. Dorji Wangmo		30,000
Company Secretary	Mr. Kinley Wangdi		4,000
Internal Auditor	Mr. Lobzang Thinley	8,000	8,000
Company Secretary	Ms. Sangay Choden	44,000	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 or the payment is settled within the financial year there is no significant effect due to fluctuation in the exchange rate and therefore, creation of any foreign exchange asset or liability does not arise and no gain or loss.

39. Green Compensatory Plantation

Name of the sponsor	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		471,781.64		22,641.59	494,423.23	41,115.00	453,308.23
Bank of Bhutan		677,208.80		39,606.79	716,815.59	95,925.00	620,890.59

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Bhutan Power Corporation		<b>437,997.35</b>		31,734.55	469,731.90	49,000.00	<b>420,731.90</b>
Druk Green Power Corporation		<b>860,533.81</b>		20,795.52	881,329.33	156,520.00	<b>724,809.33</b>
Druk Air Corporation		<b>320,515.29</b>		15,295.80	335,811.09	32,090.00	<b>303,721.09</b>
<b>Total</b>		<b>2,768,036.89</b>		<b>130,074.25</b>	<b>2,898,111.14</b>	<b>374,650.00</b>	<b>2,523,461.14</b>

Note: Bhutan Telecom Ltd, Bank of Bhutan, Bhutan Power Corporation, Druk Green Power Corporation and Druk Air Corporation funded plantation for 6 hec, 6 hec, 4 hec, 8 hec and 2 respectively in 2017 and 2018. During the year 2019 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. 401,671.40

41. The inventory is valued based on the physical stock report. The provision for spoilt (rotten) stock has been provided in 2018 in the books of account as given below

Region	Quantity (cft)	Rate	Amount (Nu)	Remarks
Jakar Region	1,315.51	126.07	165,844.31	Logs (Mixed)
Wang	314.70	225.16	70,856.95	Sawn timber (MHW)
<b>Total</b>	<b>1,630.21</b>		<b>236,701.26</b>	

42. During the year the company as per the policy has identified bad debts and have provided for the sale amounting to Nu. 373,656.51. Further, during the year the Company has realized Nu. 2,111,284.61 on account of bad debts provided in 2018.

43. Government Grant

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

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Total Government Grant received	8,500,000.00
Previous period adjustments	3,139,184.00
Balance as at January 1, 2019	5,360,816.00
Received during the year	
Released to the statement of comprehensive income	1,275,000.00
Balance as at December 31, 2019	4,085,816.00

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

#### 44. Capital Reserves

Capital Reserves includes the following:

a. Net assets taken over from Plantation Thinning Work (PTW) in the year 2001	: Nu.	3,356,963.00
b. Net assets taken over from Integrated Forestry Development Project (IFDP) in the year 2002	: Nu.	29,071,608.72
c. Assets taken over from Integrated Forestry Management Project (IFMP) in the year 2001 incorporated in the year 2005	: Nu.	1,748,921.00
d. Valuation of Store and spares	: Nu.	97,704.00
e. Valuation of Land	: Nu.	115,170,016.00
f. Others	: Nu.	309,099.45
<b>Total</b>	<b>: Nu.</b>	<b>149,754,312.17</b>

45. In line with the Land Policy Implementation Guidelines, 2016 issued by the DHI, the company has transferred the freehold land of 0.30 and 0.53 acreage in Paro to DHI at the corresponding book value of Nu. 2,676,239.28 and Nu. 2,477,300.00 respectively and accordingly incorporated in the books of accounts through adjustments in the Capital accounts by decreasing the value of assets (land) and decrease in reserves.

#### 46. Borrowing cost

The company has availed term loan amounting to Nu. 50.00 million in 2017 and Nu. 50.00 million 2019 from National Pension and Provident Fund (NPPF) under the sovereign guarantee provided by Druk Holding and Investments Limited (DHI). The loan carries fixed rate of 7% and is repayable within 7 years in 28 quarterly equal installments.

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

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47. In the year 2017, based on the decision of the Supreme Court of Bhutan, the company had settled the compensation amounting to Nu. 75,853,592 to the contractors for pre-closure of the contract resulting overall net loss of Nu. 51,901,028.00 to the company. The losses sustained is carried forward and adjusted against the profit of the three subsequent income years 2018. 2019 and 2020.
48. During the year 2019, the company has taken up the construction contract work for renovation of National Council Hall, Thimphu at the total contract value of Nu. 7,824,634.88. As on December 31, 2019, 56.95 % of the contract work has been verified as completed.

<b>SOCE</b>	<b>Amount (Nu)</b>
Revenue	<b>4,455,789.69</b>
Cost of sales	<b>3,860,852.89</b>
Attributable profit	<b>594,936.80</b>
<b>SOFP</b>	
Cost incurred	2,985,519.45
Attributable profit	594,936.80
<b>Total</b>	<b>3,580,456.25</b>
Payment received	4,455,789.69
Amount due from/to customer	<b>(875,333.44)</b>

- As of December 2019, the company has executed and completed work worth Nu. 4,455,789.69 for which the payment have been received. Accordingly, the company has recognized and accounted revenue amounting to Nu. 4,455,789.69 for the year.
- Revenue has been determined on the basis of construction materials delivered at the construction sites and the actual work execution progress. The rate applied to determine the revenue amount is as per the rates given in the bill of quantities (BoQ).
- Stage of work completed has been determined based on physical inspection of the following:
  - i. Construction materials delivered at site
  - ii. Execution progress of the contract work through physical inspection

#### 49. 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

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deposit for restoring the harvested areas. The actual liability for quarry restoration work is not ascertained.

50. As on December 31, 2019 there is balance of Nu. 93,461,648 in the fixed deposits earmarked towards gratuity liability of Nu. 105,765,786 showing a shortfall of Nu. 12,304,138 which shall be made fully funded in the coming year with a fresh deposit. However, liability has been fully provided in the accounts.

#### 51. Deferred Revenue Expenditure

During the year, the company has incurred Human Resource Development expenses (training expenditure) amounting to Nu. 14,760,262.60.00. The Company has treated the two-third of the expenses amounting to Nu. 9,840,175.00 as deferred revenue expenditure and shown as assets in the financial statements.

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

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## NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED

## QUANTITATIVE ANALYSIS(cft) OF STOCK as on 31.12.2019

26-Mar-20

Timber SI.No.	Divisions	Opening Stock as on 1.1.19 (Cft.)	Production (Cft.)	Disposal (Cft.)	Book Balance as on 31.12.2019 (Cft.)	Physical Balance as on 31.12.2019 (Cft.)	Total Value as on 31.12.2019
1	Wang-2019	32,631.25	30,837.89	38,255.32	25,213.82	25,213.59	3,973,914.60
	-2018	27,854.78	97,022.80	92,246.15	32,631.44	32,631.25	5,143,010.86
2	Rinpung-2019	141,867.62	1,223,204.22	1,081,917.74	283,154.09	283,143.08	34,468,605.94
	-2018	40,447.80	702,441.10	663,067.49	79,821.41	79,403.94	10,950,839.87
3	Zhonggar-2019	121,960.27	101,383.00	132,404.11	90,939.16	90,939.27	11,515,572.22
	-2018	132,400.72	210,891.16	221,331.26	121,960.62	121,960.27	15,975,293.54
4	Sha -2019	-	-	-	-	-	-
	-2018	59,848.75	216,887.78	214,272.87	62,463.67	62,463.67	9,455,958.56
5	PI/Ling -2019	13,974.18	57,396.30	29,862.61	41,507.86	41,507.86	6,187,161.82
	-2018	10,302.12	62,063.83	58,391.76	13,974.18	13,974.18	2,082,991.27
6	Jakar -2019	219,543.28	991,374.05	827,319.93	383,597.40	383,624.14	45,569,244.06
	-2018	91,943.39	727,542.21	599,998.07	219,487.52	219,543.28	27,737,306.24
7	Gelephu-2019	-	71,804.00	44,337.24	27,466.76	27,466.76	1,876,633.96
	<b>Total : 2019</b>	<b>529,976.60</b>	<b>2,475,999.45</b>	<b>2,154,096.96</b>	<b>851,879.09</b>	<b>851,894.70</b>	<b>103,591,132.59</b>
	<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>




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NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED

QUANTITATIVE ANALYSIS(cft) OF STOCK as on 31.12.2019

Briquette							26-Mar-20
Sl.No.	Divisions	Opening Stock as on 1.1.19 (KG)	Production (KG)	Disposal (KG)	Book Balance as on 31.12.2019 (KG)	Physical Balance as on 31.12.2019 (KG)	Total Value as on 31.12.2019
1	Wang-Briq. -2019	112,380.00	261,060.00	196,290.00	177,150.00	177,150.00	1,062,900.00
	-2018	81,000.00	246,420.00	215,040.00	112,380.00	112,380.00	674,280.00
	<b>Total : 2019</b>	<b>112,380.00</b>	<b>261,060.00</b>	<b>196,290.00</b>	<b>177,150.00</b>	<b>177,150.00</b>	<b>1,062,900.00</b>
	<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>
Glulam							26-Mar-20
Sl.No.	Divisions	Opening Stock as on 1.1.19 (cft)	Production (cft)	Disposal (cft)	Book Balance as on 31.12.2019 (cft)	Physical Balance as on 31.12.2019 (cft)	Total Value as on 31.12.2019
1	Wang-Glu. -2019	-	5,883.05	5,859.06	23.99	23.99	26,701.11
	<b>Total : 2019</b>	<b>-</b>	<b>5,883.05</b>	<b>5,859.06</b>	<b>23.99</b>	<b>23.99</b>	<b>26,701.11</b>
Joinery							26-Mar-20
Sl.No.	Divisions	Opening Stock as on 1.1.19 (Sq.ft)	Production (Sq.ft)	Disposal (Sq.ft)	Book Balance as on 31.12.2019 (Sq.ft)	Physical Balance as on 31.12.2019 (Sq.ft)	Total Value as on 31.12.2019
1	Wang-2019						
	Flooring		32,323.92	25,134.75	7,189.17	7,189.17	244,516.21
	Panneling		86,193.40	79,778.89	6,414.51	6,414.51	218,168.67
	Others		3,300.77	3,300.77	-	-	-
	<b>Total:</b>		<b>121,818.09</b>	<b>108,214.41</b>	<b>13,603.68</b>	<b>13,603.68</b>	<b>462,684.88</b>
2	Zhonggar-2019						
	Flooring		24,700.96	15,400.64	9,300.32	9,300.32	985,833.92
	Panneling		8,331.00	2,550.84	5,780.16	5,780.16	410,391.36
	Others		735.90	-	735.90	735.90	52,248.90
	<b>Total:</b>		<b>33,767.86</b>	<b>17,951.48</b>	<b>15,816.38</b>	<b>15,816.38</b>	<b>1,448,474.18</b>
	<b>Total : 2019</b>	<b>-</b>	<b>155,585.95</b>	<b>126,165.89</b>	<b>29,420.06</b>	<b>29,420.06</b>	<b>1,911,159.06</b>
Firewood							26-Mar-20
Sl.No.	Divisions	Opening Stock as on 1.1.19 (cft)	Production (cft)	Disposal (cft)	Book Balance as on 31.12.2019 (cft)	Physical Balance as on 31.12.2019 (cft)	Total Value as on 31.12.2019
1	Wang -Firewood -2019	598.80	519.77	681.02	437.55	437.55	386,772.32
	-2018	426.00	1,280.94	1,108.14	598.80	598.80	529,309.26
	<b>Total : 2019</b>	<b>598.80</b>	<b>519.77</b>	<b>681.02</b>	<b>437.55</b>	<b>437.55</b>	<b>386,772.32</b>
	<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>

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**NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED**  
**QUANTITATIVE ANALYSIS OF STOCK as on 31.12.2019**

26-Mar-20

SI.No.	Divisions	Opening Stock as on 1.1.19 (m <sup>3</sup> )	Production (m <sup>3</sup> )	Disposal (m <sup>3</sup> )	Book Balance as on 31.12.2019 (m <sup>3</sup> )	Physical Balance as on 31.12.2019 (m <sup>3</sup> )	Total Value as on 31.12.2019
1	Wang -2019	342.39	288.00	548.73	81.66	81.66	17,957.85
	-2018	60.39	612.50	277.11	395.78	342.39	75,291.56
2	Rimpung-2019	-	48.00	48.00	-	-	-
	-2018	-	216.00	216.00	-	-	-
3	Zhengggar -2019	39,308.28	62,185.81	52,537.42	48,966.67	48,966.67	8,059,241.45
	-2018	-	88,194.62	48,886.34	39,308.28	39,308.28	7,409,679.32
4	Sha -2019	32,981.55	345,108.20	325,861.00	52,228.75	41,876.79	9,209,124.89
	-2018	19,669.00	342,282.80	318,714.35	43,237.45	32,981.55	4,777,632.74
5	P/Ling -2019	-	74,952.32	64,792.32	10,160.00	10,160.00	-
	-2018	-	34,587.40	34,587.40	-	-	-
6	Jakar/Gelephu -2019	10,666.00	34,695.00	35,647.25	9,713.75	9,713.75	576,565.91
	-2018	25,424.75	35,693.52	49,361.07	11,757.20	10,666.00	1,212,964.76
	<b>Total : 2019</b>	<b>83,298.22</b>	<b>517,287.33</b>	<b>479,434.72</b>	<b>121,150.83</b>	<b>110,798.87</b>	<b>17,862,890.10</b>
	<b>Total : 2018</b>	<b>45,154.14</b>	<b>501,586.84</b>	<b>452,042.27</b>	<b>94,698.71</b>	<b>83,298.22</b>	<b>13,475,568.37</b>

26-Mar-20

SI.No.	Divisions	Opening Stock as on 1.1.19 (Cft)	Production (Cft)	Disposal (Cft)	Book Balance as on 31.12.2019 (Cft)	Physical Balance as on 31.12.2019 (Cft)	Total Value as on 31.12.2019
1	Wang -2019	-	-	-	-	-	-
	-2018	-	-	-	-	-	-
2	Rimpung -2019	-	2,538.00	2,538.00	-	-	-
	-2018	-	846.00	846.00	-	-	-
3	Zhonggar -2019	-	1,012,279.96	756,066.56	256,213.40	256,213.40	1,279,433.82
	-2018	-	491,970.00	491,970.00	-	-	-
4	Sha -2019	-	52,485.87	52,485.87	-	-	-
	-2018	-	11,280.00	11,280.00	-	-	-
6	P/Ling -2019	-	15,618,237.76	15,618,237.76	-	-	-
	-2018	213,360.00	7,271,426.29	7,484,786.29	-	-	-
7	Jakar/Gelephu -2019	-	9,451,544.52	8,881,804.75	569,739.77	569,739.77	810,718.98
	-2018	-	4,370,898.45	4,370,898.45	-	-	-
	<b>Total : 2019</b>	<b>-</b>	<b>26,137,086.11</b>	<b>25,311,132.94</b>	<b>825,953.17</b>	<b>825,953.17</b>	<b>2,090,152.79</b>
	<b>Total : 2018</b>	<b>213,360.00</b>	<b>12,146,420.74</b>	<b>12,359,780.74</b>	<b>-</b>	<b>-</b>	<b>-</b>

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NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED

QUANTITATIVE ANALYSIS OF STOCK as on 31.12.2019

Stones Chips

Sl.No.	Divisions	Opening Stock as on 1.1.19 (CFT)	Production (CFT)	Disposal (CFT)	Book Balance as on 31.12.2019 (CFT)	Physical Balance as on 31.12.2019 (CFT)	Total Value as on 31.12.2019
1	<b>Zhonggar</b>						
	Tingzam SCP -2019	180,433.85	400,482.00	541,982.35	38,933.50	38,933.50	310,843.62
	-2018	341,387.15	241,932.00	402,885.30	180,433.85	180,433.85	2,963,988.59
	Kencholing SCP-2019	-			-	-	-
	-2018	77,944.10	67,510.00	80,925.00	64,529.10	-	-
	Golanti SCP -2019	19,268.68			19,268.68	19,268.68	57,806.04
	-2018	26,384.36		7,115.68	19,268.68	19,268.68	57,806.04
	Ngangshing SCP -2019	74,187.52			74,187.52	74,187.52	1,374,449.24
	-2018	74,187.52			74,187.52	74,187.52	1,374,449.24
2	<b>Jakar/Gelephu</b>						
	Bhur SCP -2019	232,837.00	540,302.40	389,842.48	383,296.92	382,911.88	1,594,411.28
	-2018	259,950.50	466,483.09	493,596.40	232,837.19	232,837.00	968,048.90
	<b>Total: 2019</b>	<b>506,727.05</b>	<b>940,784.40</b>	<b>931,824.83</b>	<b>515,686.62</b>	<b>515,301.58</b>	<b>3,337,510.18</b>
	<b>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>

Rawmaterials for Stone Crusher

Sl.No.	Divisions	Opening Stock as on 1.1.19 (CFT)	Production (CFT)	Disposal (CFT)	Book Balance as on 31.12.19 (CFT)	Physical Balance as on 31.12.19 (CFT)	Total Value as on 31.12.19
1	<b>Zhonggar</b>						
	Tingzam SCP -2019	299,634.78		193,153.00	106,481.78	106,481.78	1,383,198.32
	-2018	367,095.78		67,461.00	299,634.78	299,634.78	3,892,255.79
	Kencholing SCP -2019	-			-	-	-
	-2018	30,243.10	40,800.90	71,044.00	-	-	-
	Ngangshing SCP-2019	317,526.80			317,526.80	317,526.80	4,016,714.02
	-2018	317,526.80			317,526.80	317,526.80	4,016,714.02
3	<b>Jakar/Gelephu</b>						
	Bhur SCP -2019	698,000.23	150,675.12	562,815.00	285,860.35	285,860.35	1,312,506.84
	-2018	336,318.97	847,601.16	485,919.90	698,000.23	698,000.23	4,334,581.43
	Homdar SCP -2019	503,320.48		503,320.48	-	-	-
	-2018	615,833.23		112,512.75	503,320.48	503,320.48	6,668,996.29
	<b>Total : 2019</b>	<b>1,818,482.29</b>	<b>150,675.12</b>	<b>1,259,288.48</b>	<b>709,868.93</b>	<b>709,868.93</b>	<b>6,712,419.18</b>
	<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>18,912,547.63</b>
<b>Rawmaterials for Briquette Unit(TL)</b>							
1	<b>Wang-Briq. Unit-2019</b>	233.42	187.49	271.93	148.98	148.98	312,552.17
	-2018	21.00	469.10	256.69	233.42	233.42	1,639,774.83
	<b>Total : 2019</b>	<b>233.42</b>	<b>187.49</b>	<b>271.93</b>	<b>148.98</b>	<b>148.98</b>	<b>312,552.17</b>
	<b>Total: 2018</b>	<b>21.00</b>	<b>469.10</b>	<b>256.69</b>	<b>233.42</b>	<b>233.42</b>	<b>1,639,774.83</b>

Glulam

Sl.No.	Divisions	Opening Stock as on 1.1.19 (cft)	Production (cft)	Disposal (cft)	Book Balance as on 31.12.19 (cft)	Physical Balance as on 31.12.19 (cft)	Total Value as on 31.12.19
1	<b>Wang-Glu. -2019</b>	-	5,337.26	5,136.45	200.81	200.81	57,511.98
	-2018	-	-	-	-	-	-
	<b>Total : 2019</b>	<b>-</b>	<b>5,337.26</b>	<b>5,136.45</b>	<b>200.81</b>	<b>200.81</b>	<b>57,511.98</b>
	<b>Total : 2018</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Joinery

Sl.No.	Divisions	Opening Stock as on 1.1.19 (cft)	Production (cft)	Disposal (cft)	Book Balance as on 31.12.19 (cft)	Physical Balance as on 31.12.19 (cft)	Total Value as on 31.12.19
1	<b>Wang-Join. -2019</b>	-	12,093.21	10,709.46	1,383.75	1,383.75	396,306.00
2	<b>Zhonggar-Join-2019</b>	-	6,549.96	5,155.78	1,394.18	1,394.18	380,694.79
	<b>Total : 2019</b>	<b>-</b>	<b>18,643.17</b>	<b>15,865.24</b>	<b>2,777.93</b>	<b>2,777.93</b>	<b>777,000.79</b>
	<b>Grand Total: 2019</b>						<b>138,128,702.29</b>
	<b>Grand Total: 2018</b>						<b>111,949,612.95</b>

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**NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED**  
Notes forming part of the Financial Statements for the year ended 31st December 2019

**NOTE- 2** Property, plant and equipment

Particulars	GROSS BLOCK			DEPRECIATION				NET BLOCK		
	Balance as on 1.1.19	Addition during '19	On Sales & Other Adjst	Balance as on 31-12-19	Up to 1.1.19	For the Period	On sale & Other Adjst.	Up to 31.12.2019	As at 31.12.2019	As at 31.12.2018
Land	120,298,403	-	(5,153,539)	115,144,864	-	-	-	-	115,144,864	120,298,403
Building	122,756,720	3,408,381	-	126,165,101	57,176,224	8,338,986	-	65,515,209	60,649,892	66,580,497
Road*	343,942,797	21,929,296	-	365,872,094	192,861,939	30,545,699	-	223,407,637	142,464,457	151,080,859
Cable Crane	94,059,887	32,813,254	-	126,873,141	45,245,091	10,246,748	-	55,491,839	71,385,302	48,814,796
Plant and Machineries	204,312,657	15,641,355	(86,535)	219,867,477	134,258,669	15,894,227	(16,912)	150,135,984	69,731,493	70,053,988
Tractor	2,561,650	1,188,475	-	3,750,125	1,798,866	214,857	-	2,013,723	1,736,402	762,784
Truck	10,061,199	2,277,447	(2,456,973)	9,881,673	10,061,191	115,120	(2,456,971)	7,719,340	2,162,333	8
Vehicle	26,031,386	2,331,160	(412,370)	27,950,176	19,032,530	1,381,912	(402,445)	20,011,997	7,938,179	6,998,886
Furniture	9,451,143	802,842	(275,240)	9,978,745	8,264,414	422,504	(275,172)	8,411,745	1,567,000	1,186,780
Office Equipment	25,593,982	7,471,692	(4,358,301)	28,707,374	17,423,969	2,423,578	(4,148,873)	15,698,673	13,008,700	8,170,014
<b>Total:</b>	<b>959,069,826</b>	<b>87,863,901</b>	<b>(12,742,958)</b>	<b>1,034,190,769</b>	<b>486,122,892</b>	<b>69,579,690</b>	<b>(7,300,374)</b>	<b>548,402,148</b>	<b>485,788,621</b>	<b>472,946,934</b>
Previous Year	858,684,186	104,207,584	(3,821,944)	959,069,826	425,795,731	63,646,817	(3,319,655)	486,122,892	1	432,888,455

Note: 1. Road is Constructed on Government land

**NOTE- 3**

Intangible assets	Current Year	Previous Year
Current Year	6,867,948	6,867,948
Previous Year	2,367,948	4,500,000
	-	2,446,022
	1,499,850	106,077
	3,945,872	2,446,022
	2,922,076	4,421,926
	4,421,926	28,003

**NOTE- 4**

**Statement of Capital Work in Progress as at 31-12-2019**

Particulars	Opening 1.1.2019	Addition	Adjustment	Closing 31.12.19
Road-W.I.P	1,088,259	16,728,010	9,368,485	8,447,784
Machine-W.I.P	-	12,790,997,68	10,558,956	2,232,042
Building-W.I.P	182,000	8,548,044	8,730,044	-
Intangible assets-W.I.P	-	997,500	-	997,500
<b>Total: CWIP</b>	<b>1,270,259</b>	<b>39,064,552</b>	<b>28,657,485</b>	<b>11,677,325</b>
Previous Year	19,273,344	47,424,848	65,427,934	1,270,259

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**NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED**  
Notes forming part of the Financial Statements for the year ended 31st December 2019

Particulars	Year Ended	
	31-12-2019	31-12-2018
	(Nu.)	(Nu.)
<b>NOTE- 5</b>		
<b>Other non current assets</b>		
Fair Value of Plan Assets(FVA)	-	77,999,747
Defined Benefit Obligation(DBO)	-	75,977,225
Net retirement benefit Assets - gratuity	-	2,022,522
Unamortised Mine Cost	467,612	813,156
<b>Total Non Current</b>	<b>467,612</b>	<b>2,835,678</b>
<b>NOTE- 6</b>		
<b>Other receivables</b>		
Security deposit to others	3,665,487	3,335,234
<b>Total</b>	<b>3,665,487</b>	<b>3,335,234</b>
<b>NOTE- 7</b>		
<b>Other current assets</b>		
Advance to Contractors	3,323,635	4,044,138
Advance to Suppliers	10,087,307	3,678,114
Advance to Others	1,880,163	1,262,519
Deferred Revenue Expenditure	9,840,175	-
FA to Unit Manager/FA/Remittance	132,229	221,607
Prepaid expenses	714,868	551,540
Advance for Corporate tax	-	-
GFPMO Cost	383,299	125,305
TDS withheld by customer	-	-
Unamortised Mine Cost	321,734	355,820
Advance to staff recoverable	2,669,371	2,578,086
<b>Total Current</b>	<b>29,352,780</b>	<b>12,817,128</b>
<b>NOTE- 8</b>		
<b>Cash and cash equivalent</b>		
Cash in hand	1,423,625	570,965
<b>Bank Balances</b>		
Local Banks-Others	17,628,865	12,572,460
Balances with BOBL	27,256,025	44,173,706
<b>Cash &amp; Cash Equivalents</b>	<b>46,308,515</b>	<b>57,317,131</b>
	<b>46,308,515</b>	<b>57,317,131</b>
<b>NOTE- 9</b>		
<b>Trade and other receivables</b>		
Sundry debtors	89,761,677	52,531,494
Provision for doubtful Debts	(7,440,039)	(9,177,667)
	<b>82,321,638</b>	<b>43,353,827</b>
<b>NOTE- 10</b>		
<b>Inventories</b>		
Stock of Timber	103,591,133	71,345,400
Stock of Briquette	1,062,900	674,280
Stock of Sand	17,862,890	13,475,568
Stock of Stone	2,090,153	-
Stock of Stone Chip	3,337,510	5,372,733
Stock of Firewood	386,772	529,309
Stock of Joinery	1,911,159	-
Stock of Glulam	26,701	-
Stock of Rawmaterial for Stone chips	6,712,419	18,912,548
Stock of Rawmaterial for Briquette Unit	312,552	1,639,775
Stock of Rawmaterial for Joinery	777,001	-
Stock of Rawmaterial for Glulam	57,512	-
Stock of store/spare parts	24,630,467	23,584,598
Provision for Timber	(236,701)	(236,701)
Provision for Stone chip Rawmaterial	(4,657,951)	(4,256,279)
Provision for Slow moving stock of spares	(2,651,654)	(2,651,654)
	<b>155,212,864</b>	<b>128,389,577</b>

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**NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED**  
Notes forming part of the Financial Statements for the year ended 31st December 2019

Particulars	Year Ended	
	31-12-2019	31-12-2018
	(Nu.)	(Nu.)
<b>NOTE- 11</b>		
<b>Non current borrowings</b>		
-Noncurrent Maturities of Long term Borrowings	66,405,619	36,365,032
	<b>66,405,619</b>	<b>36,365,032</b>
<b>Current borrowings</b>		
Current maturities of long term borrowings	15,546,269	16,126,440
	15,546,269	16,126,440
<b>NOTE- 12</b>		
<b>Government grant</b>		
Balance as at 1st January 2019	5,360,816	6,635,816
Received during the year	-	-
Released to the statement of comprehensive income	1,275,000	1,275,000
<b>Balance as at 31st December 2019</b>	<b>4,085,816</b>	<b>5,360,816</b>
	<b>70,491,435</b>	<b>41,725,848</b>
<b>Current Portion of Grant</b>	<b>1,275,000</b>	<b>1,275,000</b>
<b>Noncurrent Portion of Grant</b>	<b>2,810,816</b>	<b>4,085,816</b>
<b>NOTE- 13</b>		
<b>Provision for employee benefits</b>		
Fair Value of Plan Assets(FVA)	93,461,648	-
Defined Benefit Obligation(DBO)	105,765,786	-
Net retirement benefit Liabilities - gratuity	<b>12,304,138</b>	-
Provision for Leave Encashment	10,013,420	7,676,030
	<b>22,317,558</b>	<b>7,676,030</b>
<b>Current</b>		
Provision for Gratuity	3,313,123	-
Provision for Leave Encashment	561,863	536,170
	<b>3,874,986</b>	<b>536,170</b>
<b>Noncurrent</b>	<b>18,442,572</b>	<b>7,139,860</b>
<b>NOTE- 14</b>		
<b>Trade and other payables</b>		
Trade payables	35,321,227	24,257,431
Other payables	30,318,888	21,435,330
Security deposit	5,265,055	3,111,248
Earnest money deposit	564,417	362,131
Retention money	713,968	1,570,388
Other receipts & payments	4,497,100	2,929,346
Employees Loan From Bank	28,604	51,324
Staff Welfare Fund	13,250	-
GIS	200	-
	<b>76,722,710</b>	<b>53,717,198</b>
<b>NOTE- 15</b>		
<b>Other current liabilities</b>		
Advance from customers	15,320,408	17,755,920
TDS on contractors payable	631,408	87,835
Health contribution	42,521	11,216
GPF employee's share	846	-
TDS from salary	251,703	11,676
Royalty payable	11,687,903	7,072,439
Provision for Compensation	-	-
	<b>27,934,789</b>	<b>24,939,087</b>
<b>NOTE- 16</b>		
<b>Provision for corporate income tax</b>		
Provision for corporate tax	23,444,149	17,628,795
TDS withheld by customer	(1,121,735)	(735,647)
Advance for Corporate tax	(6,205,241)	(1,327,684)
	<b>16,117,173</b>	<b>15,565,463</b>

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**NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED**  
**Notes forming part of the Financial Statements for the year ended 31st December 2019**

Particulars	Year Ended	
	31-12-2019	31-12-2018
	(Nu.)	(Nu.)
<b>NOTE- 17</b>		
<b>Revenue</b>		
Sale of Timber	347,672,574	313,024,753
Sale of Briquette	1,177,740	1,290,240
Sales woodchips	11,793,433	14,176,649
Sale of firewood	25,766,406	10,608,118
Sale of Forest Residues	4,692,970	2,564,976
Sale of Glulam Timber	6,094,296	7,135,079
Sale of Joinery Products	8,819,039	3,751,623
<b>Sale of Timber and By-products</b>	<b>406,016,459</b>	<b>352,551,436</b>
Sales Sand	250,773,761	203,580,533
Sales Stone	75,983,050	56,821,734
Sales Stone Chips	18,817,961	15,500,641
	<b>751,591,231</b>	<b>628,454,343</b>
<b>Other income</b>		
Hire charge	14,234,825	13,367,112
Other Misc. Income	6,707,774	5,800,512
Release of Grant received to SCI	1,275,000	1,275,000
Toll Fee	269,370	625,444
Profit from sale of Fixed Assets	221,742	5,715,227
Profit on sale of stores and spares	1,024	-
NC Project Income	4,455,790	-
Liabilities no more required written back	7,288,981	2,973,594
Provision for Compensation written back	-	16,177,073
Audit recovery	66,000	202,256
Interest on Fixed deposit	5,461,900	5,452,001
Interest on others	926,631	1,306,553
Prior period Adjustment	-	-
Unwinding of environment restoration fund	354,437	316,568
	<b>41,263,473</b>	<b>53,211,340</b>
	<b>792,854,703</b>	<b>681,665,683</b>

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**NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED**  
Notes forming part of the Financial Statements for the year ended 31st December 2019

Particulars	Year Ended	
	31-12-2019	31-12-2018
	(Nu.)	(Nu.)
<b>NOTE- 18</b>		
<b>Cost of Sales</b>		
<b>Reforestation Expenses</b>		
Nursery Expenses	496,495	515,186
Creation of Plantation	1,853,305	2,979,925
Plantation maintenance	3,307,270	3,432,118
Nursery creation	874,796	1,305,447
<b>Personnel cost</b>		
Salary & wages	76,071,039	68,328,063
Leave Encashment	5,778,156	4,207,074
Bonus	13,607,760	6,952,425
PBVA	9,797,587	8,003,632
GPF Employers Contribution	6,835,089	5,256,782
Uniform/Leveries	280,000	280,800
LTC	4,256,454	3,314,755
TTA/TG	1,274,859	1,667,275
TA/DA	13,525,762	14,073,969
<b>Production Expenses</b>		
Marking cost	126,852	72,946
Felling & cross-cutting	11,287,817	10,111,197
Debarking	560,569	548,765
Extraction from Stump site to Depot	114,596,399	103,190,751
Extraction of Sand	183,945,118	153,892,984
Extraction of Stone	8,576,499	18,735,209
Extraction from Quarry to crusher Site	1,130,077	4,863,067
Extraction of Firewood	23,522,833	9,166,009
Electricity	922,881	827,263
Extraction of Wood Chip	9,237,276	12,068,126
Mine cost	379,631	369,354
FMU expenses/Inventory	1,443,738	1,531,990
Maint. of trucks incl. POL	1,921,099	2,795,423
Maint. of machines Incl. POL	40,661,166	33,357,715
Maint. of road	6,039,969	5,467,196
Timber handling & Stacking	3,730,697	3,847,180
Maint. of depot	2,864,419	1,088,066
NC Project Expenses	3,860,853	-
Prior period Adjustment	286,778	1,492,930
Provision for Timber	-	236,701
Provision for Slow moving stock	401,671	1,068,571
<b>Royalty</b>		
Royalty-Timber	26,937,540	19,819,465
Royalty-Woodchips	23,489	295,576
Royalty-Sand	1,311,040	1,816,760
Royalty-Stone	3,000	1,215,280
Royalty-Stone Chips	-	-
<b>Stock</b>		
Loss of Stock due to natural calamities (Increase)/Decrease in stocks	(26,179,089)	(30,843,346)
<b>Depreciation and amortisation</b>		
Depreciation-Building	7,105,577	6,969,262
Depreciation-Road	30,545,699	28,990,294
Depreciation-Cable Crane	10,242,748	5,872,799
Depreciation-Equipment	15,894,227	16,652,481
Depreciation-Tractor	214,857	150,386
Depreciation-Truck	115,120	-
Depreciation-Vehicle	519,494	686,260
Depreciation-Furniture	271,343	266,053
Depreciation-Office Equipment	1,565,059	1,135,218
Depreciation-Tally ERP.9 -Software	1,499,850	106,077
	<b>623,524,869</b>	<b>538,181,459</b>

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**NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED**  
**Notes forming part of the Financial Statements for the year ended 31st December 2019**

Particulars	Year Ended	
	31-12-2019	31-12-2018
	(Nu.)	(Nu.)
<b>NOTE- 19</b>		
<b><u>Selling &amp; Marketing Expenses</u></b>		
Customer Survey	218,502	208,097
Advertisement	657,783	710,743
Auction expenditures	740,563	720,590
	<b>1,616,848</b>	<b>1,639,430</b>
<b>NOTE- 20</b>		
<b><u>Finance cost</u></b>		
Interest on Loan	6,243,762	4,962,862
Corporate Guarantee Fees	464,677	266,970
	<b>6,708,439</b>	<b>5,229,832</b>
<b>NOTE- 21</b>		
<b><u>Administrative Expenses</u></b>		
Printing & Stationary	765,579	1,088,867
Telephone/Fax/Postage	2,433,898	3,087,166
Audit Fees	113,190	113,190
Audit Expenses	423,087	376,822
Rent	1,397,328	1,433,162
Rates and Taxes	150,055	194,979
Entertainment	829,719	884,554
Electricity/Lighting(office)	662,154	682,645
Books & periodicals	42,620	73,649
Workshop/Seminar	591,056	354,411
Board expenses	718,412	587,973
Trade Licence	23,280	35,480
Insurance	1,246,038	1,499,944
Subscription & donations	507,057	1,137,108
Consultancy fees	877,895	82,209
Legal Expenses	23,921	2,600
Write Off/Provision	416,388	3,204,030
Fixed assets derecognised Loss	20,784	-
Welfare Expenses	453,578	767,890
Training Expenditure	4,920,088	6,727,319
Consumable stores	352,613	475,928
Maint. of Building	1,891,577	1,213,670
Maint. of Vehicle incl. POL	5,052,760	4,736,335
Maint. of Office equipment	2,044,227	826,541
Bank Charges	22,305	15,429
Brand & Management Fee	1,261,523	107,597
Loss on sale of stores and spares	-	506,635
	<b>27,241,132</b>	<b>30,216,134</b>

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**NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED**  
**Notes forming part of the Financial Statements for the year ended 31st December 2019**

Particulars	Year Ended	
	31-12-2019	31-12-2018
	(Nu.)	(Nu.)
b/f Note:21	<b>27,241,132</b>	<b>30,216,134</b>
<b>Personnel cost-HQ</b>		
Salary & wages	23,058,336	19,383,129
Leave Encashment	1,726,975	1,240,066
TA/DA	2,152,766	2,694,979
TTA/TG	836,931	880,597
LTC	709,800	688,200
Bonus	3,590,223	1,947,375
PBVA	2,669,183	2,241,818
GPF Employers Contribution	1,854,069	1,540,792
Medical Expenses	-	2,265
Uniform/Leveries	2,815,301	3,803,759
Gratuity	14,420,165	11,615,200
<b>Depreciation and amortisation</b>		
Depreciation-Building	1,233,408	1,238,249
Depreciation-Vehicle	862,418	674,860
Depreciation-Furniture	151,161	186,300
Depreciation-Office Equipment	858,519	824,654
	<b>84,180,386</b>	<b>79,178,377</b>

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**NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED**  
**Notes forming part of the Financial Statements for the year ended 31st December 2019**

Particulars	Year Ended	
	31-12-2019	31-12-2018
	(Nu.)	(Nu.)
<b>NOTE- 22</b>		
<b>Income tax expense</b>		
<b>PROFIT BEFORE TAX</b>	<b>76,824,161</b>	<b>57,436,584</b>
ADD: Provision for doubtful Debts/writeoff	416,388	3,204,030
ADD: Gift & Donation	507,057	1,137,108
ADD: Prior Period Adjustment	307,562	1,492,930
ADD: Depreciation on disposed assets	86,090	-
ADD: Provision for Slowmoving stock	401,671	1,068,571
ADD: Provision for stock of timber	-	236,701
ADD: Bonus & PBVA	19,015,861	11,487,066
less: Doubtful Debts Recovered	(2,111,285)	-
Less : Carry Forward and Offset of Losses	(17,300,343)	(17,300,343)
<b>NET TAXABLE AMOUNT</b>	<b>78,147,162</b>	<b>58,762,648</b>
<b>30% CIT</b>	<b>23,444,149</b>	<b>17,628,795</b>
<b>Total Tax Expense</b>	<b>23,444,149</b>	<b>17,628,795</b>

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Note 23 : Fair value measurements

(All amounts in Nu , unless otherwise stated)

Financial instruments by category

Particulars	31-Dec-19			31-Dec-18		
	FVPL	FVOCI	Amortised cost	FVPL	FVOCI	Amortised cost
<b>Financial assets</b>						
Security deposit to others	-	-	3,665,487	-	-	3,335,234
Cash and cash equivalent	-	-	46,308,515	-	-	57,317,131
Sundry debtors	-	-	89,761,677	-	-	52,531,494
Advance to staff recoverable	-	-	2,669,371	-	-	2,578,086
<b>Total financial assets</b>	-	-	<b>142,405,051</b>	-	-	<b>115,761,945</b>
<b>Financial liabilities</b>						
Borrowing	-	-	81,951,888	-	-	52,491,471
Trade payables	-	-	35,321,227	-	-	24,257,431
Other payables	-	-	30,318,888	-	-	21,435,330
Security deposit	-	-	5,265,055	-	-	3,111,248
Earnest money deposit	-	-	564,417	-	-	362,131
Retention money	-	-	713,968	-	-	1,570,388
Other receipts & payments	-	-	4,497,100	-	-	2,929,346
<b>Total financial liabilities</b>	-	-	<b>158,632,544</b>	-	-	<b>106,157,345</b>

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(All amounts in Nu., unless otherwise stated)

(i) Fair value hierarchy

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

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

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

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

(ii) Valuation technique used to determine fair value

Specific valuation techniques used to value financial instruments include:

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

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

Particulars	31-Dec-19		31-Dec-18		1-Jan-18	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>						
Environment restoration bond	3,348,243	3,348,243	2,993,807	2,993,807	2,677,239	2,677,239
Security deposit	317,244	317,244	341,427	341,427	288,235	288,235
<b>Total financial assets</b>	<b>3,665,487</b>	<b>3,665,487</b>	<b>3,335,234</b>	<b>3,335,234</b>	<b>2,965,474</b>	<b>2,965,474</b>
<b>Financial liabilities</b>						
Borrowing	81,951,888	81,951,888	52,491,471	52,491,471	67,413,121	67,413,121
<b>Total financial liabilities</b>	<b>81,951,888</b>	<b>81,951,888</b>	<b>52,491,471</b>	<b>52,491,471</b>	<b>67,413,121</b>	<b>67,413,121</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.

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(All amounts in Nu , unless otherwise stated)

**Note 24: Capital management**

**(a) Risk management**

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

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

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

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(All amounts in Nu , unless otherwise stated)

**Note 24: Capital management**

**(a) Risk management**

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

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

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

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(All amounts in Nu , unless otherwise stated)

**Note 25: Financial Risk Management**

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

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

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

**(A) Market risk**

**(i) Foreign currency risk**

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

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

**(ii) Interest rate risk**

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

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

**(iii) Price Risk**

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

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

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(All amounts in Nu , unless otherwise stated)

**(B) Liquidity risk**

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

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

**(i) Maturities of financial liabilities**

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

- all financial liabilities

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

Contractual maturities of financial liabilities 31 December 2019	Less than 1 year	More than 1 years	Total
Trade and other payables	76,722,710	-	76,722,710
Borrowings	15,546,269	66,405,619	81,951,888
Interest on borrowing	3,804,921	-	3,804,921
<b>Total financial liabilities</b>	<b>96,073,900</b>	<b>66,405,619</b>	<b>162,479,519</b>

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 1 January 2018	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>

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

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
Trade receivable as on 31 December 2018	34,556,432	13,682,900	4,292,162	52,531,494

Trade receivable as on 1 January 2018	22,090,696	10,712,628	283,688	33,087,011
Trade receivable as on 31 December 2017	22,090,696	10,712,628	283,688	33,087,011

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.

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