

# NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED



## ANNUAL REPORT 2020



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# Natural Resources Development Corporation Limited



**NRDCL**

a **dhi** Company

## ANNUAL REPORT 2020



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

- His Majesty The King Jigme Khesar Namgyel Wangchuck





## FROM THE CEO'S DESK

**O**n behalf of the management team and employees of Natural Resources Development Corporation Limited (NRDCL), I am pleased to present this Annual Report for the year 2020 highlighting the overview of activities, achievements and challenges for the past year.

With the construction sector heavily impacted by the COVID-19 pandemic, the business of NRDCL, as a supplier of construction materials like timber, sand and stone to this sector, was equally affected in 2020. The field operations were either halted or slowed down due to non-availability of machinery parts, as the import of parts was affected by import restrictions. The ripple effects of the pandemic leading to downturn of economy and slowdown of market for the company's products made it more challenging for NRDCL to achieve both physical and financial targets in the past year. As a result, there was a huge stock of unsold timber to the tune to 1.713 million cft. at the end of the year. The export of boulders came to a complete halt, particularly from Gelephu and the demand for even sand and stone saw a drastic drop after



mid of the year. Although operations from Forest Management Units (FMUs) was slowed down, the company continued to harvest timber from ad hoc areas including bark beetle affected areas and bluepine die-back areas. Operations from such areas were expensive affairs for the company which led to increase in the cost of production.

With the sharp drop in sale of timber, sand, stone and other related products in 2020, there was a corresponding drop in revenue by 20.5% from Nu. 792.855 million in 2019 to Nu. 630.324 million in 2020. The profit after tax was also dropped by 80% from Nu. 61.333 million in 2019 to Nu. 12.130 million in 2020. As a result of drop in sale and revenue, the company also suffered liquidity crunch and because of such financial issues, there was inadequate cash inflow to meet the required capital investment for improving operational efficiency in the company. The equity injection of Nu. 105.00 million from Druk Holding & Investments (DHI) was timely for enhancement of overall capacity of NRDCL and also to ensure timely supply of materials to Gyalsung Infrastructure Projects. With the help of equity, the company purchased machineries including three stone crushing plants, one sand dredging machine, six excavators and three backhoe loaders





besides upgrading a 30 TPH stone crushing plant at Gelephu to 50 TPH capacity.

Besides field operations in the line of timber, sand and stone business, the company also actively involved in production and supply of glue-laminated beams to The Royal Academy Project, JSW Law College, bridge construction in Thimphu and other important government projects. The revenue generation from sale of glue-laminated beams was Nu. 3.333 million against the target of Nu. 6.678 million in 2020. With the production and supply of joinery products (flooring and paneling materials), a revenue to the tune of Nu. 13.407 million was earned against the target of Nu. 25.329 million.

Guided by its mandates to make the resources as construction materials available, accessible and affordable to the public, the company not only aims for revenue generation through scientific forest operations, but also takes ancillary activities like plantation programs, environment protection and promotion, firewood supply to cremation and forest road construction activities seriously. A total of 66.27 ha plantation was carried out and 11.83



KM of forest road construction was completed in 2020.

Despite challenges mainly posed by pandemic in 2020, the company continued to work towards professional management of natural resources in its noble pursuits of making the resources available, accessible and affordable to the Bhutaneese and support nation building. As part of its digital initiatives, the company also developed its Digital Strategy which would serve as a guidance and mechanism for optimization, scale and efficiency through innovation and invention in the areas of natural resources management. Further,





with the launch of NRDCL app *My Resources* in commemoration of 40<sup>th</sup> Birth Anniversary of His Majesty The King, the company expects to take its products and services one step closer to fulfilling the noble aspiration of making the resources “accessible” to our people.

As we continue in our endeavor in natural resources management with renewed energy, integrity and commitments, I would like to thank all our valued customers for being with us and providing us with the platform to grow and improve in our business pursuits. I also take this privilege to thank the DHI and the NRDCL Board for all the guidance and support in closing the year 2020 on a positive note. I am equally thankful to the DoFPS, MoAF and all relevant stakeholders for their continued cooperation and support in enabling

us to collectively support nation building. I also thank all the employees of the company for their unwavering efforts and delivering great customer value despite numerous challenges in the year 2020.

I on behalf of the employees of the company and on my own behalf, would like to rededicate our services to the *Tsawa-Sum*.

Yours Sincerely,

(Bachu Phub Dorji)

**Chief Executive Officer**



## VISION

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

## VISION

## MISSION

## MISSION

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

## VALUES

## VALUES

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

## BACKGROUND OF COMPANY

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

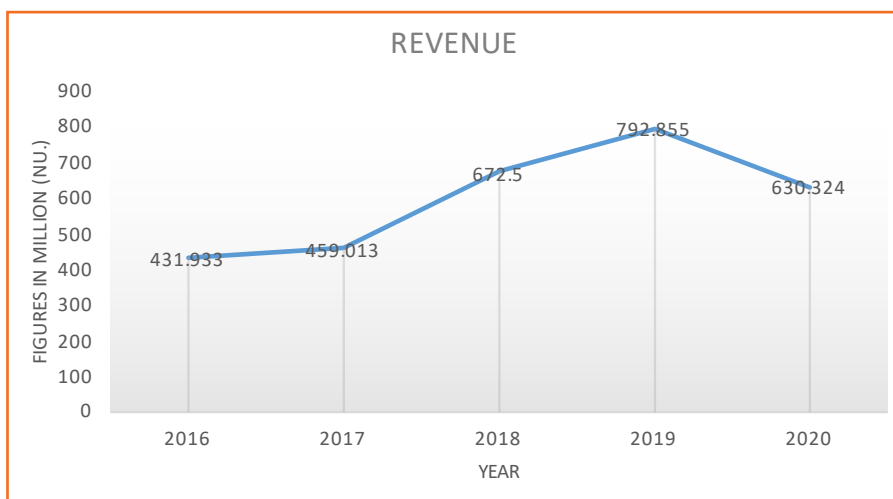
Company's activities in the line of timber, sand, stone and timber related products are spread across the country. Its field activities are managed by four Regional Offices, two Branches and two Service Centres as detailed below with administrative head office in Thimphu.

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

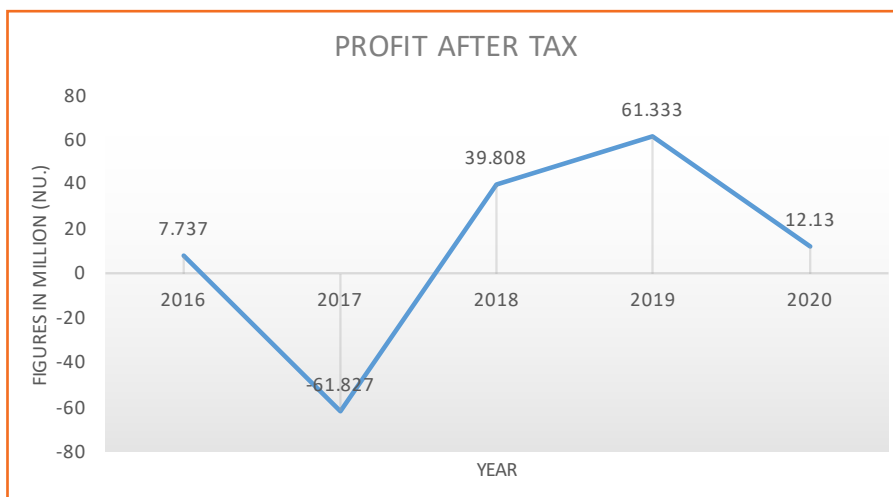


## A GLANCE AT THE COMPANY'S PERFORMANCE IN THE LAST FIVE YEARS

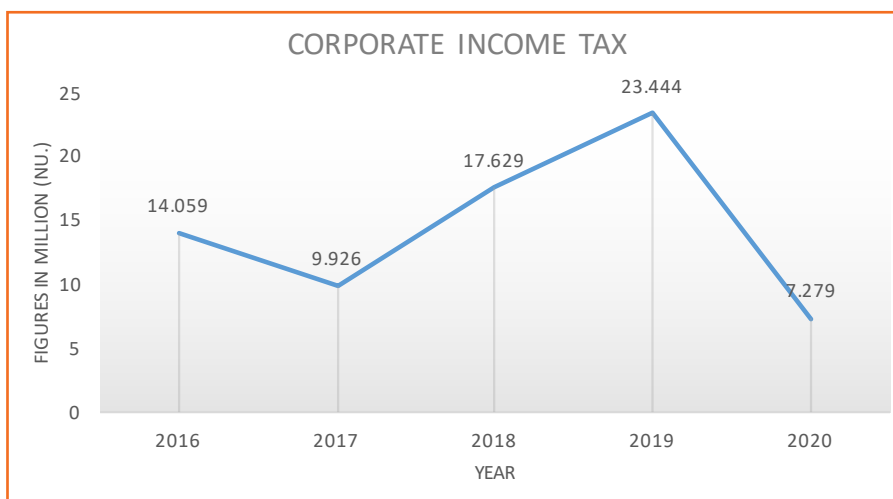
REVENUE	
Year	Revenue
2016	431.93
2017	459.01
2018	672.5
2019	792.86
2020	630.32



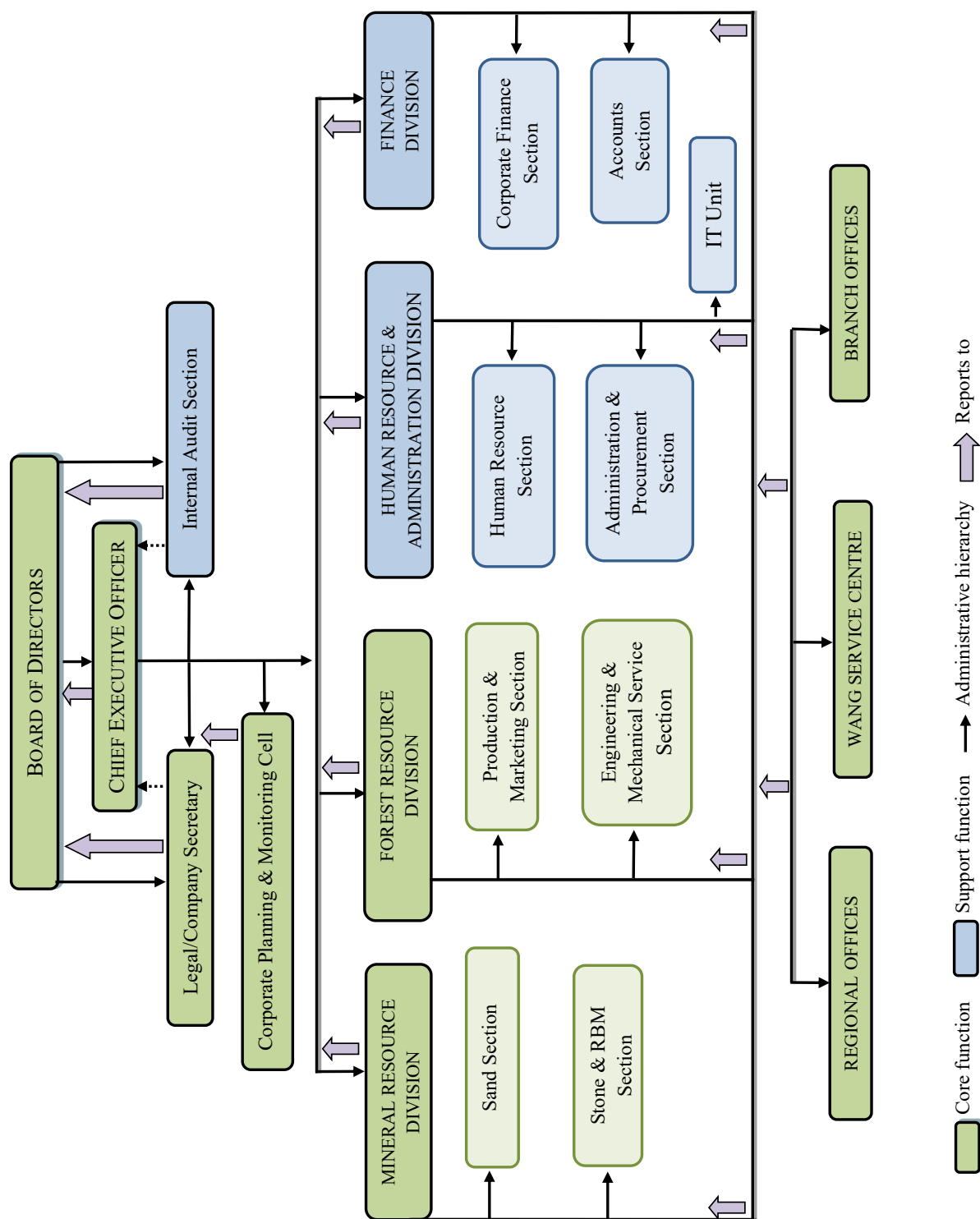
PROFIT AFTER TAX	
Year	PAT
2016	7.74
2017	-61.83
2018	39.81
2019	61.33
2020	12.13



CORPORATE INCOME TAX	
Year	CIT
2016	14.06
2017	9.93
2018	17.63
2019	23.44
2020	7.28



# ORGANIZATION STRUCTURE



## BOARD OF DIRECTORS



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



Dasho Tashi served as an Independent Non-Executive Director on NRDCL Board till October 2020. He is the Auditor General, Royal Audit Authority. Previously, he worked as Zimpon Wogm (Deputy Chamberlain) under His Majesty's Secretariat and looked 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. He is also a certified IDI/INTOSAI Training Specialist.



Mr. Karma Dorji joined the NRDCL Board from March 2017 and served as an Independent Non-Executive Director till November 2020. He was an advisor at Karseng Consultancy Services, a firm based in Thimphu offering consultancy services in Agricultural Bio-security and Food safety. He was 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.



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



Mr. Lobzang Dorji joined the Board from March 2019 and serves as an Independent Non-Executive Director of NRDCL Board. He is the Director of Department of Forests 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.



Dr. Damber Singh Kharka serves as a Non-Independent, Non-Executive Director on NRDCL Board. He serves as a Director for Corporate Performance Department at DHI. He has a PhD in Finance from Haryana School of Business and a Master Degree in Economics from UNB, Canada. He has more than 30 years of work experience in the field of Finance, Corporate Governance, Corporate Capacity Development and Management disciplines.







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



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



## MANAGEMENT TEAM



**Bachu Phub Dorji**  
**Chief Executive Officer**

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



**Sonam Chopel**  
**General Manager**  
**Finance Division**

MBA from University of  
Canberra, Australia



**Ashit Chhetri**  
**General Manager**  
**HR & Admin. Division**

MSc. in Natural Resource  
Management from Mahidol  
University, Thailand



**Deo Kr. Biswa**  
**General Manager**  
**Forest Resources Division**

MBA from Utkal University,  
Bhubaneswar, India



**Dorji Wangmo**  
**General Manager**  
**Mineral Resources Division**

Master in Management from  
University of Canberra, Australia



**Sangay Choden**  
**Company Secretary**  
**Office of the Company Secretary**

PGDNL from RIM & BA (LLB Hons.) from Guru  
Gobind Indraprastha University, Delhi, India



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

MBA from Lovely Professional University, India & B  
Com (Hons) from Sherubtse College, Kanglung

# DIRECTORS' REPORT

To the Shareholder,

As the Chairperson of the Board of Directors of Natural Resources Development Corporation Limited (NRDCL), I, on behalf of the Board of Directors and management would like to present the Directors' Report for the year ending 31<sup>st</sup> December 2020.

Bestowed with an important mandate of making natural resources 'available, accessible and affordable' to the general public, it has always been and will continue to be the endeavour of the Board, Management and the employees of the company through unwavering efforts to fulfil these important mandates of the company.

The year 2020 has been an especially challenging year for the company. With the COVID-19 pandemic hitting the economy world-wide, NRDCL was no exception. One of the sectors hardest hit by the pandemic was the construction industry and as one of the main suppliers of construction materials such as timber, sand and stone, the business of NRDCL was affected as well. As a result, most of the physical targets could not be achieved during the year. Apart from the drop in sales, field operations were also affected due to non-availability of machinery parts as most of the parts have to be imported. Even on the financial front, the company suffered liquidity crunch because of sharp decrease in the sales.

Nevertheless, apart from the operational activities, the company focused on streamlining and improving systems and business processes and digitalization of services which were geared towards achievement of operational excellence in the company.

Further, in the face of all challenges and difficulties, NRDCL, as in the past, would continue to work hard towards fulfilment of its critical 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 details of physical and financial performances under category of each product are presented separately in the later part of the report. A highlight on a few of the general key achievements and challenges faced by the company during 2020 are presented as follows:

## Highlights of key achievements for fulfilment of company's mandates

- The NRDCL app *My Resources* was launched on February 21, 2020, commemorating and dedicated to the 40<sup>th</sup> Birth Anniversary of His Majesty The King. The phase I of the app offered services only for sand customers. By the end of the year, the service was extended to the rest of the products through the same app. This was in keeping with His Majesty's vision of digitalizing services. Such initiative is expected to take NRDCL one step closer to fulfilling the noble aspiration of making the resources 'accessible' to our people.

- Further, as part of its digital transformation journey, the company developed a Digital Strategy which would provide guidance and mechanism for optimization, scale and efficiency in operations through innovation and invention that are strategic, purposeful and essential for achieving the company's mandates. This is also geared towards improving and enhancing business processes, customer touchpoints, Management Information System and automation of business operations which would ultimately maximize shareholder value.
- As part of continuous efforts to increase the production capacity of the company in scientific and environment friendly forest operations, three sets of new Telelogger machines were purchased. Use of such environment friendly logging machineries not only minimizes damage to the environment and increase the efficiency of forest operations, but also enhances customer service delivery.
- With the approval of DHI, the Company revised its authorised share capital to Nu. 300.00 million from Nu. 50.00 million and the paid-up share capital to Nu. 150.00 million from Nu. 45.00 million. Through equity injection from DHI for the enhancement of overall capacity of NRDCL and to ensure timely supply of materials to the Gyalsung Infrastructure project, various machineries were procured in 2020. The machineries include three stone crushing plants, one sand dredging machine, six excavators and three backhoe loaders. Additionally, the 30 TPH stone crushing plant in Gelephu was upgraded to a higher capacity.
- In order to take stock of the sand extraction sites and availability of sand resources in the country, the mapping of the sand extraction sites, both existing and potential, was carried out. This resource mapping is expected to guide and help the company in planning its sand operations.

The report on the operational and financial performance of the company for the year 2020 is presented below.

## 1. Operational Report

The product-wise production and disposal report for 2020 vis-à-vis 2019 and 2018 are presented in the table below:

#	Particulars	2020			2019	2018
		Annual Target	Achievement (Qty.)	Achievement (%)	Achievement (Qty.)	Achievement (Qty.)
	<b>Core products</b>					
1	Timber production (cft.)	3,070,833.00	2,693,875.03	87.72	2,509,837.00	2,043,102.19
2	Timber disposal (cft.)	2,888,583.48	1,687,893.35	58.43	2,128,936.93	1,705,096.68
3	Sand production (m <sup>3</sup> )	549,922.00	491,021.45	89.29	516,999.33	501,586.84
4	Sand disposal (m <sup>3</sup> )	549,922.00	467,522.66	85.02	478,885.99	452,042.27
5	Stone production (cft)	26,137,086.11	16,158,282.48	61.82	26,137,086.11	12,146,420.74



6	Stone disposal (cft)	26,137,086.11	13,019,298.54	49.81	25,311,132.94	12,359,780.74
7	Stone chips prod. (cft)	1,100,000.00	701,571.35	63.78	940,784.40	775,925.09
8	Stone chips disposal (cft)	1,100,000.00	704,727.26	64.07	931,824.83	984,522.38

### 1.1. Timber

- a. Log timber production in 2020 was 2.694 million cft. against the target of 3.071 million cft. Despite having slowed down operation from FMUs, NRDCL continued to harvest timber from ad-hoc areas which included the bark beetle affected areas and bluepine die-back areas.
- b. Total revenue of Nu. 295.694 million was earned from the sale of timber in 2020 against the target of Nu.436.150 million as compared to revenue earning of Nu. 347.673 million in 2019.
- c. The log timber sales stood at 1.689 million cft against the target of 2.889 million cft. For the purpose of accounts, the sawn and block timber was converted back to log timber and the closing stock of log timber in the accounts stood at 1.713 million cft.
- d. Supply of materials and facilitation of sawing works to Gyalsung Infra Project with the fielding of focal persons in all the five sites was another important activity for the company. The company also got involved in clearing around 100,000 cft of timber from the 6<sup>th</sup> National Rehabilitation Project under Samtse Dzongkhag and the work is ongoing.

### 1.2. Sand

- a. Sand extraction in 2020 was 491,021.45 m<sup>3</sup> against the target of 549,922.00 m<sup>3</sup> and disposal 467,522.66 m<sup>3</sup> against the target of 549,922.00 m<sup>3</sup>. The closing stock of sand as on 31<sup>st</sup> December 2020 stood at 119,673.72 m<sup>3</sup>.
- b. Total revenue of Nu.189.288 million was earned from sale of sand in 2020 against the target of Nu.239.467 million as compared to revenue earning of Nu. 250.774 million in 2019.
- c. With the COVID-19 pandemic hitting the construction industry hard and bringing it to a near halt, the demand for sand started declining significantly towards the second half of the year. Where there was a huge rush for sand seen every year, especially from Wangdue, the major supply source, the rush was not there in the year 2020.
- d. The launch of the NRDCL app *My Resources* in February 2020 could not have been more timely. With the app, sand customers could register their sites, place order for the sand, make payments, etc., online and it facilitated in following the COVID protocols, reducing the risks to both customers and employees, apart from enhancing service delivery.



- e. NRDCL was mandated with the supply of sand for the five National Service/Gyalsung Projects sites and during the year, sand was supplied successfully based on the requirements of the projects. Wherever required, additional/alternative sand extraction sites were identified to ensure that supply to these projects of national importance was not affected. In Gyalposhing, Monggar, an additional sand dredging machine was procured and operationalized to supplement the sand supply, and three excavators were purchased, two for Wangdue and one for Gelephu. Wherever required, transportation of the sand to some project sites were also facilitated by the company.

### **1.3. Stone**

- a. Stone/boulder extraction in 2020 was 16.158 million cft. against the target of 26.137 million cft and disposal was 13.019 million cft. against the target of 26.137 million cft. The closing stock as on 31<sup>st</sup> December 2020 was 3.973 million cft.
- b. Total revenue of only Nu. 33.441 million was earned from sale of stone in 2020 against the target of Nu. 86.885 million as compared to revenue earning of Nu.75.983 million in 2019.
- c. With the closure of country's borders due to the COVID-19 pandemic in March 2020, export of boulders came to a complete halt. About 55% of the total boulder target for the year was for export. Though export was resumed towards the last quarter of the year, it did not pick up as expected, especially from Gelephu, which had more than 23% of the export target. As a result, the performance on the boulder front was hampered. To facilitate boulder export, NRDCL also invested/contributed in the development of the mini-dry ports/containment zones in Samtse (Nu.1.579 million), Gelephu (Nu.1.285 million) and Phuentsholing (Nu.1.000 million).

### **1.4. Stone chips**

- a. Stone chips production and sales in 2020 was 0.702 million cft and 0.705 million cft respectively against the target of 1.100 million cft. The closing stock as on 31<sup>st</sup> December 2020 stood at 0.186 million cft.
- b. Total revenue of Nu. 21.252 million was earned from the sale of stone aggregates in 2020 against the target of Nu. 22.995 million as compared to revenue earning of Nu. 18.818 million in 2019.
- c. Similar to sand, NRDCL was mandated to supply stone aggregates in three of the Gyalsung Project sites at Bondeyma in Monggar, Taraythang in Gelephu and Pemathang in Samdrup Jongkhar. For Bondeyma and Taraythang, stone aggregates were supplied from the NRDCL crushing plants at Tingzam (Gyalposhing) and Bhur respectively, and one new crushing plant each were procured during the year to supplement the supply.



However, due to delays in the supply of crushing plants by the supplier because of the lockdown in India from the last week March 2020, the old plant at Bhur was upgraded and relocated to Taraythang to ensure that the supply to the Project was not affected. For Pemathang, due to the delay in supply of the crushing plant, the company arranged for two private crushing plants to be installed at the project site so as to not hamper the supply of aggregates to the project. The new plant will be relocated to a viable site.

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

#	Particulars	2020			2019	2018
		Annual Target	Achievement (Qty.)	Achievement (%)	Achievement (Qty.)	Achievement (Qty.)
1	Glue laminated timber production (Cft/Nos)	6,000.00	5,281.22	88.02	987	307
2	Joinery- Production (sq. ft.)	292,100.00	198,324.38	67.90	155,585.95	6,784.73
3	Joinery- Disposal (sq. ft.)	292,100.00	167,333.18	57.29	109187.59	5,529.85
4	Woodchips production & Supply (MT)	2,300.00	1,111.64	48.33	2774.45	3,727.70
5	Firewood production & supply (m3)	33,652.00	32,124.38	95.46	37,537.54	32,949.91
6	Briquette production (kg)	300,000.00	179,700.00	59.90	261,060.00	246,420.00
7	Briquette disposal (kg)	300,000.00	334,560.00	111.52	196,290.00	215,040.00
8	Plantation Creation (Ha.)	78.23	66.27	84.71	39.91	63.9
9	Seedling production (nos)	382,000.00	175,735.00	46.00	231,676.00	300,033.00
10	Road construction (km)	10.81	11.83	109.44	11.83	14.49

### 1.5. Glue laminated timber production

- During the year 2020, a total of 5,281.22 cft of Glue-laminated beams were produced against the target of 6,000 cft. The products were produced at the Glu-lam Unit at Pangbisa, Paro. These beams were produced mainly for supply to the Royal Academy Project, Pangbisa, Law College, Bridge Construction in Thimphu and other important Government Projects.



- b. Revenue of Nu. 3.333 million was earned from the sale of Glue-laminated timber in the year 2020 against the target of 6.678 million.
- c. NRDCL also supplied some long-length and special-sized laminated timber for the construction of *Bazam* (wooden bridge) across Wang Chu near fly-over bridge at Changbangdo. Among others, a total of 71 Glue-laminated beams were supplied to meet the requirement of the Bridge construction.

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

- a. A total of 1,98,324.38 sq. ft. of joinery products (flooring and panelling materials) were produced and 167,333.18 sq. ft. were sold against the target of 292,100.00 sq. ft. from the joinery units in Ramtokto, Thimphu and Lingmithang, Mongar. The revenue earned from the sale of joinery products was Nu. 13.407 million against the target of Nu. 25.329 million.
- b. After having completed the floor decking, oak flooring and stage partitioning works worth Nu. 7.83 million for re-modelling of Royal Banquet Hall at National Council hall, NRDCL also carried out the 'refurbishment of training hall' work at the Department of Revenue and Customs office building during the year at the total cost of Nu. 3.14 million.

#### **1.7. Woodchips**

- a. A total of 1,111.64 MT of woodchips were produced and sold against the target of 2,300.00 MT in 2020.
- b. Revenue of Nu. 5.069 million was earned from sale of woodchips in 2020 against the target of Nu. 9.660 million as compared to revenue earning of Nu. 11.793 million in 2019.

#### **1.8. Firewood**

- a. A total of 32124.38 m<sup>3</sup> of firewood was produced and supplied against the target of 33,652.00 m<sup>3</sup> in 2020. Firewood supply was done based on demand and subject to availability of lops and tops or forest residue after extraction of prime timber.
- b. Revenue of Nu. 26.059 million was earned in 2020 against the target of Nu. 33.421 million.

#### **1.9. Briquette**

- a. During the year 2020, a total of 179,700 kgs of sawdust briquettes were produced and 334,560 kgs disposed against the target of 300,000 kgs. Sales included the stock of previous year.





- b. Revenue of Nu. 1.988 million was earned in 2020 against the target of Nu. 1.800 million.

### 1.10. Plantation and Maintenance

- a. A total of 66.27 ha. plantation was carried out in 2020 against the target of 78.23 ha.
- b. A total amount of Nu. 5.714 million was spent for the creation and maintenance of plantation in 2020.

### 1.11. Road construction

In 2020, a total of 11.83 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 highlights of the financial performance of the company in 2020 is presented as follows:

### 2.1. Revenue, OpEx, PAT and Dividend trend

Overall revenue for the company has decreased by Nu. 157.069 million in 2020 as compared to 2019. This is because the company experienced lowest demand for timber, sand and stone during the year as the construction industries were badly affected by CoVID-19 pandemic. There is corresponding decrease in the overall expense for the company by Nu. 98.076 million in 2020 mainly on account of variable cost because most of the targeted operations were underachieved. As a result of huge underachievement in the revenue, there is an impact on the profit for the year. During the year the company has earned profit after tax (PAT) of Nu. 12.130 million only as compared to Nu. 51.569 million in 2019.

In Million Nu.			
Particulars	2020	2019	Increase/ (Decrease)
Revenue	<b>630.324</b>	<b>787.393</b>	<b>(157.069)</b>
Expense			
Cost of sales	526.345	623.525	(97.180)
Operating expense	84.570	85.466	(0.896)
Total	<b>610.915</b>	<b>708.991</b>	<b>(98.076)</b>
Profit before tax	19.409	78.402	(58.993)
Tax (assessed)	7.279	26.833	
Profit After Tax (PAT)	<b>12.130</b>	<b>51.569</b>	<b>(39.439)</b>

- a. In the past five years (2016 to 2020), the revenue has grown from Nu. 431.932 million to Nu. 630.324 at a compounded annual growth rate (CAGR) of 9.91%. There was a decrease in CAGR as compared 19.46% for the period from 2015 to 2019. The decrease in growth rate is noted mainly because of the drastic decrease in the revenue in 2020 as the company faced huge draw back in the market because of the COVID-19 pandemic.
- b. Timber is still the major contributor to the overall revenue although the trend seems to be a declining. The percentage share of revenue is sliding down from 66% in 2016 to 47% in 2020. Revenue from sand has picked up from 16% of the total revenue in 2016 to 30% in 2020. Revenue from stone has seen nominal increase in the past few years but the share in 2019 has decrease because of market issue.
- c. The company noted decreasing trend in the capital expenditure (CapEx) since 2016 indicating the capacity building within the company, but there is a sudden surge/increase in the CapEX in 2020. The sudden increase is mainly because of the investment in the crushing plants and machineries to supplement supply of stone chips, sand and stone to the Gyalsung projects. The investment was mainly financed through equity injection from the DHI.

## 2.2. Financial summary for five years

In Million Nu.

Year	2016	2017	2018	2019	2020
Revenue	431.932	459.013	681.665	787.393	630.324
Expenses excluding dep. & fin. Cost	350.897	448.354	555.351	632.703	524.682
Tax	14.059	9.926	17.629	26.832	7.279
Profit After Tax (PAT)	7.737	-61.827	39.807	51.569	12.130
Dividend					
Revenue per employee	1.376	1.264	1.735	1.888	1.449
PAT per employee	0.025	(0.170)	0.101	0.124	0.028
Number of employees	314	363	393	417	450

## 2.3. Revenue composition trend in % - Product-wise

Year	2016	2017	2018	2019	2020
Timber & timber products	66%	61%	52%	51%	47%
Sand	16%	21%	30%	32%	30%
Stone & stone chips	11%	9%	11%	12%	9%
Rest	8%	9%	8%	5%	14%

## 2.4. Summary of expenditure for five years

The Compounded annual percentage growth in OpEx is almost at par with the percentage growth in revenue. CAGR of revenue for the past 5 years is 10.25% with corresponding CAGR of 9.91% for OpEx. There is a decrease in CAGR as compared 18.84% for the period from 2015 to 2019. It is very clear that the prices for NRDCL products are highly regulated and also the result of delay in the review of the prices.

In Million Nu.

Particular	2016	2017	2018	2019	2020
OpEx	350.897	448.354	555.351	632.703	524.682
Depreciation	55.326	57.596	63.647	69.579	84.029
Finance cost	3.913	4.964	5.23	6.708	2.205
CapEx	118.387	67.891	104.208	87.863	125.100
<b>Total</b>	<b>528.523</b>	<b>578.805</b>	<b>728.436</b>	<b>796.853</b>	<b>736.016</b>

## 2.5. Revenue and OpEx growth comparison

NRDCL's major cost is on OpEx that takes up close to 80% of the total cost. There is a direct correlation between OpEx growth and reduction in PAT. For instance, the OpEx growth in 2016 and 2017 are higher than revenue growth and these are the years either the PAT had gone down substantially or the company had incurred loss. During the year 2020 both revenue and OpEx has decreased but the percentage of OpEx decrease is lower than the revenue which is mainly because of the certain fixed cost the company has to bear.

Particulars	2016	2017	2018	2019	2020
Revenue	6%	6%	49%	16%	-20%
OpEx	9%	28%	24%	14%	-17%

## 2.6. Summary of Cash Flow for five years

Particulars	Cash Flow Statement (in Million Nu.)				
	2016	2017	2018	2019	2020
Cash inflow/(outflow) from Operating activities	85.193	98.253	32.284	66.775	20.894
Cash inflow/(outflow) from Investing Activities	(85.710)	(53.977)	(79.643)	(94.831)	(124.036)
<b>Increase/(Decrease) in cash</b>	<b>(0.517)</b>	<b>44.276</b>	<b>(47.359)</b>	<b>(28.056)</b>	<b>(103.142)</b>
Cash inflow/(outflow) from Financing Activities	(11.711)	27.106	(21.428)	17.047	85.368
<b>Increase/(Decrease) in cash</b>	<b>(12.228)</b>	<b>71.382</b>	<b>(68.787)</b>	<b>(11.009)</b>	<b>(17.775)</b>

## 2.7. Key Financial Ratios

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

## 3. Audit Report

The company's books of accounts for the financial year 2020 were audited by M/s Gosh & Associates, Chartered Accountant, Kolkata, India. Audit was conducted virtually. For the financial year, the company did not have any material audit observation in Audit report.

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

## 4. Corporate Governance Report

It is the Board's and Company's continuous 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 were entrusted with the crucial responsibility of management of general affairs, strategic direction, financial oversight 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 2020

Name of Director	Role	Profile	Date of appointment/ Reappointment	No. of Board meetings attended
Dasho Karma Tshiteem	Chairman	Former Chairperson, Royal Civil Service Commission	Appointed in July 2019	4
Mr. Tashi	Independent Non-Executive	Zimponwom, Office of the Gyalpoi Zimpon	Re-appointed in March 2020	2
Mr. Lobzang Dorji	Independent Non-Executive	Director, Department of Forest and Park Services	Appointed in March 2019	5
Mr. Karma Dorji	Independent Non-Executive	Former Director General, BAFRA	Re-appointed in March 2019	3
Mr. Rinchen Wangdi	Independent Non-Executive	Director, Gross National Happiness Commission	Appointed in March 2020	3
Mr. Karma Tenzin	Independent Non-Executive	Zimpon Wogma, His Majesty's Secretariat	Appointed in November 2020	-
Dr. Damber Singh Kharka	Non-Independent, Non-Executive	Director, CPD, DHI	Re-appointed in March 2020	5
Mr. Bachu Phub Dorji	Non-Independent Executive	Chief Executive Officer, NRDCL	Appointed on 1 <sup>st</sup> November 2020	1

Five Board meetings were conducted in 2020, 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 four meetings were held in 2020.

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 four meetings were held in 2020.
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. During the year, one NGC meeting was conducted for the selection and appointment of new CEO of NRDCL.

### **General Meetings**

The Annual General Meeting was held on 20<sup>th</sup> March, 2020.

The Extraordinary General Meeting was held on 12<sup>th</sup> November, 2020.

### **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*.

## **5. Corporate Social Responsibility**

### **a. Firewood supply**

The company supplied firewood to various agencies and individuals engaged in COVID-19 duty across various Dzongkhags during the two nation-wide lockdowns. Among others, firewood was supplied to the cremation ground in Thimphu free of cost through the People's Project as a contribution towards social welfare. During the year 2020, the company has supplied 97 truckloads (776 m<sup>3</sup>) of firewood worth Nu.623,240 to the People's Project in Thimphu for cremation purpose.





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

Another important activity that the company continues to carry out as part of its corporate social responsibility is the production and supply of sawdust briquettes from its plant at Ramtokto, Thimphu. Purely a non-profit venture, sawdust briquettes are produced as a substitute for fuel wood in order to a) reduce the increasing pressure on our forest resources exerted by local demand for fuel wood (for heating & cooking) and b) to utilize sawdust (waste wood) from sawmills. Supply of briquette was extended to Boarding Schools under Chukha Dzongkhag in 2020.

**c. *Subscription & Donations***

In 2020, the company made subscription and donations to the tune of Nu. 200,197 for various social, religious and welfare purposes.

**d. *Supports rendered for response against covid-19 pandemic***

As a support towards response against Covid-19 pandemic, NRDCL rendered facilities (conference halls, office buildings, office canteen, pool vehicles and internet facilities among others) to national call centre 1010 (help desk) during 1<sup>st</sup> and 2nd nation-wide lockdown and beyond. The company also ensured continuous supply of firewood to Desuups and other institutions during nation-wide lockdowns.

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

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

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

**f. *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:

- i. Use of environment-friendly technology and processes in its operations such as mechanized logging operations, environment friendly road constructions, etc.



- ii. 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.
- iii. To maintain the general health and hygiene of the forests, NRDCL carries out sanitation/ salvage operations as and when required.
- iv. River protection and mitigation works were carried out under Sarpang as follows:
  - In order to mitigate the risks of flooding and safeguard the stocked river-bed materials at Mao Chhu, Gelephu, mitigation works were carried out in three identified critical areas at a cost of Nu.3.739 million.
  - One 210 meter long Gabion wall was constructed at Mao Chhu, Gelephu at the cost Nu. 2.531 million with the involvement of the community through the Gewog administration office.
  - A 120 meter long Gabion wall was constructed at Taklai Chhu, Gelephu at the cost of Nu.1.446 million by involving the community of Umling Gewog, Sarpang through the Gewog administration office.
  - A 70 meter Gabion wall was constructed at Sarpang Chhu at the cost of Nu. 0.810 million.

The local communities were involved in the mitigation works to encourage public participation in works done for the benefit of the people, distribute financial benefits to the local residents, encourage them to assume ownership of the mitigation works and ensure quality as the residents are the beneficiaries of the mitigation works.

- v. Similarly in other areas, mitigation works were carried out wherever required as per the environmental management plans and compensation paid to the local communities wherever required.

## 6. Customer Service

The Customer Satisfaction Index (CSI) for 2020 is 3.74 in the scale of 1-5 as per the Customer Satisfaction Survey Report. It is the endeavour of the Board, management and employees of the company to render public service in the best way possible and achieve and uphold the very important and noble mandates and responsibilities entrusted to the company from the highest level – the Golden Throne.

## 7. Organizational and Human Resource Management and Development

In 2020, NRDCL had a total of 440 employees (383 regular, 30 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 in 2020 had slightly increased as compared to 2019 as a result of increase in the number of machineries in the company.



Owing to covid-19 situation and financial constraints, no major HR trainings and workshops for employees were conducted in 2020.

## 8. Challenges and issues faced by the company in 2020

- As a result of pandemic, most of the physical targets could not be achieved during the year. At the end of the year, there was a huge stock of unsold timber to the tune of 1.713 million cft. The demand for even sand and stone also saw a drop after the mid of the year. With the closure of boarder gates due to Covid situation in March 2020, the export of boulders was in complete halt.
- Apart from the drop in sales, field operations were also affected due to non-availability of machinery parts, as most of the machinery parts have to be imported.
- Over the years, NRDCL has been involved in construction of logging roads, some of which are now part of national highways and feeder roads. NRDCL incurs huge cost annually in the construction and maintenance of logging roads in FMUs. An emerging issue now is the community pressure on the maintenance of roads even after the logging works are over.
- On the financial front, the company suffered liquidity crunch in 2020 because of sharp decrease in the sale of the products. As a result, there was an inadequate cash inflow to meet the required capital investment for improving the operational efficiency in the company.
- Inventories as on 31<sup>st</sup> December 2020 was valued at Nu. 278.077 million as compared to Nu. 155.212 million in 2019. The Stock Turnover ratio for the year was 2.40 only against 4.41 in 2019. Liquid ratio has dropped to 0.79 (below 1) which indicates liquidity concern. The trade payables have increased to Nu. 102.179 million in 2020 as compared to Nu. 76.722 million in 2018.

Besides above financial challenges & issues, the company also incurred high percentage of cost on revenue. The cost ranges from 90 % to 95% on revenue. Reasons for high cost percentage is because of i) High regulation on the prices, ii) Lack of economy of scale in the operation, iii) fluctuating production targets, iv) difficult working terrain and sites and high cost from ad-hoc areas, v) mandate to extract resources irrespective of economic viability and the quality of the material, and vi) small and scattered activities with social mandate on making services availability.

## 9. Acknowledgement

On behalf of the Board of Directors, management and employees of NRDCL, I 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 mandates.



The Board would also like to extend appreciation for the leadership and guidance provided by Hon'ble Chairman, DHI to the company towards fulfilment of its mandate of making natural resources affordable, available and accessible.

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

**TASHI DELEK**

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

(Karma Tshiteem)

**Chairperson**

NRDCL Board



# CORPORATE GOVERNANCE REPORT

Natural Resources Development Corporation Limited (NRDCL) 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 with 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	Role	Profile	Date of appointment/ Reappointment	Term on the Board
Dasho Karma Tshiteem	Chairman	Former Chairperson, Royal Civil Service Commission	Appointed in July 2019	First
Mr. Tashi	Independent Non-Executive	Zimponwom, Office of the Gyalpoi Zimpon	Re-appointed in March 2020	Fifth
Mr. Lobzang Dorji	Independent Non-Executive	Director, Department of Forest and Park Services	Appointed in March 2019	First
Mr. Karma Dorji	Independent Non-Executive	Former Director General, BAFRA	Re-appointed in March 2019	Second
Mr. Rinchen Wangdi	Independent Non-Executive	Director, Gross National Happiness Commission	Appointed in March 2020	First
Mr. Karma Tenzin	Independent Non-Executive	Zimpon Wogma, His Majesty's Secretariat	Appointed in November 2020	First
Dr. Damber Singh Kharka	Non-Independent, Non-Executive	Director, CPD, DHI	Re-appointed in March 2020	Second
Mr. Bachu Phub Dorji	Non-Independent Executive	CEO, NRDCL	Appointed on 1 <sup>st</sup> November 2020	First

## BOARD MEETINGS

In total, five Board Meetings were conducted in 2020. The details of the Board attendance in 2020 are as follows:

Meeting No.	Date	Members Present	Leave of absence
83 <sup>rd</sup>	3 <sup>rd</sup> Feb. 2020	1. Dr. Damber Singh Kharka 2. Mr. Lobzang Dorji 3. Mr. Phento Tshering 4. Mr. Karma Dorji 5. Ms. Kinlay Tshering 6. Mr. Sonam Wangchuk	1. Dasho Karma Tshiteem 2. Mr. Tashi
84 <sup>th</sup>	5 <sup>th</sup> March 2020	1. Dasho Karma Tshiteem 2. Dr. Damber Singh Kharka 3. Mr. Tashi 4. Mr. Lobzang Dorji 5. Mr. Karma Dorji 6. Ms. Kinlay Tshering 7. Mr. Sonam Wangchuk	1. Mr. Phento Tshering
85 <sup>th</sup>	1 <sup>st</sup> June 2020	1. Dasho Karma Tshiteem 2. Dr. Damber Singh Kharka 3. Mr. Tashi 4. Mr. Lobzang Dorji 5. Mr. Rinchen Wangdi 6. Mr. Karma Dorji 7. Mr. Sonam Wangchuk	
86 <sup>th</sup>	19 <sup>th</sup> Oct. 2020	1. Dasho Karma Tshiteem 2. Dr. Damber Singh Kharka 3. Mr. Lobzang Dorji 4. Mr. Rinchen Wangdi 5. Mrs. Dorji Wangmo (Offtg. CEO, NRDCL)	1. Mr. Tashi 2. Mr. Karma Dorji
87 <sup>th</sup>	24 <sup>th</sup> Dec. 2020	1. Dasho Karma Tshiteem 2. Dr. Damber Singh Kharka 3. Mr. Lobzang Dorji 4. Mr. Rinchen Wangdi 5. Mr. Bachu Phub Dorji	1. Mr. Karma Tenzin

## BOARD COMMITTEES

The company had three Board Committees in 2020 as follows:

1. **Board Audit Committee (BAC):** Its 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 (BGC):** This committee is responsible for reviewing and making 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 called on only as and when required and it follows procedures and comply with the DHI Guideline for selection and appointment of CEOs in DHI Owned Companies.

### **BOARD AUDIT COMMITTEE**

The Board Audit Committee was comprised of three Independent Non-Executive Directors as members and four meetings were held in 2020 as follows:

Meeting No.	Date	Members Present	Leave of absence
30 <sup>th</sup>	18 <sup>th</sup> February 2020	1. Mr. Tashi 2. Ms. Kinlay Tshering	Mr. Phento Tshering
31 <sup>st</sup>	2 <sup>nd</sup> May 2020	1. Mr. Tashi 2. Mr. Rinchen Wangdi	None
32 <sup>nd</sup>	5 <sup>th</sup> August 2020	1. Mr. Tashi 2. Mr. Rinchen Wangdi 3. Mr. Lobzang Dorji	None
33 <sup>rd</sup>	15 <sup>th</sup> Oct 2020	1. Mr. Tashi 2. Mr. Rinchen Wangdi 3. Mr. Lobzang Dorji	None

### **BOARD GOVERNANCE COMMITTEE**

The Board Governance Committee was comprised of four Directors, including the Chief Executive Officer as member and four meetings were held in 2020 as follows:

Meeting No.	Date	Members Present	Leave of absence
49 <sup>th</sup>	24 <sup>th</sup> Jan. 2020	1. Dr. Damber Singh Kharka 2. Mr. Karma Dorji 3. Mr. Sonam Wangchuk	1. Mr. Lobzang Dorji
50 <sup>th</sup>	14 <sup>th</sup> May 2020	1. Dr. Damber Singh Kharka 2. Mr. Karma Dorji 3. Mr. Sonam Wangchuk	1. Mr. Lobzang Dorji
51 <sup>st</sup>	15 <sup>th</sup> September 2020	1. Dr. Damber Singh Kharka 2. Ms. Dorji Wangmo	1. Mr Karma Dorji
52 <sup>nd</sup>	10 <sup>th</sup> Dec. 2020	1. Dr. Damber Singh Kharka 2. Mr. Bachu Phub Dorji	

## **NOMINATION AND GOVERNANCE COMMITTEE (NGC)**

During the year 2020, one NGC meeting was conducted for the selection and appointment of new Chief Executive Officer of Natural Resources Development Corporation Limited.

## **BOARD FEES AND REMUNERATION**

The Board Directors of the company received sitting fees, remuneration and reimbursement for reasonable costs related to their participation in board meetings and board committee meetings. The fees and remuneration paid to the Board of Directors & CEO in 2020 are as follows:

#	Particulars/Details	Remuneration & other benefits (Nu)	Sitting Fees (Nu)
1	Board of Directors	-	336,000.00
2	Chief Executive Officer	2,490,684.00	64,000.00
<b>Total</b>		<b>2,490,684.00</b>	<b>400,000.00</b>

## **ANNUAL GENERAL MEETING (AGM)**

The Annual General Meeting (AGM) was held on 20<sup>th</sup> March, 2020 at NRDCL Head Office, Thimphu. The following businesses were transacted during the AGM:

- Consideration of Audited Accounts for the financial year ended 31 December 2019, Auditors' Report and Directors' Report.
- Declaration of Dividend, if any.
- Consideration of appointment/retirement of Board Directors.
- Appointment of, and fixing the remuneration of Statutory Auditors.
- Declaration of remuneration paid to Chief Executive Officer and Directors.
- Consideration of the Annual Compact Evaluation Report and declaration of PBVA based on the outcome of the Annual Compact 2019.
- Amendment of Article of Incorporation to raise authorised Share Capital of the Company.

The following directors retired or were appointed/re-appointed during the AGM.

SI No	Name of Director	Action
1	Mr. Rinchen Wangdi	New appointment
2	Mr. Phento Tshering	Retired
3	Ms. Kinlay Tshering	Retired
4	Mr. Tashi	Re-appointment
5	Dr. Dambar Singh Kharka	Re-appointment



### ***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, financial, etc. Accordingly, mitigation measures to overcome 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 consisted 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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### Report on the Audit of the Financial Statements

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

### Opinion

We have audited the financial statements of Natural Resources Development Corporation Limited (The Company), which comprise the Statement of Financial Position as at December 31, 2020, the Statement of Comprehensive Income, the Statement of Cash Flow and the Statement of Changes in Equity for the year then ended, and Notes to the financial statements, including significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and its financial performance and its cash flows for the year then ended in accordance with Bhutanese Accounting Standards (BAS).

### Basis for Opinion

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

### Other matter Paragraph (OMP)

Our opinion expressed is based on the information, facts and inputs made available to us only through electronic means by the Company. We wish to highlight that due to the COVID 19 induced travel restriction and strict timelines, the audit team could not visit the Head Office and other units of the Company.





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

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

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

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

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

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

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

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



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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

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

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

## Report on Other Legal and Regulatory Requirements

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

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

- a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- b) In our opinion, proper books of account as required by law have been kept by the Company insofar as it appears from our examination of those books;
- c) The Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows dealt with by this report have been prepared in accordance with BAS; and
- d) Based on the information, explanations and management representations received during the course of our audit, the Company has complied with other legal and regulatory requirements to the extent applicable to the Company.



Date: 15/05/2021  
Place: Kolkata

For Ghosh & Associates  
Chartered Accountants  
Firm Reg No: 322016E  
UDIN: **21305257AAAABH4026**

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P Dutt, Partner  
Membership No.: 305257

## Appendix "I" to the Auditor's Report

### REPORT ON MINIMUM AUDIT EXAMINATION REQUIREMENTS

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

Every report made by an auditor under the Companies Act of Bhutan 2016 and other relevant Acts and regulatory norms in examining the accounts of the corporations, financial institutions, authority and bodies subject to such statutory audits shall contain, *inter alia*, the following:

General:

- a) The Company adhered to the Corporate Governance Guidelines and Regulations as applicable to them.
- b) The governing board/authority pursued a prudent and sound financial management practice in managing the affairs of the company.
- c) The financial statements are prepared applying the Bhutanese Accounting Standards issued by the Accounting and Auditing Standards Board of Bhutan (AASBB).
- d) Proper books of accounts have been maintained and financial statements are in agreement with the underlying accounting records.
- e) Adequate records as specified under Section 228 of the Companies Act of Bhutan 2016 have been maintained.
- f) All mandatory obligations social or otherwise, if any, entrusted are being fulfilled.
- g) The amount of tax is computed correctly and reflected in the financial statements.

#### **In the case of a manufacturing, mining or processing company:**

1. Since in the year under review, the audit has been conducted on virtual mode in view of the COVID 19 Pandemic. For the purpose, a separate empanelled local firm has been appointed to conduct the physical verification of Assets and Inventories of the Corporation. We have relied on the findings of the said firm and report that 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.
2. None of the fixed assets were revalued during the year under Audit.
3. The corporation conducted physical verification of finished goods, stores, spares parts and raw materials at reasonable intervals. Since in the year under review, the audit has been conducted on virtual mode in view of the COVID 19 Pandemic a separate empanelled local firm has been appointed to conduct the physical verification of finished goods, stores, spares parts and raw materials of the Corporation. *As per the report made available to us it was mentioned that the items verified are selected on Random Basis and onsite visit was not possible for verification, quantities and rates are based on the confirmation provided by Management.* We have relied on the findings of the said firm and report that the Corporation 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.





4. The procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
5. Since the year under review the Audit is conducted in virtual mode, the physical verification of stock is carried out by a local firm and as per the said Report no material discrepancies were noticed on physical verification of stocks as compared to the book records.
6. The company has a reasonable system of recording receipts, issues and consumption of materials and stores and allocating materials consumed to the respective jobs, commensurate with its size and nature of its business.
7. The quantitative reconciliation is carried out at least at the end of accounting year in respect of all major items of inventories i.e. finished goods and raw materials except Sand and Stone. The closing stock as on 31.12.2020 has been updated based on the opening stock as per books as on 01.01.2020, the production and sale during 2020 and other records maintained by the company. The physical verification could not be 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.
8. The obsolete, damaged, slow moving and surplus goods/inventories has been determined company. During the year under review a provision of Nu. Nu.401,671 (Prev Year: 401,671) for slow moving inventories was made towards any possible diminution in the value.
9. The company follows the system of disposing off the obsolete and surplus inventories and they have been accounted for properly.
10. Approval of Board/appropriate authority is obtained for writing off amounts due to material loss/discrepancies in physical/book balances of inventories including finished goods, raw materials, stores and spares if any.
11. On the basis of examination of stocks we observed that the valuation of inventories are satisfactory and proper in accordance with the applicable Accounting Standards issued by the Accounting and Auditing Standard Board of Bhutan (AASBB). The basis of valuation of stocks is the same as in the preceding year and no deviation was observed in relation to that.
12. The rate of interest and the other terms and conditions of loans availed, if any, by the company secured or unsecured are *prima facie* not prejudicial to the interest of the company.
13. In our opinion and according to the information and explanation provided to us, the Company is refrained from granting loans to other parties which are *ultra-vires* to the Articles of Incorporation and other relevant Acts and regulations.
14. The loans/advances granted to officers/staff are in keeping with the provisions of service rules and no excessive/frequent advances are granted and accumulation of large advances against particular individual is avoided.
15. The company has established adequate system of internal controls to ensure completeness, accuracy and reliability of accounting records, carrying out the business in an orderly and efficient manner, to



safeguard the assets of the company as well as to ensure adherence to the rules/regulations and system and procedures.

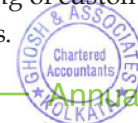
16. There is a reasonable system of authorization at proper levels, and an adequate system of internal control commensurate with the size of the company and nature of its business, on issue of stores and allocation of materials and labour to jobs.
17. There is system of competitive biddings, commensurate with the size of the company and the nature of its business, for the purchase of goods and services including stores, raw materials, plant and machinery, equipment and other assets, and for the sale of goods and services.
- 18 (a). The transactions for purchases and sales of goods and services made in pursuance of contracts or arrangement entered into with the director(s) or any other party / parties related to the director(s) or with company or firms in which the director(s) are directly or indirectly interested have been made at prices, which are reasonable having regard to the prevailing market prices for such goods or services or at prices at which the transactions for similar goods or services have been made with other parties. It should also be ensured that details of such transactions and amounts thereof are adequately disclosed in the financial statements.

(b). We have observed that no transactions are entered into by the company wherein the directors are directly or indirectly interested are not prejudicial to the interest of the other shareholders and the company, the details thereof together with the likely financial impact thereof should be reported.

19. As per information and explanation given to us expenses charged to the company accounts represent legitimate business expenses and no personal expenses are charged to the company.
20. The company has a reasonable system of identifying unserviceable or damaged stores, raw materials or finished goods and adequate provisions are made in the accounts if required for all the applicable cases.
21. There is a reasonable system of ascertaining and identifying point of occurrence of breakage/ damages raw materials, packaging materials and finished products i.e., while in transit, during processing, during loading/ unloading, in storage and during handling etc. There is a system of fixation of responsibility and compensation sought from those responsible.
22. There is a system of maintaining reasonable records for production of finished goods, by-products and adequate physical safeguards exist to prevent unauthorized or irregular movement of goods from the company.
23. The company is maintaining reasonable records for sales and disposal of realizable by-products and scraps where applicable.
24. The company is regular in depositing rates and taxes, duties, royalties, provident funds, and other statutory dues with the appropriate authority.

The provision for corporate tax is adequate and necessary adjustments have been made to compute amount of tax as per the prevailing tax laws, rules and regulations of Bhutan

25. There are no undisputed amounts payable in respect of rates, taxes, duties, royalties, provident funds and other statutory deductions were outstanding, as per the last day of the financial year concerned.
26. The company has a reasonable system of allocating man-hours utilized to the respective jobs, commensurate with the size and nature of its business, if applicable.
27. The company has a reasonable system of price fixation taking into account the cost of production and market conditions.
28. As explained to us credit sales policy is reasonable and proper credit rating of customers are carried out.
29. As informed to us no business is conducted through Commission Agents.







30. The Company has a reasonable system for continuous follow-up with debtors and other parties for recovery of outstanding amounts. The age-wise analysis of outstanding amounts is carried out for management information and follow-up action.

*However, the recovery drive needs to be carried out rigorously as there are instances of Long Outstanding Debtors the details of which are reported in Management Audit Report*

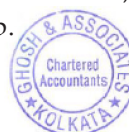
31. The the management of liquid resources particularly cash/bank and short-term deposits etc. are adequate and that excessive amount are not lying idle in non-interest-bearing accounts, and withdrawals of loan amounts are made after assessing the requirements of funds from time to time and no excess amounts are withdrawn leading to avoidable interest burden on the company.
32. The activities carried out by the company are lawful and intra-vires to the Articles of Incorporation of the company
33. The investment decisions are made subject to prior approval of the Board and investment in new projects are made only after ascertaining the technical and economic feasibility of such new ventures.
34. The company has established an effective budgetary control system.
35. The Company is engaged in the Business of extraction of logs, timber and other Forest residues and hence the said clause is not applicable;
36. The details of remuneration, commission and other payments made in cash or in kind to the Board of Directors including the Chief Executive Officer or any of their relatives (including spouse(s) and child/children) if any by the company are directly or indirectly disclosed in the accounts
37. The directives of the Boards have been complied with and if not, list the instances of non-compliance.
38. There are no such cases observed regarding transmission of any price sensitive information by the officers of the Company, which are not made publicly available, to their relatives/friends/associates or close persons.
39. Proper records are kept for inter unit transactions/services and arrangements for services made with other agencies engaged in similar activities.
40. Proper agreements are executed in case of lease transactions entered during the year and that the terms and conditions of leases are reasonable and the same are applied if machinery/equipment are acquired on lease or leased out to others.

**In the case of a Trading Company: Not Applicable as the Company is not engaged in trading activities.**

1. All matters specified above as may be relevant and applicable shall apply to a Trading Company.
2. Whether the sourcing of products for retailing has been done rightly from manufacturers and authorized dealers at most advantageous terms and prices.
3. Whether appropriate inventory levels are determined and maintained to avoid stock-out and overstocking situations.

**In the case of Finance and Investment Company: Not Applicable as the Company is not engaged in Finance and Investment activities.**

1. All matters specified above as may be relevant and applicable shall apply to financing and Investment Company.
2. Whether adequate documents and records are maintained in case, where the company has granted loans and advances and that agreement have been drawn up.





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

**In Case of Other Service Sector Companies: Not applicable.**

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

**41. Computerized Accounting Environment**

- 1). The organisational and system development controls and other intern controls are adequate relative to size and nature of computer installations.
- 2). According to the information and explanation given to us, the Company has adequate safeguard measures of its data and back up facilities.
- 3). As regards back up facilities and disaster recovery measures, as per the information and explanation provided to us, the back-up files are taken and stored in different locations for the respective Regions as well as a backup is stored in main server at the company's Registered Office.



- 4). The operational controls may be improved to ensure correctness and validity of input data and output information.
- 5). As explained to us, measures taken by the Company to prevent unauthorized access over the computer installation and files are generally adequate.
- 6). There are no cases of data migration during the period under review and hence the said clause is not applicable.

**Other requirements:**

**1. Going concern problems**

So far, the examination carried out during the course of audit we report that the company is healthy or there are no such possibilities of becoming sick in the near future. There are no such indication of Potential going concern problems.

**2. Ratio Analysis**

Ratio Analysis are carried out are given in *Appendix II* of this report.

**3. 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 300,000,000 consisting of 3,000,000 equity shares of Nu 100 each. The Company has issued shares certificates in favour of Druk Holding & Investments during 2020, 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.

**4. Adherence to Laws, Rules and Regulations**

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

**For Ghosh & Associates  
Chartered Accountants**

Firm Reg No: 322016E

UDIN: 21305257AAAABH4026

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CA P. Dutt, Partner

Membership No.: 305257



Date: 15/05/2021

Place: Kolkata

## Appendix-II to the Auditor's Report

(Refer to Point No.2 of the Other Requirements)

### A. Ratio Assessing Profitability:

Ratio	Profitability	Numerator - 2020	Denominator - 2020	31.12.20	31.12.19
Return on Investment	(EBIT/Net Assets or Net worth) * 100	21,420,284	64,302,953	3.33	14.63
Operating Profit	(Operating Profit excluding financial charges)/Net Sales *100	21,420,284	630,323,883	3.40	10.75
Net Profit Ratio	Net Profit before Tax/Net Sales*100	19,408,799	630,323,883	3.08	9.96

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

Ratio	Financial Health	Numerator - 2020	Denominator - 2020	31.12.20	31.12.19
Capital Turnover Ratio	Net Sales/ (Average Capital employed (Less Capital Reserve))	630,323,883	643,029,053	0.98	1.36
Fixed Assets Turnover Ratio	Net Sales/Net Fixed Assets	630,323,883	531,755,251	1.19	1.61
Stock Turnover Ratio	Cost of Goods sold including selling expenses/ Average Inventory	527,653,764	217,576,240	2.43	4.41
Current Ratio	Current Asset/Current Liabilities	448,613,413	220,672,727	2.03	2.15
Liquid Ratio	(Current Assets Less Inventory Less Pre-Paid Expenses)/ (Current Liabilities Less Bank Overdraft)	16,74,06,029	220,672,727	0.76	1.08

For Ghosh & Associates

Chartered Accountants

Firm Reg No: 322016E

UDIN: 21305257AAAABH4026

P Dutt, Partner

Membership No.: 305257

Date: 15/05/2021

Place: Kolkata



**NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED**  
Statement of Financial Position as at 31 December 2020

PARTICULARS	Note	Year Ended		
		31-12-2020	Restated 31-12-2019	Restated 1.1.2019
		(Nu.)	(Nu.)	(Nu.)
<b>Assets</b>				
<b>Non current assets</b>				
Property, plant and equipment	2	528,813,873	485,788,621	472,946,934
Intangible assets	3	2,941,378	2,922,076	4,421,926
Capital work-in-progress	4	9,307,318	11,677,325	1,270,259
Other non current assets	5	122,068	467,612	813,156
Net retirement benefit assets - gratuity	5	-	-	2,022,522
Other receivables	6	4,006,012	3,665,487	3,335,234
Deferred Tax Assets/(Liability)	6	5,518,984	6,421,561	-
<b>Total non current asset</b>		<b>550,709,633</b>	<b>510,942,682</b>	<b>484,810,031</b>
<b>Current assets</b>				
Other current assets	7	54,711,260	29,352,780	12,817,128
Cash and cash equivalent	8	28,533,376	46,308,515	57,317,131
Trade and other receivables	9	85,429,163	82,321,638	43,353,827
Inventories	10	279,939,616	155,212,864	128,389,577
<b>Total current assets</b>		<b>448,613,413</b>	<b>313,195,797</b>	<b>241,877,663</b>
<b>Total assets</b>		<b>999,323,047</b>	<b>824,138,480</b>	<b>726,687,694</b>
<b>Equity and liabilities</b>				
<b>Equity</b>				
Share capital	SOCE	150,000,000	45,000,000	45,000,000
Retained earnings	SOCE	279,364,790	280,128,623	250,292,863
Statutory and other restricted reserves	SOCE	34,584,297	34,584,297	39,737,836
Other reserves	SOCE	231,198,050	231,198,050	231,198,050
<b>Total equity</b>		<b>695,147,137</b>	<b>590,910,970</b>	<b>566,228,749</b>
<b>Liabilities</b>				
<b>Noncurrent liabilities</b>				
Non current borrowings	11	63,784,711	66,405,619	36,365,032
Government grant	12	1,535,816	2,810,816	4,085,816
Provision for employee benefits	13	18,182,656	18,442,572	7,139,860
<b>Total noncurrent liabilities</b>		<b>83,503,183</b>	<b>87,659,008</b>	<b>47,590,708</b>
<b>Current liabilities</b>				
Current borrowings	11	59,926,891	15,546,269	16,126,440
Government grant	12	1,275,000	1,275,000	1,275,000
Provision for employee benefits	13	9,871,310	3,874,986	536,170
Trade and other payables	14	111,312,149	76,722,710	53,717,198
Other current liabilities	15	35,838,262	27,934,789	24,939,087
Provision for corporate income tax	16	2,449,115	20,214,748	16,274,342
<b>Total Current liabilities</b>		<b>220,672,727</b>	<b>145,568,502</b>	<b>112,868,237</b>
<b>Total liabilities</b>		<b>304,175,910</b>	<b>233,227,510</b>	<b>160,458,945</b>
<b>Total liabilities and equity</b>		<b>999,323,047</b>	<b>824,138,480</b>	<b>726,687,694</b>

Company Overview and Significant Accounting Policies

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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

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(Priyajit Dutt)  
Partner  
Membership No.305257  
Kolkata  
Dated : The      day of      2021

CHAIRMAN

DIRECTOR

CHIEF EXECUTIVE OFFICER  
Thimphu  
11.03.2021



**NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED**  
Statement of comprehensive income for the period ended 31 December 2020

Particulars	Note	Year Ended	
		31-12-2020	Restated 31-12-2019
		(Nu.)	(Nu.)
<b>Continuing operations</b>			
<b>Revenue</b>	17	630,323,883	787,392,803
<b>Total revenue</b>		<b>630,323,883</b>	<b>787,392,803</b>
Cost of Sales	18	526,344,938	623,524,869
<b>Gross Profit</b>		<b>103,978,944</b>	<b>163,867,935</b>
<b>Operating Expenses:</b>			
Selling & Marketing Expenses	19	1,308,826	1,616,848
Finance cost	20	2,204,549	6,708,439
Administrative Expenses	21	81,056,770	77,140,399
<b>Total Operating expenses</b>		<b>84,570,145</b>	<b>85,465,687</b>
<b>Operating profit (loss)</b>		<b>19,408,799</b>	<b>78,402,248</b>
<b>Profit (loss) before income tax</b>		<b>19,408,799</b>	<b>78,402,248</b>
Income tax expense	22	7,278,645	26,832,845
<b>Profit (loss) for the year</b>		<b>12,130,155</b>	<b>51,569,403</b>
<b>Earnings per share attributable to owners of the parent:</b>			
<b>Basic earnings per share</b>			
From continuing operations		8	115
From profit for the year		8	115
<b>Diluted earnings per share</b>			
From continuing operations		8	115
From profit for the year		8	115
<b>Statement of Other comprehensive income</b>			
Profit (loss) for the year from continuing operations		12,130,155	51,569,403
Actuarial gain(losses) on defined benefit plans		3,008,589	(21,405,203)
Dividends paid to owners of the parent		-	(6,750,000)
Deferred Tax on Provision for Gratuity(OCI)		(902,577)	6,421,561
<b>Total comprehensive income for the year</b>		<b>14,236,167</b>	<b>29,835,760</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the parent		14,236,167	29,835,760
		<b>14,236,167</b>	<b>29,835,760</b>
<b>Total comprehensive income attributable to owners of the parent arises from:</b>			
Continuing operations		14,236,167	29,835,760
		<b>14,236,167</b>	<b>29,835,760</b>

Company Overview and Significant Accounting Policies

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Notes referred to above form an integral part of the Accounts

In terms of our attached report of even dated

For Ghosh & Associates

Chartered Accountants

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

On behalf of the Board

PRIYAJIT  
T DUTT

(Priyajit Dutt)

Partner

Membership No.305257

Kolkata

Dated : The      day of      2021

CHAIRMAN

DIRECTOR

CHIEF EXECUTIVE OFFICER

Thimphu

11.03.2021



NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED

Statement of changes in equity for the period ended 31 December 2020

Attributable to the owners of the Parent										
Particulars		Equity Share Capital			Reserves and Surplus		Other Reserves		Total	Total Equity
		No. of Shares (Issued and fully paid up)	Par value	Issued share value	General Reserves	Retained Earnings	Revaluation Reserves	Capital Reserves		
A	Balance as at 1 January 2019	450,000	100	45,000,000	116,028,035	250,292,863	115,170,015	39,737,836	566,228,749	566,228,749
	Profit for the year	-	-	-	-	51,569,403	-	(5,153,539)	46,415,863	46,415,863
	Retirement benefit obligations-Retained Earning	-	-	-	-	(21,405,203)	-	-	(21,405,203)	(21,405,203)
	Deferred Tax on Provision for Gratuity(OCI)	-	-	-	-	6,421,561	-	-	6,421,561	6,421,561
	Tax Paid relating to earlier years	-	-	-	-	-	-	-	-	-
	Transfers to reserves	-	-	-	-	-	-	-	-	-
	Tax Paid relating to earlier years	-	-	-	-	-	-	-	-	-
B	Total Comprehensive Income	450,000	100	45,000,000	116,028,035	286,878,623	115,170,015	34,584,297	597,660,970	597,660,970
	Dividends paid	-	-	-	-	(6,750,000)	-	-	(6,750,000)	(6,750,000)
	Proceeds from Shares issued	-	-	-	-	-	-	-	-	-
C	Total Contributions by and Distributions to Owners	-	-	-	-	(6,750,000)	-	-	(6,750,000)	(6,750,000)
D	Total transactions with Non-Controlling Interests directly recognised in Equity	-	-	-	-	-	-	-	-	-
E	Balance as at 31st December 2019 (A+B+C+D) Restated	450,000	100	45,000,000	116,028,035	280,128,623	115,170,015	34,584,297	590,910,970	590,910,970
A	Balance as at 1 January 2020	450,000	100	45,000,000	116,028,035	280,128,623	115,170,015	34,584,297	590,910,970	590,910,970
	Profit for the year	-	-	-	-	12,130,155	-	-	12,130,155	12,130,155
	Retirement benefit obligations-Retained Earning	-	-	-	-	3,008,589	-	-	3,008,589	3,008,589
	Deferred Tax on Provision for Gratuity(OCI)	-	-	-	-	(902,577)	-	-	(902,577)	(902,577)
	Tax Paid relating to earlier years	-	-	-	-	-	-	-	-	-
	Injection of Capital	900,000	100	90,000,000	-	-	-	-	90,000,000	90,000,000
	Transfers to Capital	150,000	100	15,000,000	-	(15,000,000)	-	-	-	-
	Transfers to reserves	-	-	-	-	-	-	-	-	-
B	Total comprehensive income for the year	1,500,000	100	150,000,000	116,028,035	279,364,790	115,170,015	34,584,297	695,147,137	695,147,137
	Dividends paid	-	-	-	-	-	-	-	-	-
	Proceeds from Shares issued	-	-	-	-	-	-	-	-	-
C	Total Contributions by and Distributions to Owners	-	-	-	-	-	-	-	-	-
D	Total transactions with Non-Controlling Interests directly recognised in Equity	-	-	-	-	-	-	-	-	-
E	Balance as at 31st December 2020 (A+B+C+D)	1,500,000	100	150,000,000	116,028,035	279,364,790	115,170,015	34,584,297	695,147,137	695,147,137

Number of shares authorised for each class of shares:

Authorised share capital	As at 31 December	
	2020	2019
Number of ordinary shares of face value Nu.100 each	3,000,000	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

On behalf of the Board

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(Priyaji Dutt)  
Partner  
Membership No.305257  
Kolkata  
Dated : The day of 2021

CHAIRMAN

DIRECTOR

CHIEF EXECUTIVE OFFICER  
Thimphu  
11.03.2021



**NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED**  
**Period covered: 31 December 2020**  
**Statement of Cash Flows**

Particulars	Note	Year ended	
		31-12-2020	Restated 31-12-2019
		(Nu.)	(Nu.)
<b>Cash flows from operating activities</b>			
Profit before income tax		19,408,799	76,824,161
Adjustments for:			
– Depreciation and amortisation	2&3	84,028,619	71,079,480
– 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	(101,854)	(221,742)
– Actuarial gain(losses) on defined benefit plans	SOCE	3,008,589	(19,827,116)
– Release of Grant received to SCI	12	(1,275,000)	(1,275,000)
– Liabilities no more required written back	17	(10,284,051)	(7,288,981)
– Fixed assets derecognised Loss		-	20,784
– Changes in inventories	10	(124,726,752)	(26,823,287)
– Changes in trade and other receivables	9	(3,107,524)	(38,967,811)
– Changes in trade and other payables	11,13	94,990,519	44,355,875
– Changes in other liabilities	15	7,903,473	2,995,702
– Changes in current and non-current assets	5,6,7	(25,353,461)	(16,520,361)
<b>Cash generated from operations</b>		<b>44,491,358</b>	<b>84,350,681</b>
Interest paid	20	2,011,484	6,243,762
Interest received	17	(565,040)	(926,631)
Income tax paid		(25,044,277)	(22,892,440)
<b>Net cash flows from operating activities</b>		<b>20,893,524</b>	<b>66,775,373</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	2	(125,100,295)	(87,863,901)
Purchase of intangible assets	3	(2,004,119)	-
Purchase of capital WIP	4	2,370,007	(10,407,066)
Receipt of Grant for Glulam Project	12	-	-
Proceeds from sale of property, plant and equipment		133,095	491,000
Net Retirement Benefit Assets	13	-	2,022,522
Interest Received	17	565,040	926,631
<b>Net cash used in investing activities</b>		<b>(124,036,272)</b>	<b>(94,830,814)</b>
<b>Cash flows from financing activities</b>			
Interest Paid	20	(2,011,484)	(6,243,762)
Change in Long Term Borrowings	11	(48,700,838)	30,040,587
Change in Overdraft	11	46,079,931	-
Issue of Share Capital	SOCE	90,000,000	-
Dividends paid to owners of the parent	SOCE	-	(6,750,000)
<b>Net cash used in financing activities</b>		<b>85,367,608</b>	<b>17,046,825</b>
<b>Net increase or (decrease) in cash and cash equivalents</b>		<b>(17,775,140)</b>	<b>(11,008,616)</b>
Cash and cash equivalents at beginning of year		46,308,515	57,317,131
<b>Cash and cash equivalents at end of the year</b>	5	<b>28,533,376</b>	<b>46,308,515</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-1 Kolkata 700 064

On behalf of the Board

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(Priyajit Dutt)  
Partner

Membership No.305257  
Kolkata

Dated : The      day of      2021

CHAIRMAN

DIRECTOR

CHIEF EXECUTIVE OFFICER

Thimphu  
11.03.2021





## 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 2020.

### 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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## 15. Financial assets

### (i) Initial measurement

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

### (ii) Classification and subsequent measurement

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

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

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

Financial assets measured at amortized cost:

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

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

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

Financial instruments measured at fair value through other comprehensive income

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

- a. the objective of the business model is achieved by both collecting contractual cash flows and selling financial assets; and

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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 earned 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 18.03.2021, the Annual General Meeting approved 8.66% of the annual basic pay as Performance Based Variable Allowance (PBVA).

5% of the paid up capital was declared as a dividend for the year 2020.

## 28. Comparative information

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

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**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. 300.00 million (3,000,000 equity share @ Nu.100 per share).

As of the report date, the total subscribed and paid up share capital is Nu. 150 million (1,500,000 @ Nu.100 per share).

During the year, the Holding Company, DHI injected Nu. 105.00 million as equity to support the procurement and establishment of Crushing plants and machines for supply of construction materials to Gyalsung Projects. Equity injection of Nu. 105.00 million was approved during the Annual General Meeting. The equity injection has been approved as an issue of additional paid-up capital (1,050,000 shares @ Nu.100). Therefore, as of the report date, the total subscribed and paid up share capital is Nu. 150 million (1,500,000 @ 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.

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

### 34. Inventory

#### a) Products

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

#### b) Spare parts inventory

The carrying amount of inventory on spare parts as on 31<sup>st</sup> December'2020 is Nu.27,251,426.28 (previous year Nu. 24,630,467.24) including dead stock of Nu. 2,651,653.67 (previous year Nu. 2,651,653.67). Provision has been made fully in respect of the Dead stock.

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

### 36. Retirement Benefit Obligations

#### a) Defined Benefit Scheme

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

##### i) Statement of Financial Position

	Nu. in million	
	2020	2019
<b>Defined benefit obligation (DBO)</b>	(114.456)	(105.766)
Fair value of Plan Assets (FVA)	100.022	93.462
Funded Status (Surplus/(Deficit))	(14.434)	(12.304)
Effect of Asset ceiling	-	-
<b>Net defined benefit asset (DBA)</b>	<b>(14.434)</b>	<b>(12.304)</b>

##### ii. Statement of Comprehensive Income

	Nu. in million	
	2020	2019
<b>Current Service Cost</b>	8.543	7.988
Past Service cost- plan amendments	0.251	0.532
Curtailment cost/(credit)	-	-
Settlement cost/(credit)	-	-

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Service cost	8.292	8.520
Net interest on net defined liability/(assets)	1.067	1.140
Immediate recognition of (gains)/losses-other long term employee benefit plans		
<b>Cost Recognized in Statement of comprehensive Income</b>	<b>9.359</b>	<b>7.380</b>

iii. Other Comprehensive Income

	Nu. in million	
	2020	2019
<b>Actuarial (gain)/loss due to liability experience</b>	(3.925)	19.827
Actuarial (gain)/loss due to liability assumption changes	-	-
Actuarial (gain)/loss arising during period	-	-
Return on plan assets (greater)/less than discount rate	0.917	1.578
Actuarial (gains)/losses recognized in OCI	(3.008)	21.405
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.

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## 37. Details of transactions with Related Parties:

Name of Related Party	Relationship	Nature of transaction with the related party	Amount in Nu.
Druk Holding and Investments	Holding company	a. Equity Shares held by DHI	150,000,000.00
		b. Inter group Brand management Fees (Expense)	1,541,474.03
		c. Hire charges (Income)	15,000.00
		d. Corporate Guarantee Fee	193,064.86
		e. Trade payables	193,064.86
		f. Lease Rent (Expense)	14,559.93
Bhutan Power Corporation Limited	Fellow Subsidiary	a. Electricity Charges	1,958,544.77
		b. Sale of Natural Resources (Income)	103,745.19
		c. Trade payables	412,522.32
		d. Installation of Transformer	350,853.93
Bank of Bhutan Limited	Fellow Subsidiary	a. Bank Charges	1,104,479.87
		b. Bank balance(Cash book)	24,004,171.62
		c. Borrowings(OD)	46,079,930.81
Bhutan Telecom Limited	Fellow Subsidiary	a. Communication; internet and telephone charges	1,583,899.08
		b. Trade payable	149,456.68
		c. Sale of Natural Resources (Income)	12,991.36
Wood Craft Center Ltd	Fellow Subsidiary	a. Purchase of Furniture (Assets)	26,340.00
		d.Trade payables	750.00
Druk Corporation Limited	Fellow Subsidiary	a. Flight tickets expenditure	106,542.00
		b. Commission (Income)	

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			4,675.00
		c. Trade receivables	4,675.00
State Trading Corporation Limited	Fellow Subsidiary	a. Running & Maintenance Of Vehicle (Expense)	1,138,141.63
		b. Purchase of ICT products	182,133.00
		c. Trade payable	390,803.95
		d. Sale of natural resources (Income)	305,417.50
		e. Trade receivables	8,962.51
Construction Development Corporation Limited	Fellow Subsidiary	a. Sale of natural resources	3,940,102.74
		b. Running & Maintenance others	90,614.81
		c. Trade payable	23,125.08
		d. Trade receivables	1,288,374.78
Druk Green Power Corporation Limited	Fellow Subsidiary	a. Sale of natural resources	496,904.91
		b. Trade receivables	30,642.70
Thimphu TechPark Limited	Fellow Subsidiary	a. AMC for ERP (Expense)	2,372,500.00
		b. Trade payable	175,000.00
State Mining Corporation Limited	Fellow Subsidiary	a. Sale of natural resources (Income)	119,435.90
Koufuku International Limited	Fellow Subsidiary	a. Sale of natural resources	120,333.62
		b. Trade receivables	112,166.62

## Key Management Personnel

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

Particulars	2020 (Nu)	2019 (Nu)
Salary	1,953,540	1,868,746
Other benefits	388,896	327,240
Provident Fund	148,248	118,668



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Sitting fee	64,000	89,000
<b>Total</b>	<b>2,554,684</b>	<b>2,403,654</b>

B) Board Directors – Sitting fee

Position	Name	2020 (Nu)	2019 (Nu)	Remarks
Chairperson	Dasho Karma Tshiteem	52,000	28,000	
Director	Mr. Phento Tshering	8,000	68,000	
Director	Mrs. Kinlay Tshering	20,000	60,000	
Director	Mr. Tashi	36,000	84,000	
Director	Mr. Karma Dorji	36,000	92,000	
Director	Mr. Karma Jattu		24,000	
Director	Mr. Damber Singh Kharka	80,000	92,000	
Director	Mr. Lobzang Dorji	60,000	40,000	
Director	Mr. Rinchen Wangdi	44,000		New

C) Special Invitees- Sitting fee

Position	Name	2020 (Nu)	2019 (Nu)
Internal Auditor	Mr. Lobzang Thinley	8,000	8,000
Company Secretary	Ms. Sangay Choden	36,000	44,000



### 38. Foreign Exchange Translation

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

### 39. Green Compensatory Plantation

Name of the sponsor	Opening balance (Nu)	Interest Earned (Nu)	Total Fund (Nu)	Fund Utilized (Nu)	Balance Fund (Nu)
Bhutan Telecom Ltd	453,308.23	21,345.11	474,653.34	46,715.00	<b>427,938.34</b>
Bank of Bhutan	620,890.59	21,540.39	642,430.98	55,375.00	<b>587,055.98</b>

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Bhutan Power Corporation	420,731.90	8,387.32	429,119.22	67,008.00	<b>362,111.22</b>
Druk Green Power Corporation	724,809.33	52,304.63	777,113.96	105,720.00	<b>671,393.96</b>
Druk Air Corporation	303,721.09	14,576.03	318,297.12	17,905.00	<b>300,392.12</b>
<b>Total</b>	<b>2,523,461.14</b>	<b>118,153.48</b>	<b>2,641,614.62</b>	<b>292,723.00</b>	<b>2,348,891.62</b>

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 2020 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. 1,849,291.22 (previous year Nu. 373,656.51). Further, during the year the Company has realized Nu. 532,790.83 (previous year Nu. 2,111,284.61) on account of bad debts provided in the previous years.

#### 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	<b>8,500,000.00</b>
Previous period adjustments	4,414,184.00
Balance as at January 1, 2020	<b>4,085,816.00</b>
Received during the year	
Released to the statement of comprehensive income	1,275,000.00
Balance as at December 31, 2020	<b>2,810,816.00</b>

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>

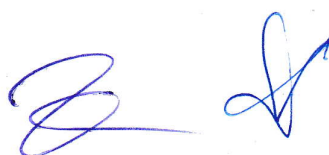
#### 45. Borrowing cost

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

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

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

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46. 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.
47. In 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. 8,391,521.23. The contract work has been successfully completed in 2020 and full contract value realized. The company has incurred total cost of Nu. 5,914,210.10 only for the project.

Further, during the year 2020, the company has taken up the construction work for 'refurbishment of training hall' for Department of Revenue and Customs (DRC), Thimphu at the total contract value of Nu.3,141,232. The company expects to earn profit margin of 20% from the project. As on December 31, 2020, the company has incurred expense of Nu.1,819,151.14 and accordingly accounted accrued income of Nu. 2,273,938.93 for the year 2020 which is inclusive of 20% provision as profit margin.

#### 48. Contingent Liability

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

49. As on December 31, 2020 there is balance of Nu. 100,021,887 in the fixed deposits earmarked towards gratuity liability of Nu. 114,456,333 showing a shortfall of Nu. 14,434,446 which shall be made fully funded in the coming year with a fresh deposit. However, liability has been fully provided in the accounts.

#### 50. Deferred Revenue Expenditure

In the year 2019, the company has incurred Human Resource Development expenses (training expenditure) amounting to Nu. 14,760,262.60 The Company has treated the two-third of the expenses amounting to Nu. 9,840,175 as deferred revenue expenditure in 2019 and was shown as current assets in the financial statements. During the year, the company has expense off Nu.4,920,088 to Human Resource Development expenses (training expenditure) and the balance will be expense off in the year 2021.

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51. Roads constructed on the Government Land are amortized over a period of 10 years. Accordingly total 80.170 km forest road with the corresponding original cost of Nu. 72,635,163.31 have been fully amortized and removed from both Gross Block and depreciation in Note-2 of the statement of Accounts.
52. As per the Order No.DHI/HRA/15/2019/631 dated 5.12.2019, Salary Indexation of 2.5% on basic pay amounting to Nu.2,622,135.05 has been provided in the accounts to cover the Cost of Living Adjustment.
53. 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 31.12.2020

## Timber

01-Apr-21

Sl.No.	Divisions	Opening Stock as on 1.1.2020 (Cft.)	Production (Cft.)	Disposal (Cft.)	Book Balance as on 31.12.2020 (Cft.)	Physical Balance as on 31.12.2020 (Cft.)	Total Value as on 31.12.2020
1	Wang-2020	25,213.59	132,798.50	115,853.14	42,158.95	42,158.95	5,933,031.80
	-2019	32,631.25	30,837.89	38,255.32	25,213.82	25,213.59	3,973,914.60
2	Rinpung-2020	283,143.08	1,383,251.34	842,421.54	823,972.88	823,972.87	87,440,549.59
	-2019	141,867.62	1,223,204.22	1,081,917.74	283,154.09	283,143.08	34,468,605.94
3	Zhonggar-2020	90,939.27	188,193.86	147,643.21	131,489.91	131,489.90	15,156,961.40
	-2019	121,960.27	101,383.00	132,404.11	90,939.16	90,939.27	11,515,572.22
4	P/Ling -2020	41,507.86	32,278.27	57,146.94	16,639.19	16,639.19	2,053,154.05
	-2019	13,974.18	57,396.30	29,862.61	41,507.86	41,507.86	6,187,161.82
5	Jakar -2020	383,624.14	859,115.91	571,068.60	671,671.45	671,671.45	75,632,666.49
	-2019	219,543.28	991,374.05	827,319.93	383,597.40	383,624.14	45,569,244.06
6	Gelephu-2020	27,466.76	68,770.64	69,613.20	26,624.20	26,624.20	2,316,754.11
	-2019	-	71,804.00	44,337.24	27,466.76	27,466.76	1,876,633.96
	<b>Total : 2020</b>	<b>851,894.70</b>	<b>2,664,408.52</b>	<b>1,803,746.63</b>	<b>1,712,556.59</b>	<b>1,712,556.56</b>	<b>188,533,117.45</b>
	<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>

## NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED

## QUANTITATIVE ANALYSIS(cft) OF STOCK as on 31.12.2020

## Briquette

Sl.No.	Divisions	Opening Stock as on 1.1.2020 (KG)	Production (KG)	Disposal (KG)	Book Balance as on 31.12.2020 (KG)	Physical Balance as on 31.12.2020 (KG)	Total Value as on 31.12.2020
1	Wang-Briq.-2020	177,150.00	179,700.00	334,560.00	22,290.00	22,290.00	133,740.00
	-2019	112,380.00	261,060.00	196,290.00	177,150.00	177,150.00	1,062,900.00
	<b>Total : 2020</b>	<b>177,150.00</b>	<b>179,700.00</b>	<b>334,560.00</b>	<b>22,290.00</b>	<b>22,290.00</b>	<b>133,740.00</b>
	<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>

## Giulam

Sl.No.	Divisions	Opening Stock as on 1.1.2020 (cft)	Production (cft)	Disposal (cft)	Book Balance as on 31.12.2020 (cft)	Physical Balance as on 31.12.2020 (cft)	Total Value as on 31.12.2020
1	Wang-Glu. -2020	23.99	2,844.50	2,844.50	23.99	46.95	52,255.82
	-2019	-	5,883.05	5,859.06	23.99	23.99	57,511.98
	<b>Total : 2020</b>	<b>23.99</b>	<b>2,844.50</b>	<b>2,844.50</b>	<b>23.99</b>	<b>46.95</b>	<b>52,255.82</b>
	<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>

## Joinery

Sl.No.	Divisions	Opening Stock as on 1.1.2020 (Sq.ft)	Production (Sq.ft)	Disposal (Sq.ft)	Book Balance as on 31.12.2020 (Sq.ft)	Physical Balance as on 31.12.2020 (Sq.ft)	Total Value as on 31.12.2020
1	Wang	-	-	-	-	-	-
	Flooring-2020	7,189.17	39,539.17	42,038.74	4,689.60	4,689.60	224,124.75
	-2019	-	32,323.92	25,134.75	7,189.17	7,189.17	244,516.21
	Panneling-2020	6,414.51	126,433.60	100,623.17	32,224.94	32,224.94	1,540,090.10
	-2019	-	86,193.40	79,778.89	6,414.51	6,414.51	218,168.67
	Others-2020	-	10,624.04	10,624.04	-	-	-
	-2019	-	3,300.77	3,300.77	-	-	-
	<b>Total:-2020-WSC</b>	<b>13,603.68</b>	<b>176,596.81</b>	<b>153,285.95</b>	<b>36,914.54</b>	<b>36,914.54</b>	<b>1,764,214.85</b>
	<b>Total:-2019</b>	<b>-</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	-	-	-	-	-	-
	Flooring-2020	9,300.32	17,412.82	20,988.73	5,724.41	5,724.41	606,787.46
	-2019	-	24,700.96	15,400.64	9,300.32	9,300.32	985,833.92
	Panneling-2020	5,780.16	10,931.45	2,886.02	13,825.59	13,825.59	981,616.89
	-2019	-	8,331.00	2,550.84	5,780.16	5,780.16	410,391.36
	Others	735.90	5,565.54	880.32	5,421.12	5,421.12	384,899.52
	-2019	-	735.90	-	735.90	735.90	52,248.90
	<b>Total:2020-Zho</b>	<b>15,816.38</b>	<b>33,909.81</b>	<b>24,755.07</b>	<b>24,971.12</b>	<b>24,971.12</b>	<b>1,973,303.87</b>
	<b>Total : 2019</b>	<b>-</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 : 2020</b>	<b>29,420.06</b>	<b>210,506.62</b>	<b>178,041.02</b>	<b>61,885.66</b>	<b>61,885.66</b>	<b>3,737,518.72</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

	Wang-2020	437.55	256.00	276.22	417.33	417.33	368,898.85
	-2019	598.80	519.77	519.77	437.55	437.55	386,772.32
	Rinpung-2020	-	12,381.24	12,381.24	-	-	-
	Zhonggar-2020	-	9,363.18	9,363.18	-	-	-
	P/Ling-2020	-	2,252.00	2,252.00	-	-	-
	Jakar-2020	-	5,063.00	5,063.00	-	-	-
	Gelephu-2020	-	2,808.96	732.10	2,076.86	2,076.86	1,349,959.00
	<b>Total : 2020</b>	<b>437.55</b>	<b>32,124.38</b>	<b>30,067.74</b>	<b>2,494.19</b>	<b>2,494.19</b>	<b>1,718,857.85</b>
	<b>Total : 2019</b>	<b>598.80</b>	<b>37,376.29</b>	<b>37,537.54</b>	<b>437.55</b>	<b>437.55</b>	<b>386,772.32</b>

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**NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED**  
**QUANTITATIVE ANALYSIS OF STOCK as on 31.12.2020**

Sand

SI.No.	Divisions	Opening Stock as on 1.1.2020 (m <sup>3</sup> )	Production (m <sup>3</sup> )	Disposal (m <sup>3</sup> )	Book Balance as on 31.12.2020 (m <sup>3</sup> )	Physical Balance as on 31.12.2020 (m <sup>3</sup> )	Total Value as on 31.12.2020
1	Wang -2020	81.66	264.00	313.38	32.28	32.28	7,098.69
	-2019	342.39	288.00	548.73	81.66	81.66	17,957.85
2	Rinpung-2020	-	3,838.50	3,838.50	-	-	-
	-2019	-	48.00	48.00	-	-	-
3	Zhonggar -2020	48,966.67	80,073.66	81,004.16	48,036.17	44,193.28	8,131,391.37
	-2019	39,308.28	62,195.81	52,537.42	48,966.67	48,966.67	8,059,241.45
4	Sha -2020	41,876.79	307,672.54	283,892.00	65,657.33	60,404.74	14,898,830.01
	-2019	32,981.55	345,108.20	325,861.00	52,228.75	41,876.79	9,209,124.89
5	P/Ling -2020	10,160.00	49,062.00	47,963.00	11,259.00	6,521.00	377,581.05
	-2019	-	74,952.32	64,792.32	10,160.00	10,160.00	-
6	Gelephu -2020	9,713.75	50,374.75	50,825.00	9,263.50	8,522.42	1,227,689.45
	-2019	10,666.00	34,695.00	35,647.25	9,713.75	9,713.75	576,565.91
	<b>Total : 2020</b>	<b>110,798.87</b>	<b>491,021.45</b>	<b>467,522.66</b>	<b>134,248.28</b>	<b>119,673.72</b>	<b>24,642,590.58</b>
	<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>

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Stone

SI.No.	Divisions	Opening Stock as on 1.1.2020 (Cft)	Production (Cft)	Disposal (Cft)	Book Balance as on 31.12.2020 (Cft)	Physical Balance as on 31.12.2020 (Cft)	Total Value as on 31.12.2020
1	Wang -2020	-	-	-	-	-	-
	-2019	-	-	-	-	-	-
2	Rinpung -2020	-	7,769.23	7,769.23	-	-	-
	-2019	-	2,538.00	2,538.00	-	-	-
3	Zhonggar -2020	256,213.40	452,059.30	452,059.30	256,213.40	256,213.41	1,558,050.16
	-2019	-	1,012,279.96	756,066.56	256,213.40	256,213.40	1,279,433.82
4	Sha -2020	-	685,472.90	194,683.81	490,789.09	490,789.09	6,542,123.70
	-2019	-	52,485.87	52,485.87	-	-	-
6	P/Ling -2020	-	10,947,755.94	8,304,075.20	2,643,680.74	2,643,680.74	6,017,378.74
	-2019	-	15,618,237.76	15,618,237.76	-	-	-
7	Gelephu -2020	569,739.77	4,072,994.34	4,060,711.00	582,023.11	582,023.11	2,874,142.31
	-2019	-	9,451,544.52	8,881,804.75	569,739.77	569,739.77	810,718.98
	<b>Total : 2020</b>	<b>825,953.17</b>	<b>16,166,051.71</b>	<b>13,019,298.54</b>	<b>3,972,706.34</b>	<b>3,972,706.35</b>	<b>16,991,694.91</b>
	<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>

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**NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED**

**QUANTITATIVE ANALYSIS OF STOCK as on 31.12.2020**

**Stones Chips**

Sl.No.	Divisions	Opening Stock as on 1.1.2020 (CFT)	Production (CFT)	Disposal (CFT)	Book Balance as on 31.12.2020 (CFT)	Physical Balance as on 31.12.2020 (CFT)	Total Value as on 31.12.2020
1	<b>Zhonggar</b>						
	Tingzam SCP -2020	38,933.50	426,365.82	434,272.16	31,027.16	31,027.16	765,608.67
	-2019	180,433.85	400,482.00	541,982.35	38,933.50	38,933.50	310,843.62
	Golanti SCP -2020	19,268.68			19,268.68	19,268.68	57,806.04
	-2019	19,268.68			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
	-2019	74,187.52			74,187.52	74,187.52	1,374,449.24
2	<b>Gelephu</b>						
	Bhur SCP -2020	382,911.88	275,205.53	270,455.10	387,662.31	61,043.16	1,309,843.23
	-2019	232,837.00	540,302.40	389,842.48	383,296.92	382,911.88	1,594,411.28
	<b>Total : 2020</b>	<b>515,301.58</b>	<b>701,571.35</b>	<b>704,727.26</b>	<b>512,145.67</b>	<b>185,526.52</b>	<b>3,507,707.17</b>
	<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>

**Rawmaterials for Stone Crusher**

1	Divisions	Opening Stock as on 1.1.2020 (CFT)	Production (CFT)	Disposal (CFT)	Book Balance as on 31.12.2020 (CFT)	Physical Balance as on 31.12.2020 (CFT)	Total Value as on 31.12.2020
1	<b>Zhonggar</b>						
	Tingzam SCP -2020	106,481.78	1,201,345.67	486,579.58	821,247.87	821,247.87	8,951,601.78
	-2019	299,634.78		193,153.00	106,481.78	106,481.78	1,383,198.32
	Ngangshing SCP-2020	317,526.80			317,526.80	317,526.80	4,016,714.02
	-2019	317,526.80			317,526.80	317,526.80	4,016,714.02
3	<b>Gelephu</b>						
	Bhur SCP -2020	285,860.35	780,148.16	288,932.98	777,075.53	777,075.53	3,302,571.00
	-2019	698,000.23	150,675.12	562,815.00	285,860.35	285,860.35	1,312,506.84
4	<b>Homdar SCP -2020-Jakar</b>						
	-2019	503,320.48		503,320.48	-	-	-
	<b>Total : 2020</b>	<b>709,868.93</b>	<b>1,981,493.83</b>	<b>775,512.56</b>	<b>1,915,850.20</b>	<b>2,191,866.68</b>	<b>18,064,993.93</b>
	<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>

**Rawmaterials for Briquette Unit(TL)**

1	Wang-Briq. Unit-2020	148.98	63.00	200.31	11.66	11.66	12,763.48
	-2019	233.42	187.49	271.93	148.98	148.98	312,552.17
	<b>Total : 2020</b>	<b>148.98</b>	<b>63.00</b>	<b>200.31</b>	<b>11.66</b>	<b>11.66</b>	<b>12,763.48</b>
	<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>

**Rawmaterials Glulam(cft.)**

Sl.No.	Divisions	Opening Stock as on 1.1.2020 (cft)	Production (cft)	Disposal (cft)	Book Balance as on 31.12.2020 (cft)	Physical Balance as on 31.12.2020 (cft)	Total Value as on 31.12.2020
1	Wang-Glu. -2020	200.81	5,281.22	4,460.74	1,021.29	1,021.29	292,497.46
	-2019	-	5,337.26	5,136.45	200.81	200.81	57,511.98
	<b>Total : 2020</b>	<b>200.81</b>	<b>5,281.22</b>	<b>4,460.74</b>	<b>1,021.29</b>	<b>1,021.29</b>	<b>292,497.46</b>
	<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>

**Rawmaterials Joinery(Cft.)**

Sl.No.	Divisions	Opening Stock as on 1.1.2020 (cft)	Production (cft)	Disposal (cft)	Book Balance as on 31.12.2020 (cft)	Physical Balance as on 31.12.2020 (cft)	Total Value as on 31.12.2020
1	Wang-Join. -2020	1,383.75	20,310.59	19,363.21	2,331.13	2,331.13	802,743.26
	-2019	-	12,093.21	10,709.46	1,383.75	1,383.75	396,306.00
2	Zhonggar-Join-2020	1,394.18	6,804.18	6,313.05	1,885.31	1,885.31	545,056.32
	-2019	-	6,549.96	5,155.78	1,394.18	1,394.18	380,694.79
	<b>Total : 2020</b>	<b>1,383.75</b>	<b>27,114.77</b>	<b>25,676.26</b>	<b>4,216.44</b>	<b>4,216.44</b>	<b>1,347,799.58</b>
	<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: 2020</b>						<b>259,035,536.94</b>
	<b>Grand Total: 2019</b>						<b>138,128,702.29</b>



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**NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED**  
Notes forming part of the Financial Statements for the year ended 31st December 2020

Particulars	GROSS BLOCK			DEPRECIATION				NET BLOCK	
	Balance as on 1.1.2020	Addition during '20	On Sales & Other Adj	Balance as on 31-12-2020	Up to 1.1.2020	For the Period	On sale & Other Adj.	Up to 31.12.2020	As at 31.12.2019
Land	115,144,864			115,144,864	-	-		-	109,991,325
Building	126,165,101	2,389,822	(470,905)	128,084,018	65,515,209	8,227,724	(470,903)	73,272,030	64,058,273
Road*	365,872,094	47,413,591	(72,635,163)	340,650,522	223,407,637	32,061,676	(72,635,163)	182,834,150	164,393,753
Cable Crane	126,873,141			126,873,141	55,487,839	13,744,327		69,232,166	104,198,556
Plant and Machineries	219,867,477	73,882,392		293,749,869	150,135,984	22,668,974		172,804,958	85,286,313
Tractor	3,750,125		(455,950)	3,294,175	2,013,723	328,658	(455,949)	1,886,432	2,924,877
Truck	9,881,673			9,881,673	7,719,340	341,617		8,060,957	1,982,806
Vehicle	27,950,176			27,950,176	20,011,997	1,497,312		21,509,310	9,856,968
Furniture	9,978,745	199,285	(422,126)	9,755,905	8,411,793	397,689	(421,949)	8,387,532	2,094,602
Office Equipment	28,707,374	1,215,204	(1,148,592)	28,773,986	15,698,606	2,775,826	(1,117,531)	17,356,922	16,122,091
Total:	1,034,190,769	125,100,295	(75,132,736)	1,084,158,328	548,402,148	82,043,803	(75,101,495)	555,344,456	560,909,564
Previous Year	959,069,826	87,863,901	(12,742,958)	1,034,190,769	486,122,892	69,579,630	(7,300,374)	548,402,148	472,946,934

Note: 1. Road is Constructed on Government land

**NOTE- 3**

**Intangible assets**

Current Year	6,867,948	2,004,119	-	8,872,067	3,945,872	1,984,817		5,930,689	2,922,076
Previous Year	6,867,948	-	-	6,867,948	2,446,022	1,499,850		3,945,872	4,421,926

**NOTE- 4**

**Statement of Capital Work in Progress as at 31-12-2020**

Particulars	Opening 1.1.2020	Addition	Adjustment	Closing 31.12.2020
Road-W.I.P	8,447,784	29,887,709	31,766,623	6,568,870
Machine-W.I.P	2,232,042	9,130,522.39	8,634,880	2,727,684
Building-W.I.P	-	4,460,584	4,449,820.36	10,764
Intangible assets-W.I.P	997,500	-	997,500	-
Total: CWIP	11,677,325	43,478,816	45,848,823	9,307,318
Previous Year	1,270,259	39,064,552	28,657,485	11,677,325



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**NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED**  
Notes forming part of the Financial Statements for the year ended 31st December 2020

Particulars	Year Ended	
	31-12-2020	Restated 31-12-2019
	(Nu.)	(Nu.)
<b>NOTE- 5</b>		
<b>Other non current assets</b>		
Fair Value of Plan Assets(FVA)	-	-
Defined Benefit Obligation(DBO)	-	-
Net retirement benefit Assets - gratuity	-	-
Unamortised Mine Cost	122,068	467,612
<b>Non Current</b>	<b>122,068</b>	<b>467,612</b>
<b>NOTE- 6</b>		
<b>Other receivables</b>		
Security deposit to others	4,006,012	3,665,487
<b>Non Current</b>	<b>4,006,012</b>	<b>3,665,487</b>
<b>Deferred Tax Assets/(Liability)</b>		
Deferred Tax on Provision for Gratuity(OCI)	5,518,984	6,421,561
<b>Non Current</b>	<b>5,518,984</b>	<b>6,421,561</b>
<b>NOTE- 7</b>		
<b>Other current assets</b>		
Advance to Contractors	2,888,611	3,323,635
Advance to Suppliers	36,888,739	10,087,307
Advance to Others	1,440,758	1,880,163
Deferred Revenue Expenditure	4,920,088	9,840,175
FA to Unit Manager/FA/Remittance	239,948	132,229
Prepaid expenses	1,267,769	714,868
Advance for Corporate tax	-	-
GFPMO Cost	1,133,710	383,299
Accrued Income	2,273,939	-
Security deposit to others	877,162	-
Unamortised Mine Cost	321,734	321,734
Advance to staff recoverable	2,458,802	2,669,371
<b>Total Current</b>	<b>54,711,260</b>	<b>29,352,780</b>
<b>NOTE- 8</b>		
<b>Cash and cash equivalent</b>		
Cash in hand	243,435	1,423,625
<b>Bank Balances</b>		
Local Banks-Others	4,285,769	17,628,865
Balances with BOBL	24,004,172	27,256,025
<b>Cash &amp; Cash Equivalents</b>	<b>28,533,376</b>	<b>46,308,515</b>
<b>NOTE- 9</b>		
<b>Trade and other receivables</b>		
Sundry debtors	94,185,702	89,761,677
Provision for doubtful Debts	(8,756,539)	(7,440,039)
	<b>85,429,163</b>	<b>82,321,638</b>
<b>NOTE- 10</b>		
<b>Inventories</b>		
Stock of Timber	188,533,117	103,591,133
Stock of Briquette	133,740	1,062,900
Stock of Sand	24,642,591	17,862,890
Stock of Stone	16,991,695	2,090,153
Stock of Stone Chip	3,507,707	3,337,510
Stock of Firewood	1,718,858	386,772
Stock of Joinery	3,737,519	1,911,159
Stock of Glulam	52,256	26,701
Stock of Rawmaterial for Stone chips	18,064,994	6,712,419
Stock of Rawmaterial for Briquette Unit	12,763	312,552
Stock of Rawmaterial for Joinery	1,347,800	777,001
Stock of Rawmaterial for Glulam	292,497	57,512
Stock of store/spare parts	27,251,426	24,630,467
Provision for Timber	(236,701)	(236,701)
Provision for Stone chip Rawmaterial	(3,458,993)	(4,657,951)
Provision for Slow moving stock of spares	(2,651,654)	(2,651,654)
	<b>279,939,616</b>	<b>155,212,864</b>

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**NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED**  
Notes forming part of the Financial Statements for the year ended 31st December 2020

Particulars	Year Ended	
	31-12-2020	Restated 31-12-2019
	(Nu.)	(Nu.)
<b>NOTE- 11</b>		
<b>Non current borrowings</b>		
-Noncurrent Maturities of Long term Borrowings	63,784,711	66,405,619
	<b>63,784,711</b>	<b>66,405,619</b>
<b>Current borrowings</b>		
Current maturities of long term borrowings	13,846,960	15,546,269
Overdraft-BOBL	46,079,931	-
	<b>59,926,891</b>	<b>15,546,269</b>
<b>NOTE- 12</b>		
<b>Government grant</b>		
Balance as at 1st January 2020	4,085,816	5,360,816
Released to the statement of comprehensive income	1,275,000	1,275,000
<b>Balance as at 31st December 2020</b>	<b>2,810,816</b>	<b>4,085,816</b>
	<b>66,595,528</b>	<b>70,491,435</b>
<b>Current Portion of Grant</b>	<b>1,275,000</b>	<b>1,275,000</b>
<b>Noncurrent Portion of Grant</b>	<b>1,535,816</b>	<b>2,810,816</b>
<b>NOTE- 13</b>		
<b>Provision for employee benefits</b>		
Fair Value of Plan Assets(FVA)	100,021,887	93,461,648
Defined Benefit Obligation(DBO)	114,456,333	105,765,786
Net retirement benefit Liabilities - gratuity	<b>14,434,446</b>	<b>12,304,138</b>
Provision for Leave Encashment	13,619,520	10,013,420
	<b>28,053,966</b>	<b>22,317,558</b>
<b>Current</b>		
Provision for Gratuity	9,447,783	3,313,123
Provision for Leave Encashment	423,527	561,863
	<b>9,871,310</b>	<b>3,874,986</b>
<b>Noncurrent</b>	<b>18,182,656</b>	<b>18,442,572</b>
<b>NOTE- 14</b>		
<b>Trade and other payables</b>		
Trade payables	77,744,362	35,321,227
Other payables	19,859,110	30,318,888
Security deposit	4,643,362	5,265,055
Earnest money deposit	376,058	564,417
Retention money	3,524,671	713,968
Other receipts & payments	5,121,175	4,497,100
Employees Loan From Bank	31,461	28,604
Staff Welfare Fund	11,950	13,250
GIS	-	200
	<b>111,312,149</b>	<b>76,722,710</b>
<b>NOTE- 15</b>		
<b>Other current liabilities</b>		
Advance from customers	12,807,336	15,320,408
TDS on contractors payable	747,098	631,408
Health contribution	58,952	42,521
GPF employee's share	-	846
TDS from salary	51,845	251,703
Royalty payable	22,173,031	11,687,903
	<b>35,838,262</b>	<b>27,934,789</b>
<b>NOTE- 16</b>		
<b>Provision for corporate income tax</b>		
Provision for corporate tax-Current Year	7,278,645	26,832,845
Provision for corporate tax-Previous Years	4,097,575	708,879
TDS withheld by customer	(2,562,168)	(1,121,735)
Advance for Corporate tax	(6,364,937)	(6,205,241)
	<b>2,449,115</b>	<b>20,214,748</b>

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**NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED**  
**Notes forming part of the Financial Statements for the year ended 31st December 2020**

Particulars	Year Ended	
	31-12-2020	Restated 31-12-2019
	(Nu.)	(Nu.)
<b>NOTE- 17</b>		
<b>Revenue</b>		
Sale of Timber	295,694,254	347,672,574
Sale of Briquette	1,988,440	1,177,740
Sales woodchips	5,069,303	11,793,433
Sale of firewood	26,058,798	25,766,406
Sale of Forest Residues	3,332,883	4,692,970
Sale of Glulam Timber	3,301,161	6,094,296
Sale of Joinery Products	13,406,562	8,819,039
<b>Sale of Timber and By-products</b>	<b>348,851,401</b>	<b>406,016,459</b>
Sales Sand	189,287,538	250,773,761
Sales Stone	33,441,314	75,983,050
Sales Stone Chips	21,251,972	18,817,961
	<b>592,832,224</b>	<b>751,591,231</b>
<b>Other income</b>		
Hire charge	13,323,394	14,234,825
Other Misc. Income	5,332,009	6,707,774
Release of Grant received to SCI	1,275,000	1,275,000
Toll Fee	-	269,370
Profit from sale of Fixed Assets	101,854	221,742
Profit on sale of stores and spares	-	1,024
NC Project Income	3,934,732	4,455,790
DRC Project Income	2,273,939	-
Liabilities no more required written back	10,284,051	7,288,981
Audit recovery	3,614	66,000
Interest on Fixed deposit	-	-
Interest on others	565,040	926,631
Unwinding of enviornment restoration fund	398,025	354,437
	<b>37,491,658</b>	<b>35,801,572</b>
	<b>630,323,883</b>	<b>787,392,803</b>



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**NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED**  
**Notes forming part of the Financial Statements for the year ended 31st December 2020**

Particulars	Year Ended	
	31-12-2020	Restated 31-12-2019
	(Nu.)	(Nu.)
<b>NOTE- 18</b>		
<b>Cost of Sales</b>		
<b>Reforestation Expenses</b>		
Nursery Expenses	244,221	496,495
Creation of Plantation	3,141,624	1,853,305
Plantation maintenance	2,572,271	3,307,270
Nursery creation	949,010	874,796
<b>Personnel cost</b>		
Salary & wages	99,942,163	76,071,039
Leave Encashment	8,945,891	5,778,156
Bonus	-	13,607,760
PBVA	9,133,076	9,797,587
Indexation	2,146,050	-
GPF Employers Contribution	12,299,374	6,835,089
Uniform/Leveries	4,000	280,000
LTC	4,749,355	4,256,454
TTA/TG	969,207	1,274,859
TA/DA	11,357,964	13,525,762
<b>Production Expenses</b>		
Marking cost	90,015	126,852
Felling & cross-cutting	7,792,314	11,287,817
Debarking	256,025	560,569
Extraction from Stump site to Depot	116,434,450	114,596,399
Extraction of Sand	119,913,586	183,945,118
Extraction of Stone	26,490,389	8,576,499
Extraction from Quarry to crusher Site	22,555,514	1,130,077
Extraction of Firewood	23,793,717	23,522,833
Electricity	1,349,106	922,881
Extraction of Wood Chip	4,175,442	9,237,276
Mine cost	345,544	379,631
FMU expenses/Inventory	1,010,583	1,443,738
Maint. of trucks incl. POL	1,682,869	1,921,099
Maint. of machines Incl. POL	34,466,070	40,661,166
Maint. of road	5,546,817	6,039,969
Timber handling & Stacking	3,681,826	3,730,697
Maint. of depot	864,721	2,864,419
NC Project Expenses	1,751,793	3,860,853
DRC Project Expenses	1,819,151	-
Prior period Adjustment	974,558	286,778
Sanitation & protection	97,825	-
Provision for Slow moving stock	401,671	401,671
<b>Royalty</b>		
Royalty-Timber	29,777,560	26,937,540
Royalty-Woodchips	18,868	23,489
Royalty-Firewood		
Royalty-Sand	942,640	1,311,040
Royalty-Stone	3,745,315	3,000
<b>Stock</b>		
Loss of Stock due to natural calamities		
(Increase)/Decrease in stocks	(120,906,835)	(26,179,089)
<b>Depreciation and amortisation</b>		
Depreciation-Building	7,062,773	7,105,577
Depreciation-Road	32,061,676	30,545,699
Depreciation-Cable Crane	13,744,327	10,242,748
Depreciation-Equipment	22,668,974	15,894,227
Depreciation-Tractor	328,658	214,857
Depreciation-Truck	341,617	115,120
Depreciation-Vehicle	623,088	519,494
Depreciation-Furniture	266,760	271,343
Depreciation-Office Equipment	1,736,511	1,565,059
Depreciation-Tally ERP.9 -Software	1,984,817	1,499,850
	<b>526,344,938</b>	<b>623,524,869</b>

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**NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED**  
**Notes forming part of the Financial Statements for the year ended 31st December 2020**

Particulars	Year Ended	
	31-12-2020	Restated 31-12-2019
	(Nu.)	(Nu.)
<b>NOTE- 19</b> <b><u>Selling &amp; Marketing Expenses</u></b>		
Customer Survey	218,502	218,502
Advertisement	695,340	657,783
Auction expenditures	394,984	740,563
	<b>1,308,826</b>	<b>1,616,848</b>
<b>NOTE- 20</b> <b><u>Finance cost</u></b>		
Interest on Loan	2,011,484	6,243,762
Corporate Guarantee Fees	193,065	464,677
	<b>2,204,549</b>	<b>6,708,439</b>
<b>NOTE- 21</b> <b><u>Administrative Expenses</u></b>		
Printing & Stationary	625,509	765,579
Telephone/Fax/Postage	2,086,919	2,433,898
Audit Fees	133,190	113,190
Audit Expenses	360,924	423,087
Rent	1,806,309	1,397,328
Rates and Taxes	207,263	150,055
Entertainment	657,746	829,719
Electricity/Lighting(office)	641,527	662,154
Books & periodicals	56,885	42,620
Workshop/Seminar	400,231	591,056
Board expenses	542,244	718,412
Trade Licence	54,000	23,280
Insurance	1,914,647	1,246,038
Subscription & donations	200,197	507,057
Consultancy fees	45,000	877,895
Legal Expenses	21,421	23,921
Write Off/Provision	1,849,291	416,388
Fixed assets derecognised Loss	-	20,784
Welfare Expenses	1,022,369	453,578
Training Expenditure	5,701,638	4,920,088
Consumable stores	642,774	352,613
Maint. of Building	868,162	1,891,577
Maint. of Vehicle incl. POL	4,068,786	5,052,760
Maint. of Office equipment	2,117,581	2,044,227
Bank Charges	1,104,630	22,305
Brand & Management Fee	1,541,474	1,261,523
	<b>28,670,716</b>	<b>27,241,132</b>

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**NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED**  
**Notes forming part of the Financial Statements for the year ended 31st December 2020**

Particulars	Year Ended	
	31-12-2020	Restated 31-12-2019
	(Nu.)	(Nu.)
b/f Note:21	<b>28,670,716</b>	<b>27,241,132</b>
<b>Personnel cost-HQ</b>		
Salary & wages	30,363,693	23,058,336
Leave Encashment	2,511,783	1,726,975
TA/DA	1,164,909	2,152,766
TTA/TG	833,781	836,931
LTC	641,100	709,800
Bonus	-	3,590,223
PBVA	-	2,669,183
Indexation	476,085	-
GPF Employers Contribution	2,856,552	1,854,069
Medical Expenses	-	-
Uniform/Leveries	970,000	2,815,301
Gratuity	9,358,731	7,380,178
<b>Depreciation and amortisation</b>		
Depreciation-Building	1,164,951	1,233,408
Depreciation-Vehicle	874,224	862,418
Depreciation-Furniture	130,929	151,161
Depreciation-Office Equipment	1,039,316	858,519
	<b>81,056,770</b>	<b>77,140,399</b>

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**NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED**  
**Notes forming part of the Financial Statements for the year ended 31st December 2020**

Particulars	Year Ended	
	31-12-2020	Restated 31-12-2019
	(Nu.)	(Nu.)
<b>NOTE- 22</b>		
<b>Income tax expense</b>		
<b>PROFIT BEFORE TAX</b>	<b>19,408,799</b>	<b>78,402,248</b>
ADD: Provision for doubtful Debts/writeoff	1,849,291	416,388
ADD: Gift & Donation	200,197	507,057
ADD: Prior Period Adjustment	974,558	307,562
ADD: Depreciation on disposed assets	17,047	86,090
ADD: Provision for Slowmoving stock	401,671	401,671
ADD: Deferred Tax on Provision for Gratuity	9,358,731	7,380,178
ADD: Deferred Tax on Provision for Leave	3,606,100	2,337,390
ADD: Bonus & PBVA	6,278,888	19,015,861
less: Doubtful Debts Recovered	(532,791)	(2,111,285)
Less : Carry Forward and Offset of Losses	(17,300,343)	(17,300,343)
<b>NET TAXABLE AMOUNT</b>	<b>24,262,149</b>	<b>89,442,817</b>
<b>30% CIT</b>	<b>7,278,645</b>	<b>26,832,845</b>
<b>Total Tax Expense</b>	<b>7,278,645</b>	<b>26,832,845</b>

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**Note 23 : Fair value measurements**

(All amounts in Nu , unless otherwise stated)

**Financial instruments by category**

Particulars	31-Dec-20			31-Dec-19		
	FVPL	FVOCI	Amortised cost	FVPL	FVOCI	Amortised cost
<b>Financial assets</b>						
Security deposit to others	-	-	4,006,012	-	-	3,665,487
Cash and cash equivalent	-	-	28,533,376	-	-	46,308,515
Sundry debtors	-	-	94,185,702	-	-	89,761,677
Advance to staff recoverable	-	-	2,458,802	-	-	2,669,371
<b>Total financial assets</b>	-	-	<b>129,183,892</b>	-	-	<b>142,405,051</b>
<b>Financial liabilities</b>						
Borrowing	-	-	123,711,602	-	-	81,951,888
Trade payables	-	-	77,744,362	-	-	35,321,227
Other payables	-	-	19,859,110	-	-	30,318,888
Security deposit	-	-	4,643,362	-	-	5,265,055
Earnest money deposit	-	-	376,058	-	-	564,417
Retention money	-	-	3,524,671	-	-	713,968
Other receipts & payments	-	-	5,121,175	-	-	4,497,100
<b>Total financial liabilities</b>	-	-	<b>234,980,340</b>	-	-	<b>158,632,544</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-20		31-Dec-19		1-Jan-19	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>						
Environment restoration bond	3,746,268	3,746,268	3,348,243	3,348,243	2,993,807	2,993,807
Security deposit	259,744	259,744	317,244	317,244	341,427	341,427
<b>Total financial assets</b>	<b>4,006,012</b>	<b>4,006,012</b>	<b>3,665,487</b>	<b>3,665,487</b>	<b>3,335,234</b>	<b>3,335,234</b>
<b>Financial liabilities</b>						
Borrowing	123,711,602	123,711,602	81,951,888	81,951,888	52,491,471	52,491,471
<b>Total financial liabilities</b>	<b>123,711,602</b>	<b>123,711,602</b>	<b>81,951,888</b>	<b>81,951,888</b>	<b>52,491,471</b>	<b>52,491,471</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

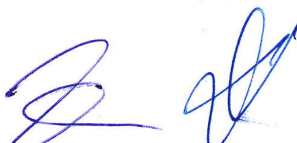
The Company is formed as an wholly owned subsidiary of Druk Holding & Investments Limited (DHI)

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

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 1 January 2019	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>

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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 2020	39,786,430	50,125,603	4,273,668	94,185,702
<b>Trade receivable as on 31 December 2020</b>	<b>39,786,430</b>	<b>50,125,603</b>	<b>4,273,668</b>	<b>94,185,702</b>

Particulars	Less than six months	More than six months less than 3 years	More than 3 years	Total
Trade receivable as on 31 December 2019	76,220,447	8,377,794	5,163,437	89,761,677
<b>Trade receivable as on 31 December 2019</b>	<b>76,220,447</b>	<b>8,377,794</b>	<b>5,163,437</b>	<b>89,761,677</b>

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

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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