ANNUAL REPORT

NRDCL

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2023

NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED

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ANNUAL REPORT 2023

"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

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THE YEAR IN REVIEW

On behalf of the management of Natural Resources Development Corporation Limited (NRDCL), I am pleased to present the Annual Report for the year 2023, highlighting the significant aspects of our business activities, accomplishments, and challenges. Despite hurdles like non-revision of timber/sand prices and high operating cost, we have made persistent efforts to fulfil our mandates of making construction materials available, accessible, and affordable by navigating through challenges and opportunities, demonstrating resilience and commitment.

Our total revenue surged by Nu. 170.82 million from year 2022 reaching Nu. 926.02 million, mainly due to increased sales of timber, sand, and forest residues as well as commencement of timber export. Our profitability and financial health improved compared to the previous year. Despite rising operating expenses, we achieved a profit after tax of Nu. 19.066 million, a significant improvement from the previous year.

Over the past five years, our revenue has grown at a compounded annual growth rate (CAGR) of 4.14%. Timber remains our primary revenue sources, while revenue growth continued, reflecting our adaptability and market resilience.

During the year, the company saw a substantial increase in cash flow, primarily due to significant investments aimed at enhancing organization capacity, particularly in its machinery fleet. The primary objective was to increase timber extraction and sales to 12.05 million cubic feet of logs annually. These strategic financial decisions with support from the DHI through inter-corporate loan of Nu. 600.00 million resulted in a net increase in cash of Nu. 191.54 million.

To generate Indian Rupees through export and narrow the trade deficit, Bhutan explored its vast

timber resources for export. According to study done by RGOB, it revealed that with 70.77% forest coverage, Bhutan could sustainably harvest 88.59 million Cft timber annually. NRDCL, entrusted with managing natural resources, ramped up timber extraction and export, launching a pilot project in

October 2023 in collaboration with DHI and DoFPS. Despite challenges in the export market including logistics and cross-border issues, we made continuous efforts to boost our boulder/timber export through various approaches. Timber/boulder export offered a chance to bolster the economy through increased Indian Rupee reserves.

In line with our commitment to Corporate Social Responsibility (CSR), we allocated Nu. 10.739 million towards various initiatives in the year 2023, including but not limited to supporting special projects initiated by Their Majesties, environmental conservation, and charitable contributions. We actively engaged in community welfare, exemplifying our dedication to sustainable development. We also continued to supply Kidu firewood to the retail outlet at Hejo crematorium.

I extend my gratitude to all our valued customers for their support and providing us with the platform to grow and improve. I also thank DHI, NRDCL Board, DoFPS, MoENR, and all other relevant stakeholders for their guidance and support in enabling us to support nation-building. I am thankful to all the employees for their unwavering efforts and hardwork despite numerous challenges faced during the year.

On behalf of the employee of NRDCL and myself, I rededicate our services to the Tsa-Wa-Sum and look forward to a successful year 2024.

Kadrincheyla!

(Jigme Thinley)
Chief Executive Officer

VISION, MISSION & VALUES

VISION

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

MISSION

- Sustainably harvest and market the nation's natural resources ensuring availability, accessibility and affordability.

MANDATES

- Steadfast service delivery: Strive to deliver services at the shortest possible time.
- Proactiveness and promptness: Be proactive and act promptly and ensure that required timely actions are taken.
- Productivity and Efficiency: Strive for highest-levels of productivity and efficiency.
- Innovation and Creativity: Be creative and innovative in improving the products, services, and technologies to realize our strategic goals (vision, mission and objectives)
- Integrity and Honesty: Be fair, honest and ethical in what we seek to do and how we deliver as an organization, and have zero tolerance to corruption.

COMPANY PROFILE

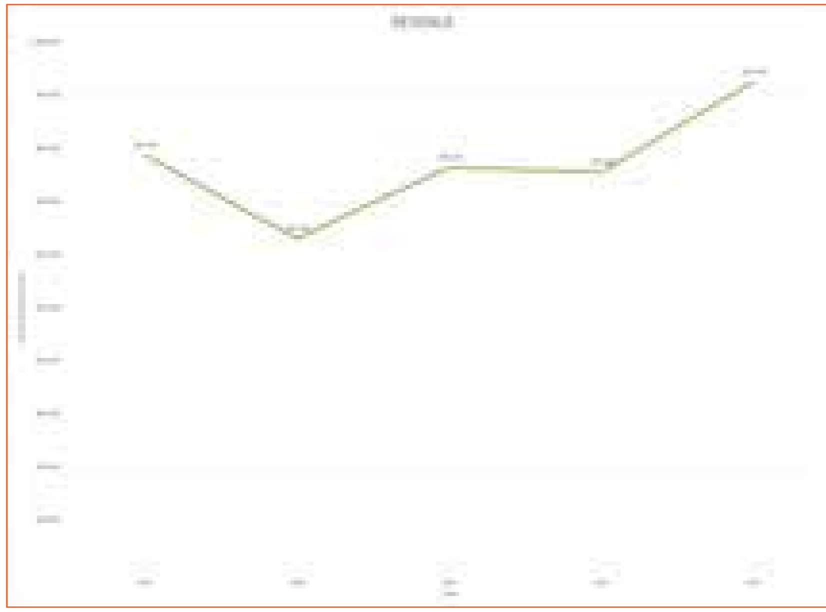
Natural Resources Development Corporation Limited (NRDCL) was established in November 2007 based on an Executive Order of the Royal Government of Bhutan, which was issued in response to the Royal Com¬mand conveyed to the 87th session of the National Assembly. However, its history dates back to 1979 when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

NRDCL is a fully-owned Druk Holding and Investments (DHI) company. The company is governed by the Articles of Incorporation under the Companies Act of the Kingdom of Bhutan 2016. The company engaged in the business of harvesting, processing, and marketing of timber and timber products, sand, stone, and stone aggregates, through its six regional offices, and Integrated Wood Processing Plant as given below with administrative office in Thimphu.

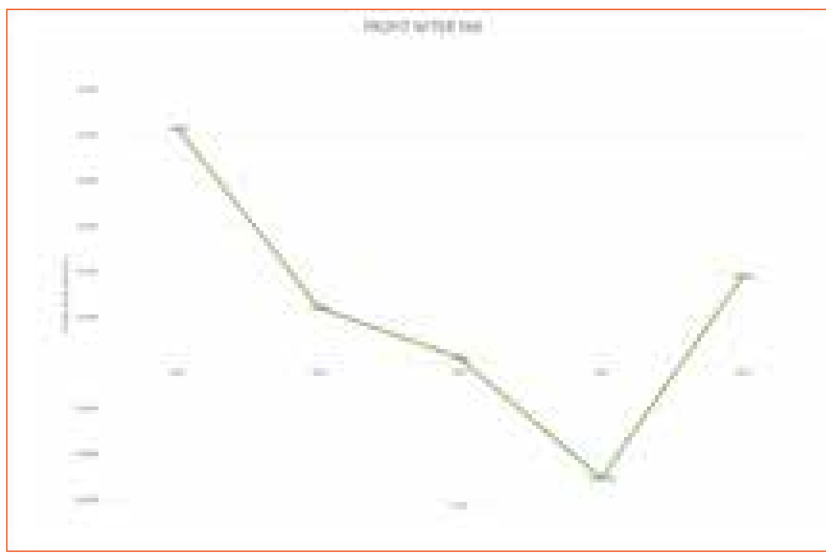
#	Name of the Region	Activities/Products	Converge/Operation Area
1	Rinpung Region	Timber, Sand & Stone	Thimphu, Paro, and Haa
2	Sha Region	Timber, Sand & Stone	Wangdue, Punakha, Gasa, Tsirang, and Dagana
3	Jakar Region	Timber & Sand	Bumthang, Trongsa, and Zhemgang
4	Zhonggar Region	Timber, Sand, Stone, and Joinery Products	Mongar, Trashigang, Trashiyangtse, Lhuntse, and Pemagatshel
5	Gelephu Region	Timber, Sand & Stone	Sarpang and Samdrupjongkhar
6	Phuentsholing Region	Timber, Sand & Stone	Chhukha, Samtse, and Lhamoizingkha (Dagana)
7	Integrated Wood Processing Plant	Timber and Joinery Products	Thimphu (Operational from Ramtokto & Langkophakha)

ANNUAL FINANCIAL PERFORMANCE IN LAST FIVE YEARS

REVENUE	
Year	**Revenue**
2019	787.393
2020	630.324
2021	764.145
2022	755.200
2023	926.020

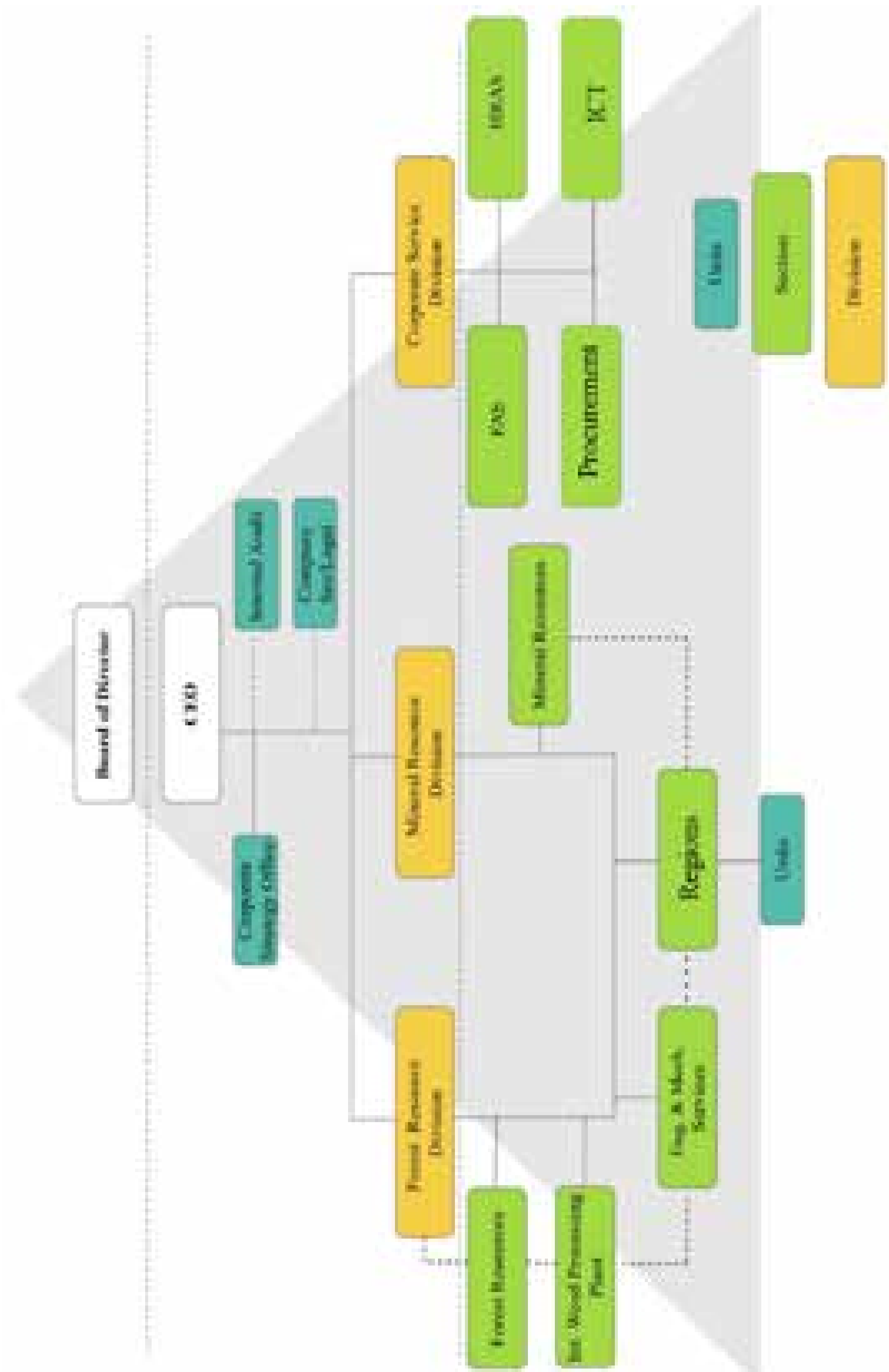


PROFIT AFTER TAX	
Year	**PAT**
2019	51.569
2020	12.130
2021	1.084
2022	(25.370)
2023	19.066



CORPORATE INCOME TAX	
Year	**CIT**
2019	26.83
2020	7.28
2021	6.16
2022	-
2023	14.20

ORGANIZATION STRUCTURE PROFILE



BOARD OF DIRECTORS

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

Dasho Rinzin Dorji serves as an Independent Non-Executive Director of NRDCL Board. He is currently serving as the Chief Executive Officer of Bhutan Agro Industries Limited. Prior to his current appointment, Dasho has served as the Secretary of Ministry of Agriculture & Forests and shouldered various other important portfolios in the Government. Dasho has Master in Public Administration from Virginia Commonwealth University, United States and Bachelors degree from Punjab University, India

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

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

Mr. Ugyen Wangdi serves as a Non-Independent and Non-Executive Director of NRDCL Board is an Associate Director at Druk Holding and Investments (DHI) Limited. Mr. Ugyen received his Bachelor's of Science degree from Sherubtse College and Masters in Business Administration with finance specialization from Australian National University, Canberra. He also obtained one year post graduate diploma in public administration prior to his appointment in civil service in 2006. He has over 15 years of experience in the corporate governance (CG) and currently heads the CG functions at DHI

MANAGEMENT TEAM

Jigme Thinley
Chief Executive Officer

Mr. Jigme Thinley is the Chief Executive Officer Of Natural Resources Development Corporation Limited since July 2023. He brings with him many years of experience across multiple organizations both in the government and the corporate sectors. He has more than 23 years of diverse experiences. He has Masters of Business Administration (international business) from Asian Institute of Technology, Thailand.

Karma Wangdi
General Manager

Mr. Karma Wangdi is General Manager of Forest Resources Division (FRD). Prior to his current post, he served as Head of Corporate Strategy Office (CSO) in the company. He has Master in Business Administration (Specialized in HR & Finance) from Lovely Professional University, Punjab in 2013.

Sonam Chophel
General Manager

Mr. Sonam Chophel is the General Manager of Corporate Services Division (CSD). He has more than 25 years of experience in the area of finance in NRDCL. He has Master in Business Administration from the University of Canberra, Australia.

Namgay Wangchuk
General Manager

Mr. Namgay Wangchuk is the General Manager of Mineral Resources Division (MRD). He brings in more than 20 years of experience mostly in the area of HR Management. He has Masters of Human Resource Management from Edith Cowen University, Western Australia.

Sangay Choden
Company Secretary

Ms. Sangay Choden had completed her bachelor degree in Law (BA LLB) from Guru Gobind Singh Indraprastha University, Delhi India and completed her post graduate Diploma in National Law from Royal Institute of Management (RIM), Thimphu.

Jamyang Choden
Head, CSO

Ms. Jamyang Choden is the Head of Corporate Strategy Office (CSO). She completed her Master Business Administration from University of Canberra, Australia. She has more than 10 years of experience in the area of Administration and Marketing in NRDCL.

DIRECTORS' REPORT

To the Shareholder,

As the Chairman of the Board of Directors of Natural Resources Development Corporation Limited (NRDCL), on behalf of the Board of Directors and management, I would like to present the Directors' Report for the year ending 31st December 2023.

1. Operational highlights

The product-wise production and sales report for 2023 vis-à-vis 2022 and 2021 are presented in the table below.

#	Particulars	2023			2022 Achievement (Quantity)	2021 Achievement (Quantity)
		Annual Target	Achievement (Quantity)	Achievement %		
	Core products					
1	Timber Production (cft.)	2,250,564.94	2,444,646.57	108.62	1,779,387.35	1,779,387.35
2	Timber Sales (cft.)	1,704,130.21	2,111,881.00	123.92	2,057,038.83	1,866,326.13
3	Sand Production (m3)	457,683.34	488,937.00	106.83	468,536,17	381,675.11
4	Sand Sales (m3)	457,683.34	476,667.95	104.15	499,353.98	391,155.96
5	Stone Production (cft)	26,371,816.96	22,262,964.84	84.42	15,109,092.43	23,079,963.83
6	Stone Sales (cft)	26,647,816.96	26,523,677.94	99.53	13,712,491.35	22,696,454.96
7	Stonechips Production (cft)	4,128,452.20	2,811,707.44	68.11	3,015,745.57	3,048,134.18
8	Stonechips Sales (cft)	4,128,452.20	1,755,911.29	42.53	2,783,538.52	2,716,767.13

1.1. Timber

a. Timber production was 2.444 million cft against the target of 2.250 million cft and sale was 2.111 million cft against the target of 1.704 million cft in 2023.

b. Total revenue of Nu. 389.064 million was earned from the sale of timber in 2023 against the target of Nu. 381.02 million as compared to revenue earning of Nu. 322.647 million in 2022.

c. The closing stock of log, pole and hakaries stood at 0.481 million cft. and total sawn timber and block timber 0.165 million cft. at the end of 2023.

1.2. Sand

a. Sand production in 2023 was 488,937.00 m3 against the target of 457,683.34 m3 and sale was 476,667.95 m3 against the target of 457,683.34 m3.

b. Total revenue of Nu.113.959 million was earned from sale of sand in 2023 against the target of Nu.112.962 million as compared to revenue earning of Nu.112.335 million in 2022.

c. Achievement in sand against the respective annual targets was highest for Zhonggar Region at 142% followed by Sha Region at 105%. However, in absolute figure, Sha Region supplied the maximum at 333,365. 56 M3 of sand which constitutes 70% of the total market of 2023. Sha Branch continues to be the main source for supply of sand for Thimphu, Wangdue, Punakha, Tsirang, Dagana, Paro, Haa, Trongsa, and Chukha Dzongkhags.

1.3. Stone

a. Stone/boulder production in 2023 was 22.262 million cft. against the target of 26.371 million cft and sale was 26.523 million cft. against the target of 26.647 million cft.

b. Total revenue of only Nu.236.259 million was earned from sale of stone in 2023 against the target of Nu. 405.809 million as compared to revenue earning of Nu.119.489 million in 2022.

c. The achievement in stones against the target was highest for Zhonggar Region followed by Phuentsholing Region, and least for Gelephu Region.

1.4. Stonechips

a. Stonechips production in 2023 was 2.811 million cft. against the target of 4.128 million cft. and sale was 1.755 million cft. against the target of 4.128 million cft.

b. Total revenue of Nu. 38.753 million was earned from the sale of stone aggregates in 2023 against the target of Nu. 80.617 million as compared to revenue earning of Nu. 48.638 million in 2022.

c. The overall physical achievement was lowest for stonechips at 42.53% sale.

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

#	Particulars	2022			2022 Achievement (Quantity)	2021 Achievement (Quantity)
		Annual Target	Achievement (Quantity)	Achievement %		
1	Glue-laminated Timber - Production (cft.)	3,000.00	1473.99	49.13	3,046.00	1,344.14
2	Joinery- Production (sq ft.)	313,740.00	412,610.43	131.51	308,999.64	230,297.87
3	Joinery- Sales (sq. ft.)	313,740.00	443,617.68	141.39	338,615.36	213,691.31
4	Bhutanese Craft/ Construction Joinery -Production (in Nos.)	11,148.00	30,523.00	273.79	34,812.62	6,186.00
5	Bhutanese Craft/ Construction Joinery –Sales (in Nos.)	11,148.00	26,471.00	237.45	33,985.70	7,450.00
6	Firewood Production (m3)	30,495.03	47,048.08	154.28	42,149.35	44,477.19
7	Firewood Supply (m3)	30,495.03	44,102.01	144.62	43,850.96	
8	Plantation Creation (Ha.)	34.17	28.67	83.90	25.43	53.66
9	Seedling- Production (Nos.)	65,500.00	65,550	100.07	166,284.00	186,846.00
10	Road Construction (km)	17	12.96	76.23	11.62	5.47

1.5. Glue-laminated Timber (GLT)

- During the year 2023, 1473.99 cft. beams of various sizes of GLT were produced at the Glu-lam Unit at Pangbisa, Paro against the target of 3,000.00 cft. These beams were produced mainly for supply to the De-suung Skilling Programme (DSP) and other important Government Projects.
- Glu-lam product is high-end products. Production is done based on demand.

1.6. Joinery Products

- Produced 412,610.43 sq. ft. and disposed 443,617.68 sq. ft. of joineries respectively against the target of 313,740.00 sq. ft. from the Joinery Unit at Ramtokto, Thimphu and Lingmithang, Mongar.
- The revenue earning from sale of joinery products was Nu. 33.051 million against the target of Nu.36.729 million as compared to the revenue earning of Nu. 26.139 million in 2022.

1.7. Bhutanese Crafts/ Construction Joinery

- Produced 30,523.00 Nos. of Bhutanese crafts/construction joinery against the target of 11,148.00 Nos. and the sale was 26,471.00 Nos. against the target of 11,148 Nos.
- Furthermore, there is no standard products to scale up the volume through mass production. Every product is customized and this has affected the production efficiency level.

1.8. Firewood

- Produced 47,048.08 (m3) of firewood against the target of 30,495.03 (m3) and the supply was 44,102.01 (m3) against the target of 30,495.03 (m3).
- Firewood supply was done based on demand and subject to availability of lops and tops or forest residue after extraction of prime timber.

1.9. Plantation Creation

- A total of 28.67 hectares of plantation was carried out in 2023 against the target of 34.17 hectares. A total amount of Nu. 5.448 million was spent for the creation and maintenance of plantation in 2023.

1.10. Seedling Production

- During the year, 65,550 Nos. of seedlings were produced against the target of 65,500 Nos. in 2023.

1.11. Road Construction

- Roads are constructed for access to the operation sites and to facilitate timber-harvest which also benefits the local communities at large. NRDCL incurs huge expenditure in the construction and maintenance of road.
- During the year, 12.96 km of road construction were constructed and completed against the target of 17 km at a cost of Nu. 13.491 million. Approximately, Nu. 5.359 million was spent on maintenance.

Highlights of initiatives taken for fulfilment of its mandates

1.For fulfilment of the company's mandate of makings resources available, accessible and affordable, the Board endorsed the purchase of following machineries:

- Procurement of five more sand-dredging boats for Sha by November, which helped relieve the demand for dredged sand, and this is going to ease the pressure during the monsoon in 2024 and beyond;
- Procurement of a power-sieving machine worth Nu. 10.25 million and its deployment under the Gelephu Region in November to help boost the boulder export. A study after a month of operation showed 34% higher efficiency in production, 3% less expense, and 27% decrease in unit cost; and
- Procurement of four Wyssen Skyline Crane type W-40 (2000m/4t) along with the cables.

2. An MoU was signed between DoFPS and NRDCL on May 22, 2023. Though this MoU, NRDCL is mandated to carry out and play lead role in timber-marketing and distribution with enhanced autonomy to ensure that timber, sand and stone are made accessible, affordable and available to all customers. The earlier Timber Extraction and Distribution Modalities, 2019 was repealed with the signing of this MoU. The MoU will be reviewed annually;

3. Continuous follow-up on collection of sundry debtors had facilitated the Management to monitor and manage the debt efficiently;

4. Towards the third week of August, an initiative to clear the backlog of sand orders was taken under the guidance of CPD, DHI which helped monitor and clear the pending orders smoothly, improving customer service and satisfaction; and

5. A bulk sale of 300,000 MT of boulders from Phuentsholing was executed with M/s Ugen Yoezer Supply at Nu. 280/MT, which was a huge success, in view of the fact that the boulder export to Bangladesh was very poor.

Other activities

1. With the country opening up the export of timber even in log form to improve its foreign exchange position, NRDCL undertook scientific thinning activities towards the last quarter of the year as part of the nation's initiative to pilot timber export business. NRDCL operated two areas viz; RTC sites and Yusinpang Hontsho sites, wherein it harvested 142,213 Cft of log/poles and exported 6,364 cft of logs;

2. With the country all set to pursue timber export business, the timber production target is expected to increase to 12.05 million cft annually from the existing 2.00 million cft annually, which is a many fold increase and need to increase the capacity was felt. Being cognizant of the need to make investment to enhance the capacity, the Board approved the Timber Export Project that would require investment of Nu. 1,715 million which mainly includes the procurement of 60 cable cranes and 48 loaders besides other machineries;

3. To make more productive use of lops and tops that would be generated during timber harvesting activities, the NRDCL management in collaboration with DHI procured and established a pilot charcoal plant at Ramtokto. The charcoal plant is expected to become operational towards the first quarter of 2024;

4. The management is exploring technology of heat treatment and compression for producing high-quality timber;

5. The sand-dredging site at Rinchengang had been stopped by the Dzongkhag Administration of Wangdue Phodrang in the beginning of the year. Upon earnest request in the face of high pressure during the summer of 2023, the Dzongkhag kindly granted its consent to dredging again at the site, and the work and supply of sand therefrom began in November;

6. In view of lack of sand source in Phuentsholing, the Management requested CDCL for a site at the PTDP area, which they kindly obliged in December 2023. With this, it is hoped that sand supply in Phuentsholing will be boosted in 2024;

7. Upon consultation and agreement from the Gyalsung Project authority at Tareythang, Gelephu, the Stone-crushing Plant at the site was shifted to Bhur in September. The relocation was carried to boost production and sale of aggregates looking at the prospect of catering to export market. However, the relocation took time considering requirement for clearances, civil works, power installations, and re-assembling of the plant which required many repairs; and

8. To ease pressure on firewood and also as a part of Corporate Social Responsibility, NRDCL has initiated the production and supply of briquettes from October 2004. However, with the dwindling demand for the briquette resulting from the people's preference for green kitchen and the unit operating purely for social and environmental causes incurring loss to the company, the briquette unit at Ramtokto was closed down. Furthermore, during the year, the production and supply of woodchips was discontinued due to lack of market.

Key challenges

1. The forest fire on January 23, 2023 at Longchu FMU razed the two departmental cable cranes along with 1000 acres of forest hampering the achievement of production target from the FMU. The timber production target of Longchu FMU was 119,142.31 cft for the year 2023;

2. As the Punatsangchu swelled in the monsoon (as it does every year), sand production slowed to as low as 7902 M3 in June against 32,391 M3 in March (only dredging), while many days were also lost with nil production due to flooding. A boat was also lost to the flood on 31st July 2023;

3. The export of boulders did not see the light as it was hoped in the beginning of the year. The market did not improve and new challenges emerged in the course of the year. The West Bengal government introduced Suvidha App for registration of trucks with fee, which delayed transportation significantly and this in turn aggravated the already-bleak export business thereby discouraging exporters. This led to the disappearance of exporters who purchased boulders from NRDCL from seven in the beginning of 2023, which was as it is negligible to nil by August;

4. For Gelephu, the export was seriously hampered by the damaged bridge at Ampati, Meghalaya, which lasted for whole of second and third quarter. Other challenges included having to maneuver different situations such as importers' preference for dumper trucks, different demands for logistics charges enroute, and importers' fuss about prices; and

5. The delay in price revision has a severe impact on NRDCL's ability to deliver its services effectively.

2. Financial highlights

The highlights of the financial performance of the company in 2023 is presented below:

Revenue, OpEx, PAT and Dividend trend

Nu. in million

Particulars	2023	2022	I/(D) -Nu	I/(D) - %
Revenue				
Sales	896.70	725.87	170.83	23.53%
Other Income	29.32	29.33	(0.01)	-0.04%
Total	**926.02**	**755.20**	170.82	22.62%
Expense				
Cost of sales	803.70	699.52	104.18	14.89%
Operating expenses	89.16	81.05	8.11	10.00%
Total	**892.86**	**780.58**	112.28	14.38%
Profit before tax	**33.16**	**(25.37)**	**58.53**	
Tax (assessed)	14.10	2.83		
Profit After Tax (PAT)	**19.06**	**(28.20)**	**47.27**	

Overall revenue for the company has increased by Nu. 170.82 million compared to 2022. Revenue growth is attributed to the increase in revenue from the sale of timber, stone, and forest residues.

Highlights of the factors deterring the revenue growth are:

i) Non-revision of timber prices as provisioned in the 2023 budget has resulted direct financial implication of Nu. 55.85 million. Prices are one of the main revenue growth drivers for the company. Prices for timber, sand and stone were last revised in 2020.

ii) The export market for stone remained very low, resulting in gross underachievement in the sales target for stone.

The cost of sales and operating expenses has increased by Nu. 104.18 million and Nu. 8.11 million respectively compared to 2022.

Overall percentage growth in revenue during the year is 22.62% compared to 14.38% growth in expenses. As a result, the company has earned a profit before tax of Nu. 33.16 million compared to a loss of Nu. 25.374 million in 2022.

Financial summary for five years

Nu in million

Year	2019	2020	2021	2022	2023	CAGR
Revenue	787.39	630.32	764.15	755.20	926.02	4.14%
Expenses excluding dep. and interest	637.13	524.88	653.01	683.93	792.66	5.61%
Tax	26.83	7.28	6.16		14.10	
Profit After Tax (PAT)	**51.57**	**12.13**	1.08	(25.37)	19.06	
Dividend	6.75		9.00			
Revenue per employee	1.89	1.40	1.44	1.59	2.00	
PAT per employee	**0.12**	**0.03**	**0.00**	**(0.05)**	**0.04**	
Number of employees	417	450	531	476	463	

Revenue composition trend in % - Product-wise

Particular	2019	2020	2021	2022	2023
Timber	43.85%	46.91%	41.25%	40.40%	40.12%
Sand	31.63%	30.03%	13.17%	15.48%	12.71%
Stone	9.58%	5.31%	16.74%	16.46%	26.35%
Stonechips	2.37%	3.37%	6.62%	6.70%	4.32%
Joinery	1.11%	2.13%	10.75%	9.56%	5.71%
Others	11.45%	12.25%	11.47%	11.40%	10.79%
	100.00%	100.00%	100.00%	100.00%	100.00%

- In the past five years (2019 to 2023), revenue has grown from Nu. 787.39 million to Nu. 926.02 at a compounded annual growth rate (CAGR) of 4.14% only. The major increase in revenue is seen in 2023, amounting to Nu. 170.82 million, an 18% increase from 2022.
- The moratorium imposed by RMA has slowed down the construction industry, directly affecting the demand for construction materials.
- Timber and timber-related products constitute a major contributor to the overall revenue. Revenue generation from mineral products such as sand, stone and stonechips has fluctuated year-on-year. Revenue from sand has decreased since 2021 because of the segregation of transportation costs from the revenue from sale of sand.

Summary of expenditure for five years

Nu in million

Particular	2019	2020	2021	2022	2023
OpEx	640.21	524.88	653.01	683.93	792.66
Depreciation	69.58	84.03	97.68	87.50	83.69
Finance cost	6.24	2.01	6.21	9.15	16.51
CapEx	87.86	125.10	122.60	94.87	71.55
Total	803.89	736.02	879.50	875.45	964.41

- The Compounded Annual Growth Rate for OpEx in the past 5 years is 5.61% higher than the percentage growth for revenue. *Price is one of the main revenue growth drivers for the company, whereas the prices for timber, sand and stone were last revised in 2020.*
- The company noted a fluctuating trend in the capital expenditure (CapEx) in the past 5 years depending on the need for and nature of investment.

Revenue and OpEx growth comparison

There is a direct correlation between OpEx growth and reduction in PAT. The OpEx growth in 2023 is 16%, lower than revenue growth of 23%, as a result, the company had made fairly a good profit.

Particulars	2019	2020	2021	2022	2023
Revenue	16%	-20%	21%	-1.17%	23%
OpEx	15%	-18%	24%	3.13%	16%

Summary of Cash Flow for five year

Nu in million

Particulars	2019	2020	2021	2022	2023
Cash inflow/(outflow) from Operating activities	66.78	20.89	54.76	32.75	(283.24)
Cash inflow/(outflow) from Investing Activities	(94.83)	(124.04)	(67.73)	(91.48)	(81.99)
Cash inflow/(outflow) from Financing Activities	17.05	85.37	31.89	45.78	556.77
Increase/(Decrease) in cash	(11.01)	(17.78)	18.92	(12.95)	191.54

- In general, the cash flow trend shows cash inflow from Operating Activities, indicating that the company generates enough cash to meet its operating activities. However, in the financial year 2023, there is a huge negative cash flow of Nu. 283 million from Operating Activities, which resulted from a huge advance payment to suppliers amounting to Nu. 368 million on account of the purchase of logging equipment.
- There is a net increase in cash by Nu. 191.54 million as a result of Nu. 600 million inter-corporate loan availed from DHI to finance the investment in logging equipment for the new timber project to extract 12 million cft annually.

Key Financial Ratios

A. Ratio Assessing Profitability				Ratio	
Sl. No	**Ratio**	**Numerator - 2023**	**Denominator - 2023**	**2023**	**2022**
1	Return on Investment	48,657,701	638,484,043	7.62	(3.37)
2	Operating Profit	49,670,291	896,695,977	5.54	(2.57)
3	Net Profit Ratio	33,160,177	896,695,977	3.70	(3.50)
B. Ratio for Assessing Financial Health				Ratio	
Sl. No	**Ratio**	**Numerator - 2023**	**Denominator - 2023**	**2023**	**2022**
1	Capital Turnover Ratio	896,695,977	603,899,746	1.48	1.14
2	Fixed Assets Turnover Ratio	896,695,977	391,068,074	2.29	1.79
3	Stock Turnover Ratio	804,622,054	288,061,317	2.79	2.38
4	Current Ratio	1,115,294,428	801,047,050	1.39	2.92
5	Liquid Ratio	823,928,396	801,047,050	1.03	1.23

With better financial performance in 2023 compared to 2022, ratio for both assessing profitability and financial health has improved.

3. Audit Report

The company's books of accounts for the financial year 2023 were audited by Jigme Audit and Financials Pvt. Ltd, Thimphu. For the financial year, the company did not have any material audit observation in Audit report. Under the Management Appraisal Report, few observations were reported mainly on account of outstanding debtors 2023, undisposed timber off-cuts (905.73 m3) and Granite boulders (404,275.65 Cft).

4. Dividend

In view of the current financial situation and difficulties faced by the Company, the Board during its 111st meeting held on March 12, 2024 endorsed the submission of management i.e., not to declare dividend for the year.

5. Corporate Governance

The company complied with the requirements of the Companies Act of Bhutan 2016, Corporate Governance Code of DHI and other statutory requirements.

In 2023, the NRDCL Board comprised of six Board Directors, including the Chairman and CEO. During the year, the company had seven Board meetings.

The Board sub-committees such as the Board Audit Committee and Board Human Resources Committee met as and when required, to make recommendations to the full Board for its decision-making. Three Board Audit Committee meetings and three Board Governance Committee meetings were held in 2023 maintaining the quorum requirements in accordance with the Companies Act 2016 and DHI CG Code.

6. Corporate Social Responsibility (CSR)

In 2023, NRDCL incurred a total of Nu. 10.739 million in CSR initiatives. The noteworthy highlights of these initiatives are as follows:

a. Special Projects

- Under the directive received from ADCs and the esteemed office of Their Majesties, NRDCL diligently engaged in extending support to Projects initiated by Their Majesties. The services includes providing of machinery and manpower at various locations, for duration of 86 days amounting to Nu. 237,360/-per year.
- In recognition of the importance attributed to the National Project, NRDCL facilitated the leasing of a 70 TPH Stone Crushing Plant to Gyalsung Infra Project at Khotokha at a very minimal rate, forgoing potential revenue of Nu. 9.60 million.

b. Firewood supply

For the cremation purpose at Hejo retail outlet, firewood was supplied through NRDCL making such products readily available and affordable to the public. The company supplied a total of 831.50 m3 of firewood as part of CSR.

c. Donations

In the year 2023, NRDCL demonstrated its dedication to actively engage in a range of charitable activities, exemplifying its commitment to social causes. Key highlights of these contributions include:

- A monetary donation of Nu. 61,481.91 was made towards funeral expenses for the victims of the Kalabazar fire incident in Thimphu that occurred in September 2023;
- NRDCL waived conference hall hire charges totaling Nu. 350,000.00, in support of educational initiatives aimed at facilitating PE exam;
- In February 2023, a Semso contribution of Nu. 40,000 was extended to aid three victims affected by a fire incident in the Thimphu Unit;
- NRDCL donated Nu. 50,000.00 to the Tshokey Dorji Foundation for Kurim at Kuenselphodrang, Thimphu, in support of community development projects; and
- In honor of the National Day Celebration, NRDCL donated firewood valued at Nu. 15,470/- to the Bumthang Dzongkhang Administration.

d. Construction and maintenance of forest roads

NRDCL constructs forest roads primarily for timber extraction, benefiting local communities by enhancing socio-economic opportunities. These roads, maintained post-operation, facilitate access to agricultural markets, healthcare, and essential services. Furthermore, NRDCL supports annual maintenance of farm roads used for log transportation, enabling communities to commercialize agricultural products and extract non-wood forest items for livelihood, fostering economic growth and improved quality of life. Through construction of a Bailey bridge and the FMU road at Chendebji, NRDCL has benefited 38 households in Chendebji Chiwog under Bumthang Dzongkhag.

e. Environment Protection and Promotion Activities

NRDCL adheres strictly to the environmental regulations set forth by the Royal Government of Bhutan (RGoB), prioritizing environmental protection and minimizing ecological impact throughout its operations. Key efforts include employing environment-friendly technologies and processes, such as mechanized logging and eco-conscious road-construction methods. Also, NRDCL invests in afforestation and reforestation initiatives to meet the constitutional mandate of maintaining 60% forest cover perpetually and ensures sustainable resource management. Moreover, the company conducts sanitation and salvage operations as necessary to uphold the overall health and hygiene of the forests.

f. Social and environmental Mandates

- In a demonstration of its commitment to supporting local farmers, NRDCL annually disburses crop compensation totaling Nu. 396,000 to 17 affected farmers at Tshokhona and Rinchengang in Wangduephodrang;
- Irrespective of the commercial value of the timber harvest, NRDCL undertook sanitation operations in areas infested with bark beetles in Uruk and within Wangchuck Centennial National Park (WCNP) under the Jakar Region. During this operation, NRDCL extracted a total of 205,000 cubic feet of timber.

7. Customer Service

The Customer Satisfaction Index (CSI) for 2023 is 3.71 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.

Our dedication to rendering public service in the most effective and efficient manner remains steadfast. We acknowledge the significant responsibilities entrusted to us and are committed to upholding them with the utmost integrity and diligence.

8. Organizational and Human Resource Management and Development

In 2023, the company emphasized the importance of human capital for organizational success, focusing on development and optimal utilization of its workforce. At the beginning of the year, the HR strength was 468 (410 regular, 29 contract and 29 ESP) but 53 staff left the company for various reasons. To fill critical vacancies, 49 new staff were recruited, resulting in a year-end HR strength of 464.

Organizational development exercises led to reducing divisions from four to three and expanding branch offices into regions. Gelephu branch expanded into a region, absorbing activities from other regions. Employees were redeployed to fill required positions across the company's offices.

Management and leadership changes occurred, including the appointment of a new CEO and General Managers for Mineral Resources and Forest Resources Divisions.

Efforts continued to develop HR capacity, including hands-on training for field staff to handle the ERP system effectively and training for machine operators and helpers on new machinery. However, major training programs planned were not fully implemented due to financial challenges faced by the company in 2023.

9. Way forward

As we enter 2024, we are eager to witness the development of the construction industry on a broad scale. The NRDCL board and management are committed to exploring innovative strategies and initiatives to elevate the company's performance and enhance its contribution to the nation's ongoing growth.

10. Acknowledgement

The Board of Directors extends deep appreciation and sincere gratitude to various entities including 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 governmental and private agencies for their guidance, cooperation, support, feedback and engagement. This support has been instrumental in directing the company's affairs and achieving its goals. Special recognition is also given to DHI for its leadership and guidance in fulfilling the company's mandates.

Additionally, the board acknowledges the hard work and dedication of NRDCL's management team and employees and thank them for their commitment to realizing the company's vision and objectives.

TASHI DELEK

For and on behalf of the board.

(Karma Tshiteem)

Chairman

NRDCL

CORPORATE GOVERNANCE REPORT

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

Board composition

The Board of Directors are entrusted with the crucial responsibility of management of general affairs, strategic direction and performance of NRDCL. To that effect, it is vested with the requisite powers, authorities and duties.

In 2023, the NRDCL Board comprised of six Board Directors, including the Chairman and the CEO. The details of each Board Directors are provided below:

Name	Role	Profile	Appointment to present term	Term
Dasho Karma Tshiteem	Chairman	Former Chairperson, Royal Civil Service Commission	March 2021	2nd
Mr. Rinzin Dorji	Independent Non-Executive	Chief Executive Officer, Bhutan Agro Industries Ltd	March 2021	1st
Mr. Karma Tenzin	Independent Non-Executive	Zimpon Wogma, His Majesty`s Secretariat	November 2020	1st
Mr. Chencho	Non-Independent, Non-Executive	Director, Cabinet Secretariat	March 2021	1st
Mr. Ugyen Wangdi	Non-Independent, Non-Executive	Associate Director, CPD, DHI.	April, 2022	1st
Mr. Jigme Thinley	Non-Independent Executive	Chief Executive Officer, NRDCL	July 2023	1st

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 is assisted by a Company Secretary who is not a member of the Board.

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 Meetings

In total, NRDCL held seven Board meetings in 2023, 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. Details of Board meetings and Board Directors` attendance were as follows:

Meeting No.	Date	Members Present	Apologies
103rd	6th March 2023	1. Dasho Karma Tshiteem 2. Mr. Karma Tenzin 3. Mr. Rinzin Dorji 4. Mr. Ugyen Wangdi 5. Mr. Sonam Chophel	6. Mr. Chencho
104th	17th April 2023	1. Dasho Karma Tshiteem 2. Mr. Rinzin Dorji 3. Mr. Chencho 4. Mr. Ugyen Wangdi 5. Mr. Jigme Thinley	6. Mr. Karma Tenzin
105th	15th May 2023	1. Dasho Karma Tshiteem 2. Mr. Rinzin Dorji 3. Mr. Karma Tenzin 4. Mr. Chencho 5. Mr. Ugyen Wangdi 6. Mr. Jigme Thinley	
106th	27th June 2023	1. Dasho Karma Tshiteem 2. Mr. Rinzin Dorji 3. Mr. Chencho 4. Mr. Ugyen Wangdi 5. Mr. Jigme Thinley	6. Mr. Karma Tenzin
107th	31st July 2023	1. Dasho Karma Tshiteem 2. Mr. Rinzin Dorji 3. Mr. Karma Tenzin 4. Mr. Chencho 5. Mr. Ugyen Wangdi 6. Mr. Jigme Thinley	
108th	10th October 2023	1. Dasho Karma Tshiteem 2. Mr. Rinzin Dorji 3. Mr. Karma Tenzin 4. Mr. Chencho 5. Mr. Ugyen Wangdi 6. Mr. Jigme Thinley	
109th	2nd November 2023	1. Dasho Karma Tshiteem 2. Mr. Rinzin Dorji 3. Mr. Karma Tenzin 4. Mr. Chencho 5. Mr. Ugyen Wangdi 6. Mr. Jigme Thinley	

Board Committees and meetings

Three Board Committees are 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 is to provide oversight of the financial reporting process, the audit process, the system of internal controls and compliance with laws and regulations.

The Board Audit Committee was comprised of two independent non-executive Directors as members and three meetings were held in 2023.

Meeting No.	Date	Members Present	Apologies
42nd	3rd May 2023	1. Mr. Karma Tenzin 2. Mr. Ugyen Wangdi	
43rd	26th July 2023	1. Mr. Karma Tenzin 2. Mr. Ugyen Wangdi	
44th	27th October 2023	1. Mr. Karma Tenzin 2. Mr. Ugyen Wangdi	

2. Board Human Resources Committee: Its primary responsibility is to review, monitor and make recommendation to the Board on the company`s human resources related procedures, rules, strategies and policies of the company to achieve the organization`s long-term objectives. It also functions as the Board Procurement committee for major purchases which are outside the financial authority delegated to the Chief Executive Officer.

The Board Human Resources Committee was comprised of three Directors as members including Chief Executive Officer and three meetings were held in 2023.

Meeting No.	Date	Members Present	Apologies
58th	12th July 2023	1. Mr. Rinzin Dorji 2. Mr. Chencho 3. Mr. Jigme Thinley	
59th	12th August 2023	1. Mr. Rinzin Dorji 2. Mr. Chencho 3. Mr. Jigme Thinley	
60th	24th August 2023	1. Mr. Rinzin Dorj 2. Mr. Chencho 3. Mr. Ugyen Wangdi 4. Mr. Jigme Thinley	

3. Nomination and Governance Committee: The NGC for the selection of CEO is carried out by the Board with board members representing from the DHI. The NGC is set up as and when required and follows procedures as streamlined within the DHI Guideline for Selection and Appointment of CEOs in DHI Owned Companies. No NGC meeting was conducted in 2023 as there was no requirement.

Board Fees and Remuneration

The Board of Directors of the company received sitting fees for their participation in Board meetings and Board Committee meetings. The Fees and remuneration paid to the CEO and Board of Directors in 2022 are as follows:

#	Particulars/Details	Remuneration & other benefits (Nu)	Sitting Fees (Nu)
1	Board of Directors	-	460,000.00
2	Chief Executive Officer	2,271,612.00	92,000.00
Total		**2,271,612.00**	**552,000.00**

Annual General Meeting

The 16th Annual General Meeting was held on 17th March, 2023 which was attended by the Shareholder, Board Directors and the key members of the management team. The 16th Annual General Meeting transacted the following business items:

a. Ratification of Minutes of 15th Annual General Meeting
b. Consideration of the Audited Accounts for the financial year ended 31st December 2022, Auditors' Report and Directors' Report
c. Dividend 2022
d. Appointment of, and fixing the remuneration of Statutory Auditors
e. Declaration of remuneration paid to Chief Executive Officer and Directors
g. Consideration of the Annual Compact Evaluation Report and declaration of PBVA based on the outcome of the Annual Compact 2022
h. Consideration of appointment/retirement of Board Directors
i. Change in Share Capital

Extraordinary General Meeting

No extraordinary General meeting was held in 2023.

BUSINESS CODE OF CONDUCT

Natural Resource Development Corporation Limited (NRDCL) is committed to implementing its Business Code of Conduct to strengthen and promote integrity. The company embraces honesty, transparency and legitimacy in all transactions and actions and strive for the highest level of ethical standards, morality and integrity within the organization.

Integrity is one of the fundamental values of the NRDCL and every employee, officer and the management acts towards achieving high levels of integrity at all times. Thus, the business code of conduct enhances and ensures the practice of high levels of integrity, transparency and honesty by every individual at every level in the company.

The code also serves as a valuable reference for helping employees locate relevant documents, services and other resources related to ethics.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

As part of good corporate governance, NRDCL`s Risk Management report provides for a framework for the management of the company's business risks. The key risks, which may hinder the achievement of the company's objectives are identified, assessed, evaluated and compiled in a risk register.

The company is actively engaging in risk management practices, ensuring that risks are identified, assessed, and addressed in a systematic manner. By regularly updating the Risk Register and following the risk framework, the company aims to effectively manage and mitigate potential risks to its operations and overall performance.

The risk register is reviewed on a yearly basis and mitigation action plans are proposed and implemented. The risk register is reviewed by the Board and submitted to the Shareholder.

POLICIES AND PRACTICES OF CEO AND BOARD EVALUATION

The evaluation of Board Directors and CEO have been carried out for the financial year 2023 as per the existing policies and practices of DHI and DHI owned companies.

INDEPENDENT AUDITORS' REPORT

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JIGMI Audit & Financials

(A Private Limited Company)

AUDIT REPORT ON THE FINANCIAL STATEMENTS OF NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED, THIMPHU

PERIOD: 01/01/2023 to 31/12/2023

MAY 2024

JIGMI Audit & Financials Pvt. Ltd.
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TITLE SHEET

Title:	Audit Report on the financial statements of Natural Resources Development Corporation Ltd., Thimphu
AIN:	
Chairman	Dasho Karma Tshiteem CID No. 10804002195
Head of the Agency:	Jigme Thinley, Chief Executive Officer (1 July 2023 - till date) CID No.11512004080 Email: ceo@nrdcl.bt Jigme Thinley, Offtg., CEO (1 April - 30 June 2023) CID No.11512004080 Sonam Chophel, Offtg. CEO (5 September 2022 - 31 March 2023) CID No.11107000692 Email: gmceo@nrdcl.bt
	Sonam Chophel, General Manager, CID No.11107000692 Email: gmcs@nrdcl.bt
Period Audited:	01.01.2023 – 31.12.2023
Schedule of Audit:	Planning: 15 – 19 January 2024 Field: 22 January – 09 February 2024 Reporting date: 12.03.2024
Composition of Audit Team:	**Audit Partner:** Jigmi Rinzin FCCA, CID No. 10905002564 **Team Leader:** Puran Kumar Dural, Sr. Audit Manager, CID No.10211002699 **Team Members:** 1. Puja Chamlagai, Audit Associate, CID No.11513000163 2. Pem Tshering, DSP RIM GDA Intern, CID No.10910000006 3. Pharpa Yozzer, DSP RIM Certificate Intern, CID No.11107006228;
Supervising Officer:	Jigmi Rinzin FCCA, Managing Partner
Engagement Letter:	RAA(SA-18)/COAD/2023/786 Dated: 6 November 2023
Focal Person:	Jigmi Rinzin, Managing Partner, CID No.10905002564 Email: gjrinzin@gmail.com Email: jafpk2018@gmail.com
Date of Audit Exit Meeting:	14 February 2024

ACRONYMS and ABBREVIATIONS

AASBB:	Accounting and Auditing Standards Board of Bhutan
AFS:	Available for Sale
AGM:	Annual General Meeting
BAS:	Bhutanese Accounting Standards
BFRS:	Bhutanese Financial Reporting Standards
BoBL:	Bank of Bhutan Limited
BS:	Balance Sheet
CA:	Current Assets
CEO:	Chief Executive Officer
CFM:	Close Family Members
CGU:	Cash Generating Unit
CID:	Citizenship Identity Card
CL:	Current Liabilities
CNR:	College of Natural Resources
COSDTMO:	Certificate of Origin cum Stump to Depot Timber Movement Order
CSR:	Corporate Social Responsibility
DBA:	Defined Benefit Assets
DBO:	Defined Benefit Obligation
DHI:	Druk Holdings & Investment Ltd
DoFPS:	Department of Forest & Park Services
DRC:	Department of Revenue and Custom
EBIT:	Earnings Before Interest and Tax
ECL:	Expected Credit Loss
EGM:	Extraordinary General Meeting
EIR:	Effective Interest Rates
ERP:	Enterprise Resource Planning
EPS:	Earnings Per Share
FCCA:	Fellow Chartered Certified Accountant
FD:	Fixed Deposit
FDCL:	Forestry Development Corporations Ltd.
FIFO:	First-In, First-Out
FMU:	Forest Management Unit
FVA:	Fair Value Assets
FVTOCI:	Fair Value Through Other Comprehensive Income
FVTPL:	Fair Value Through Profit & Loss
FX:	Foreign Exchange
GAAP:	Generally Accepted Accounting Principles
GBV:	Gross Block Value
GFPMO:	General Forest Produce Movement Order
GRN:	Goods Receipt Note
HO:	Head Office
HSCP:	Homdar Stone Crushing Plant
IALM:	Indian Assured Life Mortality
IFDP:	Integrated Forest Management Project
IFMP:	Integrated Forest Management Project

IFRS:	International Financial Reporting Standards
ISA:	International Standards on Auditing
IT:	Information Technology
JAF:	JIGMI Audit & Financials Pvt. Ltd.
KMP:	Key Management Personnel
LTC:	Leave Travel Concession
MoAF:	Ministry of Agriculture & Forest
MTI:	Ministry of Trade & Industry
NBV:	Net Book Value
NPPF:	National Pension & Provident Fund
NRDCL:	Natural Resources Development Corporation Ltd.
Nu:	Ngultrum
OCI:	Other Comprehensive Income
OD:	Overdraft
PAT:	Profit After Tax
PBVA:	Performance Based Variable Allowance
P/L:	Profit & Loss
PPE:	Plant, Property and Equipment
PF:	Provident Fund
PTW:	Plantation and Thinning Work
PY:	Prior/Previous Years
RAA:	Royal Audit Authority
RGoB:	Royal Government of Bhutan
RM:	Raw-Materials
RMA:	Royal Monetary Authority
ROU:	Right of Use
SCI:	Statement of Comprehensive Income
SCP:	Stone Crushing Plant
SICR:	Significant Increase in Credit Risk
SoCE:	Statement of Changes in Equity
SPPI:	Solely Payments of Principal and Interest
SRR:	Service Rules & Regulations
TA/DA:	Travel Allowance/Daily Allowance
TDS:	Tax Deducted at Source
TEDM:	Timber Extraction & Disposal Modalities
WCCL:	Wood Craft Centre Ltd.
WIP:	Work-In-Progress
WSC:	Wang Service Center

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(A Private Limited Company)

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2023

To the Shareholder(s) of Natural Resources Development Corporation Limited,
Thimphu

Opinion

We have audited the financial statements of Natural Resources Development Corporation Limited, (the 'Company'), which comprises the Statement of Financial Position as at 31 December 2023, Statement of Comprehensive Income, Statement of Changes in Equity, and the Statement of Cash Flows for the year then ended, and Notes to the Financial Statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, of the financial position of the Company as at 31 December 2023, and of 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 International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of this report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Bhutan and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key Audit Matters (KAM) are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the period under audit. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have nothing to report under the KAM.

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Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 the 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, the 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 the management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered

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material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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; 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, actions taken to eliminate threats or safeguards applied.

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JAF
FOR BETTER BUSINESS

JIGMI Audit & Financials

(A Private Limited Company)

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.

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 information and explanations, which to the best of our knowledge and belief, were necessary for the purpose of our audit;

b. In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

c. The Company's Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows dealt with in this report have been prepared in accordance with BAS; and

d. The Company has complied with other legal and regulatory requirements to the extent applicable to the company.

Jigmi Rinzin FCCA
(Membership No. 0283380)
Partner

Date: 7 May 2024

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Appendix I

MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENTS

In compliance with the ISA as adopted and issued by the Accounting and Auditing Standards Board of Bhutan (AASBB), and as required by Section 266 of the Companies Act of Bhutan, 2016, and on the basis of such checks as we considered appropriate, and according to the information and explanations given to us, we report, to the extent applicable, that:

1. The Company has maintained proper records of the property, plant & equipment in the Assets Register to show full particulars including quantitative details and situation of the assets. As explained to us, the property, plant & equipment have been physically verified by the management during the year in a phased/periodical manner which in our opinion is reasonable having regard to the size of the Company and nature of its assets. As informed, no material discrepancies were noted in the physical verification.

2. None of the property, plant & equipment have been revalued during the year.

3. Physical verification of stocks was conducted at reasonable intervals in respect of finished goods, stores, spare parts and raw materials by the management. As informed to us, no material discrepancies were noticed on physical verification of stocks.

4. Procedures of such physical verification followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

5. The Company has a reasonable system of recording receipts, issues and consumptions of materials and stores and allocating materials consumed to the respective jobs commensurate with its size and nature of the business.

6. Quantitative reconciliation is generally carried out at the end of the accounting year in respect of all major items of inventories, i.e., finished goods and raw materials.

7. Obsolete, damaged, slow moving and surplus goods/inventories, if any, were determined and adjustments for losses, if any, have been made in the Books. Further, wherever the value is significant, adequate provisions were made. Obsolete and surplus inventories are generally disposed of and proceeds from such disposals are accounted for appropriately.

8. Approval of Board/appropriate authority is obtained for writing off of amounts due to material loss/discrepancies in physical vis-à-vis book balances of inventories including finished goods, raw materials, stores and spares.

9. Valuation of inventories are fair and proper in accordance with the applicable BAS issued by the AASBB. Basis of valuation of stocks is the same as in the preceding year and there is no deviation on the basis of valuation.

10. Rate of interest and 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.

11. The Company has not granted any loans to other parties which *Ultra Vires* the Articles of Incorporation and other relevant Acts and regulations.

12. Loans and advances granted by the Company to its officers/staff are as per the provisions of service rules. No instance of excessive/frequent advances or accumulation of large advances against a particular individual has been noted during our test verification.

13. In our opinion, there are adequate systems 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, system and procedures.

14. In our opinion, there is adequate system of competitive biddings, commensurate with the size of the Company and nature of its business, for the purchase of goods and services, including property, plant & equipment and other items, such as, raw materials, stationeries and related expendable items, and for the sale of goods and services.

15. Transactions for purchase of goods and services made in pursuance of contracts or arrangements entered into with Director(s) or any other party(s) related to the Director(s) or with companies or firms in which the Director(s) is/are directly or indirectly interested have been made at prices, which are reasonable having regard to the prevailing market rates/prices for such goods or services or at rates/prices at which the transactions for similar goods or services have been made with other parties. Details of such transactions, if any, are adequately disclosed in the Financial Statements.

16. There is a reasonable system of ascertaining and identifying point of occurrence of breakage/damages of raw materials, packaging materials and finished products, i.e., while in transit, during processing, during loading/unloading, in storage and during handling, etc. so that responsibility could be fixed and compensation sought from those responsible.

17. To the best of our knowledge, expenses charged to the Company's accounts represent legitimate business expenses and no personal expenses have been debited to the Statement of Comprehensive Income other than those payable under contractual obligations/service rules.

18. The company is maintaining reasonable records for production of finished goods, by-products and whether adequate physical safeguards exist to prevent unauthorized or irregular movement of goods from the company.

19. The company is maintaining reasonable records for sales and disposal of realizable by-products and scraps where applicable.

20. In our opinion, the Company is regular in depositing rates, taxes, duties, royalties, provident funds, and other statutory dues with the appropriate authorities. Further, the provision for corporate tax was found to be adequately computed and deposited timely in accordance with the current applicable tax laws, rules and regulations of the country, and has been appropriately disclosed in the financial statements.

21. There was no undisputed amount payable in respect of rates, taxes, duties, royalties, provident funds and other statutory deductions at the year-end other than tax deducted at source (TDS) which was paid later on within the stipulated time period.

22. The company has a reasonable system of allocating man-hours utilized to the respective jobs, commensurate with the size and nature of its business.

23. There is a reasonable system of price fixation taking into account the cost of production and market conditions.

24. The credit sales policy is reasonable and proper credit rating of customers are carried out.

25. The system of screening commission agents is adequate where sales are made through commission agents and that the agency commission structure is in keeping with the industry norms/market conditions, and/or where the company has a system of evaluating performance of each agent on a periodic basis.

26. There is a reasonable system for continuous follow-up with debtors and other parties for recovery of outstanding amounts. Age-wise analysis of outstanding amounts is carried out for management information and a system of continuous follow-up is in place. The Company had managed to receive 78% of the old outstanding debtors, amounting to Nu.112.371 million out of Nu.143.900 million. *However, the same needs to be strengthened as there are instances of old outstanding debtors reflected in the Financial Statements.*

27. 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.

28. Activities carried out by the company are lawful and *Intra Vires* the Articles of Incorporation of the company.

29. 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.

30. The company has established an effective budgetary control system.

31. Being involved in manufacturing activities, input-output relationship can be established, standard costing system is established and the variance analysis carried out on periodic intervals and corrective action taken if warranted.

32. In our opinion, other than the remuneration to the Chief Executive Officer, and sitting fees to other Directors, no other payments in cash or in kind, have been paid to them or any of their relatives, in the nature of remuneration or commission. Remunerations, commission and other payments, made in cash or in kind, to the Board of Directors, including the Chief Executive Officer, or any of their relatives, including spouse(s) and child/children, if any, by

the Company directly or indirectly are disclosed in the Financial Statement *(Refer Note 1(29): Transactions with Related Parties – Key Management Personnel).*

33. The directives of the Board have been found to be complied with by the Company.

34. Price sensitive information, to the best of our knowledge, has not been transmitted by any official of the Company, unauthorized to any other person with intent to benefit themselves.

35. In our opinion, proper records are kept for inter-unit transactions and services and arrangements for services made with other agencies engaged in similar activities.

36. In our opinion, proper agreements are executed and that the terms and conditions of leases are reasonable and the same are applied if machinery/equipment are acquired on lease or leased out to others.

37. Sourcing of products for retailing has been done rightly from manufacturers and authorized dealers at most advantageous terms and prices.

38. Appropriate levels of inventory requirements are determined and maintained to avoid stock-out and excessive stocking situations.

Computerized Accounting Environment

In our opinion:

1. Size and nature of IT (Computer) systems and installations are adequate for organizational and system development and other relevant internal control.

2. The Company has adequate safeguard measures, back-up facilities and disaster recovery measures including a system of keeping files in different locations.

3. Operational controls are adequate to ensure correctness and validity of input data and output information.

4. Measures to prevent unauthorized access over the computer installation and files are in existence and adequate.

General

1. Going Concern

On the basis of tests conducted during the audit as we considered necessary and further, based on the forecast by the management, in our opinion the Company is a Going Concern. In addition, we have also not identified any material uncertainty that would have bearing on the Going Concern.

2. Ratio Analysis (attached separately)

Significant ratios indicating the financial health and performance of the Company are provided under **Annexure-I** of this Report.

3. Compliance with the Companies Act of the Kingdom of Bhutan

The Company has complied with the applicable provisions of the Companies Act of Bhutan, 2016. Details of Compliance calendar and Compliance checklist are given under ***Annexure-II*** of this Report.

4. Adherence to Laws, Rules and Regulations

The audit of the Company is governed by the Companies Act of Bhutan 2016 and the scope of audit is limited to examination and reviews of the financial statements as produced to us by the Management.

In the course of the audit, we have considered the compliance of provisions of the said Companies Act, its Articles of Incorporation and applicable Bhutanese Accounting Standards.

For JIGMI Audit & Financials Pvt. Ltd.

Jigmi Rinzin FCCA
(*Membership No. 0283308*)
Partner

Date: 7 May 2024

FINANCIAL STATEMENTS

NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED
Statement of Financial Position as at 31 December 2023

(All in Ngultrum)

PARTICULARS	Notes	31-12-2023	31-12-2022
ASSETS			
Non-current assets			
Property, plant and equipment	2	398,902,888	403,519,579
Intangible assets	3	165,186	1,993,590
Right of Use Assets	3a	1,784,817	1,623,390
Provision for employee benefits	13	22,442,342	34,500,656
Capital Work-In-Progress	4	79,698,856	1,658,698
Other non-current assets	5	1,700,710	1,448,875
Deferred Tax Assets	6	5,749,374	5,419,968
Total Non-Current asset		**442,444,373**	**447,884,795**
Current Assets			
Other current assets	7	380,555,939	42,854,983
Cash and cash equivalent	8	226,041,744	34,503,083
Trade and other receivables	9	216,456,109	133,884,097
Inventories	10	289,244,635	286,877,998
Total current assets		**1,115,298,428**	**498,120,161**
TOTAL ASSETS		**1,557,738,403**	**946,004,916**
EQUITY AND LIABILITIES			
Equity			
Share capital		152,808,852	152,808,852
Retained earnings		315,198,192	295,158,481
Statutory and other restricted reserves		34,584,297	34,584,297
Other reserves		145,912,558	145,912,558
Total equity		**648,503,899**	**628,464,188**
Liabilities			
Non-current liabilities			
Non-current borrowings	11	92,151,331	115,100,847
Government grant	12	3,213,501	3,384,518
Provision for employee benefits	13	9,425,181	19,999,012
Lease Liability	15	2,124,525	1,517,491
Deferred Tax Liability	15	1,273,515	6,444,697
Total non-current liabilities		**108,187,652**	**146,846,565**
Current liabilities			
Current borrowings	11	625,412,624	29,377,524
Government grant	12	1,323,881	2,472,345
Provision for employee benefits	13	25,788,408	22,374,263
Trade and other payables	14	121,264,557	87,922,870
Other current liabilities	15	18,697,747	28,546,962
Provision for corporate income tax	16	10,561,854	-

Total Current liabilities		803,087,050	170,694,344
Total liabilities		909,234,702	317,540,728
TOTAL LIABILITIES AND EQUITY		1,557,738,601	946,004,916

For JIGME Audit & Financials Pvt. Ltd.

For Natural Resource Development Corporation Limited

Jigmi Rinzin FCCA
(Membership No. 0283300)
Partner

Sonam Chophel
General Manager

Jigme Thinley
Chief Executive Officer

Dasho Karma Tshiteem
Chairman

Date: 7 May 2024

NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED
Statement of Comprehensive Income for the period ended 31 December 2023

(All in Ngultrum)

Particulars	Notes	31-12-2023	31-12-2022
Revenue	17. a	896,695,977	725,869,862
Cost of Sales (Direct Expenses)	18	803,697,432	699,521,677
Gross Profit		**92,998,545**	**26,348,185**
Other income	17. b	29,321,073	29,330,971
Operating Expenses:			
Administrative Expenses	19	71,724,704	71,090,856
Selling & Distribution Expenses	20	924,622	813,779
Finance cost	21	16,510,114	9,148,842
Total Operating expenses		**89,159,441**	**81,053,477**
Operating profit (loss)		**33,160,177**	**(25,374,321)**
Profit (loss) before income tax		**33,160,177**	**(25,374,321)**
Income tax expense	22	14,199,359	-
Deferred Tax (Income)/Expense	22	(105,186)	2,834,016
Profit (loss) for the year from continuing operations		**19,066,004**	**(28,208,337)**
(Profit) loss for the year from discontinued operations		-	-
Profit (loss) for the year		**19,066,004**	**(28,208,337)**
Profit attributable to:			
EPS attributable to owners of the parent:			
Basic EPS			
From continuing operations		12.48	(18.46)
From discontinued operations		-	-
From profit for the year		12.48	(18.46)
Diluted EPS			
From continuing operations		12.48	(18.46)
From discontinued operations		-	-
From profit for the year		**12.48**	**(18.46)**
Statement of Other comprehensive income			
Profit (loss) for the year from continuing operations		19,066,004	(28,208,337)
Actuarial gain(losses) on defined benefit plans		(6,421,698)	15,204,623
Deferred Tax on Provision for Gratuity (OCI)	22	7,395,405	(4,561,387)
Tax Paid/Refund relating to earlier years		-	608,786
Total comprehensive income for the year		**20,039,711**	**(16,956,314)**
Total comprehensive income attributable to:			
Owners of the parent		20,039,711	(16,956,314)
		20,039,711	**(16,956,314)**
Total comprehensive income attributable to owners of the parent arises from:			
Continuing operations		20,039,711	(16,956,314)
Discontinued operations		-	-

			20,039,711	(16,956,514)

For JIGMI Audit & Financials Pvt. Ltd.

Jigmi Rinzin FCCA
(Membership No. 0283300)
Partner

For Natural Resource Development Corporation Limited

Sonam Chophel
General Manager

[illegible]
Chief Executive Officer

Dasho Karma Tshiteem
Chairman

Date: 7 May 2024

NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED

Statement of Changes in Equity for the period ended 31 December 2023

Particulars	Equity Share Capital			Reserves and Surplus		Other Reserves		Total
	No. of Shares (issued and fully paid up)	Par value	Issued share value	General Reserves	Retained Earnings	Revaluation Reserves	Capital Reserves	
Balance as at 1 January 2022 (A)	1,528,089	100	152,808,852	145,912,556	312,379,854	-	34,584,297	645,681,561
Profit for the year	-	-	-	-	(28,208,337)		-	(28,208,337)
Retirement benefit obligations-Retained Earning	-	-	-	-	15,204,625	-	-	15,204,625
Deferred Tax	-	-	-	-	(4,561,387)	-	-	(4,561,387)
Tax Paid relating to earlier years	-	-	-	-	608,786	-	-	608,786
Lease adjustments	-	-	-	-	(261,059)	-	-	(261,059)
Retained Earnings transfer from WCCL	-	-	-	-	-	-	-	-
Total Comprehensive Income (B)	1,528,089	100	152,808,852	145,912,556.35	295,158,481	-	34,584,297	628,464,188
Dividends paid	-	-	-	-	-	-	-	-
Proceeds from Shares issued	-	-	-	-	-	-	-	-
Total Contributions by and Distributions to Owners (C)	-	-	-	-	-	-	-	-
Total transactions with Non-Controlling Interests directly recognised in Equity (D)	-	-	-	-	-	-	-	-
Balance as at 31st December 2022 E=(A+B+C+D) Restated	1,528,089	100	152,808,852	145,912,556	295,158,481	-	34,584,297	628,464,188
Balance as at 1 January 2023 (A)	1,528,089	100	152,808,852	145,912,556	295,158,481	-	34,584,297	628,464,188
Profit for the year	-	-	-	-	19,066,004		-	19,066,004
Retirement benefit obligations-Retained Earning	-	-	-	-	(6,421,695)	-	-	(6,421,695)
Deferred Tax	-	-	-	-	7,395,403		-	7,395,403
Tax Paid relating to earlier years	-	-	-	-			-	-

Lease adjustments	-	-	-	-	-	-	-	-
Transfers of Land to DHI	-	-	-	-	-	-	-	-
Total comprehensive income for the year (B)	1,528,099	100	152,808,852	145,912,556	315,198,192	-	34,504,297	648,503,099
Dividends paid	-	-	-	-	-	-	-	-
Proceeds from Shares issued	-	-	-	-	-	-	-	-
Total Contributions by and Distributions to Owners (C)	-	-	-	-	-	-	-	-
Total transactions with Non-Controlling Interests directly recognised in Equity (D)	-	-	-	-	-	-	-	-
Balance as at 31 December 2023 E=(A+B+C+D)	1,528,099	100	152,808,852	145,912,556	315,198,192	-	34,504,297	648,503,099

Number of shares authorized for each class of shares:

Authorized share capital	As at 31 December	
	2023	2022
Number of ordinary shares of face value Nu.100 each	8,000,000	8,000,000

For JIGMI Audit & Financials Pvt. Ltd.

Jigmi Rinzin FCCA
(Membership No. 0283300)
Partner

Date: 7 May 2024

For Natural Resource Development Corporation Limited

Sonam Chophel
General Manager

Chief Executive Officer

Dasho Karma Tshiteem
Chairman

NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED

Statement of Cash Flows for the year ended 31 December 2023

(All in Ngultrum)

Particulars	Notes	31-12-2023	31-12-2022
Cash flows from operating activities			
Profit before income tax		33,160,177	(25,374,321)
Adjustments for:			
Depreciation and amortization	2&3	83,685,872	87,498,741
(Profit) loss on disposal of property, plant and equipment	17	(3,490,942)	(1,744,250)
Release of Grant received to SCI	12	(1,321,880)	(2,472,545)
Liabilities no more required written back	17	(1,195,144)	(7,137,665)
Interest paid	20	15,392,339	8,242,028
Interest received	17	(2,037,468)	(1,347,407)
Cash flows from operating activities-Before Working Capital		**124,294,953**	**57,664,582**
Changes in other current assets	7	(369,095,674)	(7,896,822)
Changes in trade and other receivables	9	(82,572,013)	(39,769,345)
Changes in inventories	10	(2,346,637)	15,966,958
Changes in trade and other payables	14	34,534,811	2,012,259
Changes in other current and non-current liabilities	15	(14,813,564)	22,608,131
Changes in Deferred Tax Assets	6	(2,329,406)	950,705
Changes in provision for employee benefits	13	4,698,628	(17,870,004)
Changes in current and non-current assets	5	(251,835)	2,480,919
Cash generated from operations		**(308,000,738)**	**36,147,366**
Income tax paid	16	24,761,213	(3,399,380)
Net cash flow from operating activities		**(283,239,525)**	**32,747,985**
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(72,259,442)	(94,868,543)
Right of Use Asset	3a	-	(1,945,238)
Purchase of capital WIP	4	(18,060,158)	2,136,208
Proceeds from sale of property, plant and equipment		6,288,180	1,854,021
Interest Received	17	2,037,468	1,347,407
Net cash used in investing activities		**(81,993,953)**	**(91,476,145)**
Cash flows from financing activities			
Interest Paid	20	(15,392,339)	(8,242,028)
Change in Long Term Borrowings	11	(22,949,516)	31,465,232
Change in Overdraft/Short Term Borrowings	11	394,035,100	(5,601,172)
Actuarial gain/(losses) on defined benefit plans		(6,421,695)	15,204,623
Tax Paid relating to earlier years		-	608,784
Lease adjustments		-	(261,059)
Deferred Tax		7,501,588	(7,395,403)
Net cash used in financing activities		**356,772,139**	**45,778,980**
Net increase or (decrease) in cash and cash equivalents		(91,538,661)	(12,949,182)

Cash and cash equivalents at beginning of year		34,503,083	47,452,263
Cash and cash equivalents at end of the year	8	**226,041,744**	**34,503,083**

For JIGMI Audit & Financials Pvt. Ltd.

Jigmi Rinzin FCCA
(Membership No. 0283308)
Partner

Date: 7 May 2024

For Natural Resource Development Corporation Limited

Sonam Chophel
General Manager

J... Thinley
Chief Executive Officer

Dasho Karma Tshiteem
Chairman

ACCOUNTING POLICIES & NOTES TO ACCOUNTS

NOTE 1: GROUP ACCOUNTING POLICY

Introduction

Druk Holdings and Investment Limited (DHI) is a company limited by shares, incorporated and domiciled in the Kingdom of Bhutan. The principal business of the Group, (DHI and its Subsidiaries, Associates) is diversified across various sectors, such as power generation and distribution, aviation, banking, manufacturing, construction, telecom, natural resources, etc. All significant operations of the Group take place within the Kingdom of Bhutan. The ultimate parent of the Group is DHI, a company limited by shares whose 100% shares are owned by the Royal Government of Bhutan.

The financial statements shall be prepared as per the standards prescribed by the Accounting and Auditing Standard Board of Bhutan (AASBB). IFRS/BFRS (International Financial Reporting Standards/Bhutanese Financial Reporting Standards) is a principle-based framework and provides choices within the standards for application and recognition. The Group Accounting Policy document provides the significant accounting policies applicable to the preparation of financial statements wherever the standard provides options in the choice of methodology, recognition and measurement. These policies need to be followed consistently, unless otherwise stated.

Objective of Group Accounting Policies

The Objective for the Group Accounting Policies is to achieve the following benefits across Group entities:

(a) Consistency of Application: Group Accounting Policies help in bringing consistent accounting treatment of similar transactions across the group companies.

(b) Correct Accounting Treatment: Group Accounting Policies help and ensure that the correct accounting treatment has been followed for complex accounting issues, such as revenue recognition or classification of securities, etc. across all the group entities.

(c) Efficiency: By streamlining decision processes, accounting policies help in making the process of recording and measuring accounting transactions more efficient and effective.

Implementation of Bhutanese Accounting Standards

The AASBB has issued the first set of the Bhutanese Accounting Standards 'BAS 2015' which is a local version of IFRS issued by International Accounting Standards Board hereafter 'IASB', with minor changes to suit local needs. The AASBB has decided to adopt IFRS in a phased manner. As per the roadmap issued by AASBB a total of 18 standards are to be implemented in the first phase commencing in 2013 for a period of 3 years, while 9 standards would be implemented in second phase and 10 standards in third phase from 2016 and 2018 respectively.

The third and final phase of Bhutanese Accounting Standards (BAS) was due for implementation in 2018 as per the notification issued by AASBB in July 2017. DHI and its group companies had decided to early adopt the full BAS from 2017.

In January 2022, the AASBB issued new standards BAS 2020 which has replaced the BAS 2015 for implementation in 2022.

Reporting Entity (Company overview)

Natural Resources Development Corporation Ltd. (the 'Company') is a wholly-owned subsidiary of Druk Holdings and Investment Ltd (DHI). The Company was incorporated vide Registration of Incorporation No.U19901227THI05 under the Companies Act of the Kingdom of Bhutan 1989 (*Amendments, 2000 and 2016*) and domiciled in the Kingdom of Bhutan. It was initially incorporated in 1984 under the Royal Charter as Bhutan Logging Corporation, which later evolved into Forestry Development Corporation Ltd. (FDCL) in 1996.

The primary activity of the Company is to supply and make the basic construction materials such as timber, sand, and stones affordable, accessible and available to the public at large.

With its Head Office at Phendey Lam, P.O. Box 192, Thimthrom, Thimphu, its activities are spread across the country. Its field activities are managed by four Regional Offices, two Branches and two Service Centres, as detailed below.

Region/Branch/ Centre	Activities/Products	Coverage/Operational Area
Rinpung Region	Timber, sand, stone (except sand from Wangdue is under Sha Branch)	Thimphu, Paro, Haa, Wangdue, Punakha, Gasa, Dagana and Tsirang
Phuentsholing Region	Timber, sand, stone	Chhukha, Samtse, and Lhamoizingkha (Dagana)
Jakar Region	Timber, sand, stone	Bumthang, Trongsa and Zhemgang
Zhonggar Region	Timber, sand, stone, and Joinery Products	Mongar, Trashi Yangtse, Trashigang, Lhuentse, Pemagatshel, and Samdrupjongkhar
Sha Branch	Sand	Wangdue
Gelephu Branch	Timber, sand, stone	Sarpang
Wood Craft Centre (WCC)	Timber related value-added products	Operational from Langjophakha, Thimphu
Wang Service Centre (WSC)	Wood Joinery Products, Briquette and Sawn Timber Outlet	Operational from Ramtokto, Thimphu

The consolidated financial statements for the year ended 31 December 2023 were authorised for issue in accordance with a resolution of the directors on 12.03.2024.

1. **Basis of preparation**

1.1 Compliance with Bhutanese Accounting Standard (BAS)

The preparation of financial statements under BAS requires the use of certain critical accounting estimates and management to exercise its judgement in the process of applying the group's accounting policies. The area involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are:

Income: Revenue is recognized at a point in time when the entity transfers the control of goods or services or over the time based on input or output method.

Property, Plant and Equipment (PPE): 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 group is subject to taxes in Bhutan and other jurisdictions in which it operates. The application of tax law to specific circumstances and transactions requires the exercise of judgment by the management.

Impairment of Financial Asset: The provisions on financial assets- loans, trade receivable and contract assets are measured using expected credit loss model which requires the exercise of significant judgement and estimates according to historical data and macroeconomic data.

Offsetting: Assets and Liabilities or Income and Expenses, are not offset unless required or permitted by the standards.

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position only when there is a legally enforceable right to off-set the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expenses are not offset in the statement of Profit or loss unless required or permitted by an accounting standard or an interpretation, and as specifically disclosed in the significant accounting policies of the Group.

Use of Estimates and Judgment

In preparing the Financial Statements in conformity with BFRS/BAS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results which form the basis of making the judgement about the carrying amount of assets and liabilities that are not readily apparent from other sources.

Functional and Presentation Currency

The functional currency of preparation is the Bhutanese Ngultrum.

1.2 Materiality and Aggregation

Each material class of similar items is presented separately in the financial statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by *BAS 1: Presentation of Financial Statements.*

Notes to the Financial Statements are presented in a systematic manner which ensures the understandability and comparability of Financial Statements of the Group and the Company. Materiality assessment also involves making sure that information that is important to the users is not obscured by immaterial information, or by aggregating material items that have different natures or functions.

Determining the threshold level of materiality requires that an appropriate base level and percentage be decided on. The materiality threshold benchmarks, specific level of materiality for individual balances, class of transaction or disclosures shall be provided in the DHI's guidelines on Materiality.

1.3 Historical cost convention
The financial statements are prepared on a historical cost basis, except for the following:

- Financial instruments - measured at fair value;
- Assets held for sale - measured at fair value less cost to sell;
- Defined benefit plans - plan assets measured at fair value; and
- Biological assets - measured at fair value.

1.4 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:

i. Expected to be realized or intended to be sold or consumed in normal operating cycle;
ii. Held primarily for the purpose of trading;
iii. Expected to be realized within twelve months after the reporting period; or
iv. 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:

i. It is expected to be settled in normal operating cycle;
ii. It is held primarily for the purpose of trading;
iii. It is due to be settled within twelve months after the reporting period; or
iv. There is no substantial 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.

2 Presentation of Financial Statements (BAS 1)

Financial Statements are required to be prepared fairly as set out in the framework and are required to be complied with all requirements of BFRS. A complete set of financial statements comprise of:

i. Statement of Financial Position;
ii. Statement of Profit or Loss and Other Comprehensive Income;
iii. Statement of Equity;
iv. Statement of Cash Flow; and
v. Notes comprising of significant accounting policies, estimates and judgements.

The Statement of Financial Position can be presented as:

i. Current and Non-current separately; and
ii. In order of Liquidity.

The statement of Profit or Loss and Other Comprehensive Income can be presented:

i. Nature of expense;
ii. Function of expense; and
iii. Mixed approach if the entity is of the view that statement will be presented fairly and more relevant depending on the industry.

3 Inventories (BAS 2)

This Standard prescribes the basis of accounting treatment of inventories. It states that inventories need to be measured at lower of cost and net realizable value and cost can be determined using *first in first out (FIFO) or weighted average method.*

The Group Accounting policy prescribes the weighted average method.

4 Cash Flows (BAS 7)

This standard provides information about the cash flow flows of the entity and shall present it as an integral part of the financial statements. The cash flow for the period shall be classified as operating, investing and financing. The standard provides options for preparing the cash flows from operation either by *direct method or the indirect method.*

The Group Accounting Policy prescribes *the indirect method of presentation of the cash flow statement.*

5 Property, Plant and Equipment (BAS 16)

This Standard prescribes the accounting treatment for property, plant and equipment (PPE). PPE are tangible items that:

i. *Are held for use in the production or supply of good and services, for rental to others, or for administrative purposes; and*
ii. *Are expected to be used during more than one period.*

PPE shall be measured at its cost initially and will need to be depreciated using the useful life. The useful life of the PPE will be ascertained by the respective entities within the range prescribed in the group policy.

The Standard allows different methods of depreciation as follows:

i. *Straight line method;*
ii. *Diminishing Balance method; and*
iii. *Unit of production method*

The Standard allows PPE to be stated as per:

i. *Historical cost less accumulated depreciation less accumulated impairment, if any, or*
ii. *Re-valued amount less subsequent accumulated depreciation less subsequent accumulated impairment losses.*

The Group Accounting Policy prescribes the following:

i. *Straight-line method for depreciation;*
ii. *Historical cost less accumulated depreciation less accumulated impairment, if any, for all PPE except land; and*
iii. *Land will be measured at revalued amount less subsequent accumulated depreciation less subsequent accumulated impairment losses.*

The depreciable amount of an asset shall be allocated on a systematic basis over its useful life. The useful life of an asset is defined in terms of the asset's expected utility to the entity. Given the different sectors within the group, the Group Accounting Policy does not prescribe a standard useful life among the asset class rather a range is defined within which the respective companies are expected to provide *(Refer Annexure – 'A')*.

Decommissioning liability
Any cost of dismantling or restoration works that have been included in the cost of the PPE are also recognized as decommissioning liability at a discounted rate. A catch-up adjustment to the liability is made annually through the profit and loss.

The residual value and useful life of the asset are reviewed at end of each financial year and if expectations differ from previous year estimates, the changes are accounted for as a change in accounting estimate under BAS 8.

6 Government Grants (BAS 20)

This Standard prescribes the accounting treatment and disclosures for government grants or other forms of government assistance. There are two types of grants, viz. grants related to income and grants related to assets.

A grant related to income may be presented:

i. Separately as 'other income'; and
ii. Deducted from related expenses.

Grants related to assets may be presented as:

i. As deferred income (released to profit and loss statement when related expenditures impact profit and loss statement); and
ii. By deducting the grant from the asset's carrying amount.

Grants receivable as compensation for costs, either incurred or for immediate financial support with no future related costs, are recognized as income in the period in which it is receivable.

Non-monetary grants such as land or other properties, can be accounted at fair value or nominal value.

The Group policy prescribes the following:

i. *Grants related to income from RGoB and other organizations relating to costs are recognized in the income statement over the period necessary to match them with the costs that they are intended to compensate;*
ii. *Grants relating to PPE are included in non-current liabilities as Deferred Government Grants. Depreciation on the assets is charged against the grant and not to the Operating Statement; and*
iii. *The non-monetary assets can be accounted for at a nominal value.*

7 Separate Financial Statements (BAS 27)

This Standard prescribes accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates. The Standard allows investments in subsidiaries, joint ventures and associates to be recorded as follows:

i. Cost;
ii. Fair value as per IFRS 9; and
iii. Equity method

The group Accounting Policy investments to be recorded *at cost.*

8 Investment in Associates and Joint ventures (BAS 28)

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The company's investment in the associates and joint ventures are accounted for using the equity method as the company is not an investing entity and does not account the fair value through profit and loss.

Only investments in associates and joint ventures that are investing entities are accounted at fair value through profit and loss.

9 Intangible Assets (BAS 38)

This Standard prescribes the accounting treatment for intangibles that are not dealt with specifically in another Standard. Intangible are recognized if, and only if:

i. It is probable that the expected future economic benefits that are attributable to the assets will flow to the entity; and
ii. The cost of the assets can be measured reliably.

The Standard allows different methods of amortization as follows:

i. *Straight line method;*
ii. *Diminishing Balance Method; and*
iii. *Unit of production method.*

The Standard allows intangibles to be stated as per:

i. *Cost less accumulated amortization less accumulated impairment, if any; or*
ii. *Re-valued amount less subsequent accumulated amortization less subsequent accumulated impairment losses.*

The Group Accounting Policy prescribes the following:

1. *Straight-line methods for amortization; and*
2. *Cost less accumulated amortization less accumulated impairment, if any.*

10 Investment Property (BAS 40)

This Standard prescribes accounting treatment for investment property. An investment Property is a property held to earn rental or for capital appreciation or both, rather than use in the production or supply of goods and services, for administrative purposes, or sale in the ordinary course of business. An investment property shall be initially measured at its cost and can be stated *at cost or fair value subsequently.*

The group accounting policy prescribes to apply a cost model for the subsequent measurement.

11 Business Combination and Goodwill (BFRS 3)

11.1 Business combination other than under common control

The objective of this Standard is to improve relevance, reliability and comparability of information about business combinations. A business combination requires that the assets acquired, and liabilities assumed constitute a business and shall account business combinations by applying the acquisition method.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date, fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the company elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

Contingent consideration, classified as an asset or liability that is a financial instrument and within the scope of *BFRS 9: Financial Instruments*, is measured at fair value with the changes in fair value recognized in the statement of profit or loss in accordance with BFRS 9.

Other contingent consideration that is not within the scope of BFRS 9 is measured at fair value at each reporting date with changes in fair value recognized in profit or loss.

The Group measures goodwill at *the acquisition date as the fair value of the consideration transferred including the recognized amount of any non-controlling interests in the acquiree, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.* When the fair value of the consideration transferred including the recognized amount of any non-controlling interests in the acquiree is lower than the fair value of net assets acquired, a gain is recognized immediately in the income statement.

Goodwill is not subject to amortization but will be reviewed for impairment annually.

11.2 Business combination under common control

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

The acquisition of business under common control is not covered in the above Standard (BFRS 3). Business combinations involving entities under common control are accounted for using the 'pooling of interests' method until an appropriate Standard on the same is introduced.

12 Exploration and Evaluation of mineral resources (BFRS 6)

This Standard's objective is to specify the financial reporting for the exploration and evaluation of mineral resources.

Exploration and evaluation shall be measured at cost and accumulated as capital work-in-progress. The entity needs to classify them as tangible, or intangible based on the nature of the assets and apply consistently. As the operation commences, the cost needs to be depreciated/amortized using the following methods:

i. *Unit of production method;*
ii. *Straight line method; and*
iii. *Diminishing Balance Method.*

It also allows these exploration and evaluation assets to be classified under *cost or revaluation models.*

The Group Accounting Policy prescribes the following:

i. *To adopt the units of production method for depreciation; and*
ii. *To adopt the cost less accumulated depreciation less accumulated impairment, if any.*

13 Segment Reporting (BFRS 8)

An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the group's other components, and for which discrete financial information is available.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

However, BFRS 8 is applicable only to listed companies and hence an unlisted company is not required to identify the operating segment as per above-mentioned policy.

DHI Group Accounts shall *present segmental reporting based on the sector of the company that it holds.* The policy adopted by the individual companies within the group for the segment accounting will not impact the accounting policies used by DHI for the consolidated accounts.

14 Financial Instruments (BFRS 9)

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

14.1 Financial Assets

Financial assets are measured at fair value on initial recognition and subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics (solely for payment of principal and interest 'SPPI' test) and the Group's business model for managing them. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price under BFRS 15. Based on SPPI test and business model, the financial assets will have to be subsequently classified as:

i. At amortized cost;
ii. Fair value through Profit and Loss; and/or
iii. Fair value through Other Comprehensive Income.

14.2 Financial Asset at amortized cost

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost includes loans, trade receivables, and loans to subsidiaries.

14.3 Financial Assets at Fair Value through OCI

The investment in equity shares where the shareholding is less than 20% will be required to be measured at fair value at each balance sheet date and the subsequent changes in the fair value to be designated through the Profit or Loss account or Other Comprehensive Income depending on the SPPI and business model test. The Standards allow one time option to elect the equity instruments to be classified at Fair Value through Other Comprehensive Income (without recycling).

The Group Accounting Policy prescribes *to classify irrevocably its equity investment of less than 20% at Fair Value through Other Comprehensive Income unless the assets are held for trading purposes.*

14.4 Impairment

The Group recognizes an allowance for expected credit losses (ECLs) for all financial instruments except for financial assets classified at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

ECL is recognized for 12 months and lifetime. ECL is determined based on the significant increase in credit risk 'SICR' and objective evidence of impairment over the life of the financial assets. For computation of ECL, the Standard prescribes a rebuttable presumption of 30 days past due as approach for ECL computation of trade receivables, contract assets and lease receivable.

The Group Accounting Policy prescribes the following:

i. *30 days past due as trigger point for SICR;*
ii. *90 days past due as the default point; and*
iii. *Simplified approach for computation of ECL for trade receivables, contract assets and lease receivables.*

Impairment of financial assets shall be further guided by Guidelines issued by the DHI. Impairment of loans and advances for banks shall be guided by the guidance issued by the Royal Monetary Authority.

14.5 Financial Liabilities
All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Financial liabilities are subsequently measured at:

i. Amortized cost; and
ii. Fair value through profit and loss.

The Group's financial liabilities are measured at *amortized cost.*

15 Consolidation (BFRS 10)

BFRS 10 provides an exception from consolidation requirements to the parent company, which is an investment entity. DHI does not qualify as an investment entity under BFRS 10 and thus is required to prepare consolidated financial statements. Financial statements of the subsidiaries are consolidated on a line-by-line basis. All significant intra-group balances and transactions, and any unrealized incomes and expenses arising from group transactions, are eliminated.

Financial statements shall be prepared by applying uniform accounting policies prescribed for the group as a whole. Where companies in the group have applied accounting policies that do not match group accounting policies, adjustments need to be made to ensure that consistent accounting policies have been applied in the group.

Financial statements of subsidiaries are consolidated from the date that control commences until the date that control ceases.

Where a parent of a subsidiary produces consolidated financial statements, the entity that is a parent (have subsidiary/subsidiaries) does not have to prepare and produce consolidated financial statements.

Balance and Transaction Eliminated on Consolidation
Intra-group balances and transactions, including incomes, expenses and dividends, are eliminated in full. Profits and losses resulting from intra-group transactions that are recognized in assets, such as inventory and fixed assets, are eliminated in full.

16. Lease (BFRS 16)

The Group assesses all lease contracts at inception whether it contains a lease. If the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration, then a right-to-use asset is recognized, and lease liability is recognized for all future lease payment.

The Standard provides exemption for short term i.e., less than 12 months and low value leases.

Right-of-Use asset
The Standard provides the option to present right-of-use assets as separate items on the balance sheet or as part of PPE or investment property. For subsequent measurement of right-of-use, the Standard provides a choice to adopt cost model or revaluation model, or fair value model.

The group Accounting Policy prescribes to:

i. Apply exemption on short term and low value leases as defined in the guidelines for materiality;
ii. Present the right-to-use asset as a separate item on balance sheet; and
iii. Subsequent measurement based on cost model for leases recognized.

Lease Liability
The Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payment includes fixed payments (including in-substance fixed payments) less than any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

17. Impairment of Assets (BAS 21)

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. 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 is 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.

18. 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.

19. Current and deferred income tax

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

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

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

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

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

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

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

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

20. 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.

Gratuity and leave wages are 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 OCI.

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) 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.

Explanatory Notes on Financial Statements

21. 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.

22. 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.

23. Functional currency used is Ngultrum (Nu.) and figures are rounded off to the nearest Ngultrum.

24. 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.

25. Financial Statements

25.1 Share Capital

All ordinary shares are ranked equally. The authorized share capital of the company is Nu.800 million (8,000,000 equity share @ Nu.100 per share). As of the report date, the total subscribed and paid-up share capital is Nu.152,808,852 (1,528,088.52 @ Nu.100 per share).

25.2 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 in the Annual Compact, the parent company and the RGOB.

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

a. **Presentation of expenses**

The company uses a functional approach in presenting the expenses. The expenses on employees and depreciation are bifurcated by function.

Employee Compensation and Benefit Expenses	Direct (Nu.)	Indirect (Nu.)	Total (Nu.)
Basic Salaries	97,077,778	17,226,396	114,304,174
PF - Employer's Contribution	14,093,880	2,420,689	16,514,569
Allowances	33,917,800	8,545,032	42,462,832
Master roll payment	624,233	-	624,233
Overtime allowance	1,809,675	-	1,809,675
Performance based variable allowance (PBVA)	2,157,226	408,898	2,566,124
Leave Encashment	8,177,980	2,159,369	10,337,349
Leave Travel Concession (LTC)	5,291,232	554,705	5,845,937
Transfer Grant	922,193	-	922,193
Carriage charges	463,230	42,304	505,534
Travel Allowance	103,084	-	103,084
Salary Arrear	25,560	4,531	30,091
Separation Allowances - NRDCL			
Gratuity Expenses	3,521,085	1,046,512	4,567,597
Transfer Grant	665,280	126,103	791,383
Travel Allowance	665,280	126,103	791,383
Carriage Charges	425,540	80,660	506,200
Depreciation and amortization			
Building	4,425,864	1,165,120	5,590,984
Road	30,370,271	-	30,370,271
Cable Crane	10,995,283	-	10,995,283
Machinery and Equipment	27,729,736	-	27,729,736
Tractors and Trucks	1,288,424	-	1,288,424
Vehicle	728,254	780,959	1,509,213
Furniture	293,099	142,912	436,011
Office Equipment	2,004,263	1,214,182	3,218,445
Tools & implements	229,253	-	229,253
ROU	549,851	-	549,851
Software	-	1,768,404	1,768,404

26. Inventory

a) Products

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

b) Spare parts and consumable store inventory

The carrying amount of inventory on spare parts and consumable stores as on 31 December 2023 is Nu.68,452,190.47 (previous year Nu.43,944,924.10) including dead stock of Nu.0.00 (previous year Nu.2,651,653.67).

27. 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.

28. Retirement Benefit Obligations

a) Defined Benefit Scheme-Gratuity

Qualifying employees 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

Particulars	**2023**	**2022**
Defined benefit obligation (DBO)	118.849	114.957
Fair value of Plan Assets (FVA)	122.531	131.603
Funded Status (Surplus/(Deficit)	3.682	16.646
Effect of Asset ceiling	-	-
Net defined benefit asset (DBA)	3.682	16.646

ii. Statement of Comprehensive Income

Nu. in million

Particulars	**2023**	**2022**
Current Service Cost	8.616	8.560
Past Service cost	-	-
Loss/(Gain) on settlement	-	-
Interest on DBO	7.797	9.935
Less: Expected interest on plan asset	(9.845)	(10.204)
Expenses recognised in profit or loss	5.568	8.291

iii. Other Comprehensive Income

Nu. in million

Particulars	**2023**	**2022**
Actuarial (gain) or loss due to experience adjustments	(8.966)	(8.966)
Actuarial (gain) or loss due to changes in financial assumptions	-	-

Actuarial (gain) or loss due to changes in demographic assumptions	-	(8.311)
Return on plan assets (greater) or less than discount rate	1.829	10.204
Expenses recognised as OCI	24.303	(7.073)

- 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; and
- Form of benefit: Lump sum (no ceiling)

b) Defined Benefits Scheme- Other Long-term Employee Benefits- Leave Encashment Benefits

- As per the Service Rules and Regulation (SRR) of the company, employees shall be allowed to accrue leave a maximum 60 days.
- 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.

i) **Statement of Financial Position**

Nu. in million

Particulars	2023	2022
Defined benefit obligation (DBO)	-	12.163
Fair value of Plan Assets (FVA)	-	-
Funded Status [Surplus/(Deficit)]	-	(12.163)
Effect of Asset ceiling	-	-
Net defined benefit asset (DBA)	-	(12.163)

ii. **Statement of Comprehensive Income**

Nu. in million

Particulars	2023	2022
Current Service Cost	-	(2.638)
Past Service cost	-	-
Loss/(Gain) on settlement	-	-
Interest on DBO	-	0.727
Less: Expected interest on plan asset	-	-
Immediate recognition of gains/losses	-	10.695
Expenses recognized in profit or loss	-	8.784

c) Defined Benefits Scheme- Other Long-term Employee Benefits- Travelling Allowance

i) Statement of Financial Position

Nu. in million

Particulars	2023	2022
Defined benefit obligation (DBO)	4.684	4.654
Fair value of Plan Assets (FVA)	-	-
Funded Status (Surplus/(Deficit))	(4.684)	(4.654)
Effect of Asset ceiling	-	-
Net defined benefit asset (DBA)	(4.684)	(4.654)

ii. Statement of Comprehensive Income

Nu. in million

Particulars	2023	2022
Current Service Cost	0.471	0.541
Past Service cost	-	5.508
Loss/(Gain) on settlement	-	-
Interest on DBO	(0.320)	(0.054)
Less: Expected interest on plan asset	-	-
Expenses recognised in profit or loss	0.791	5.995

d) Defined Benefits Scheme- Other Long-term Employee Benefits- Transfer Grant

i) Statement of Financial Position

Nu. in million

Particulars	2023	2022
Defined benefit obligation (DBO)	4.684	4.654
Fair value of Plan Assets (FVA)	-	-
Funded Status (Surplus/(Deficit))	(4.684)	(4.654)
Effect of Asset ceiling	-	-
Net defined benefit asset (DBA)	(4.684)	(4.654)

ii. Statement of Comprehensive Income

Nu. in million

Particulars	2023	2022
Current Service Cost	0.471	0.541
Past Service cost	-	5.508
Loss/(Gain) on settlement	-	-
Interest on DBO	(0.320)	(0.054)
Less: Expected interest on plan asset	-	-
Expenses recognised in profit or loss	0.791	5.995

e) **Defined Benefits Scheme- Other Long-term Employee Benefits- Carriage Charges**

i) Statement of Financial Position
Nu. in million

Particulars	2023	2022
Defined benefit obligation (DBO)	2.879	3.248
Fair value of Plan Assets (FVA)	-	-
Funded Status (Surplus/(Deficit)	(2.879)	(3.248)
Effect of Asset ceiling	-	-
Net defined benefit asset (DBA)	(2.879)	(3.248)

ii. Statement of Comprehensive Income
Nu. in million

Particulars	2023	2022
Current Service Cost	0.273	0.421
Past Service cost	-	3.567
Loss/(Gain) on settlement	-	-
Interest on DBO	0.234	(0.028)
Less: Expected interest on plan asset	-	-
Expenses recognised in profit or loss	0.506	3.960

29. Transactions with Related Parties

Name of Related Party	Relationship	Nature of transaction	Nu.
Druk Holding and Investments	Holding company	a. Equity Shares held by DHI	152,808,851.40
		b. Inter-group Brand Management Fees (Expense)	702,009.59
		c. Sale of Furniture	15,830.00
		d. Corporate Guarantee Fee	759,088.42
		e. Trade payables	5,203,972.60
		f. Interest of Inter Corporate Loan	5,203,972.00
		g. Inter Corporate Loan	600,000,000.00
		h. Hire Charges (Income)	5,000.00
Bhutan Power Corporation Limited	Fellow Subsidiary	a. Electricity Charges	2,271,352.41
		b. Trade payables	53,736.00
		c. Sale of Furniture	60,450.00
		d. Sale of natural resources	76,634.97
Bank of Bhutan Limited		a. Bank Charges	1,029,939.02

	Fellow Subsidiary	b. Bank balance (Cash book)	116,870,751.05
		c. AMC for E-Payment (Expense)	240,624.98
		d. Interest on (OD)	11,843.12
Bhutan Telecom Limited	Fellow Subsidiary	a. Communication, internet and telephone charges	1,314,405.06
		b. Trade payable	5,535.90
		c. Sale of Furniture	32,279.50
		d. Interest of Inter Corporate Loan	719,278.08
State Trading Corporation Limited	Fellow Subsidiary	a. Running & Maintenance of Vehicle (Expense)	168,980.00
		b. Purchase of truck	1,830,721.80
		c. Purchase of Office equipment	563,625.00
Construction Development Corporation Limited	Fellow Subsidiary	a. Sale of natural resources	4,660,122.23
		b. Running & Maintenance others	7,374.82
		c. Trade receivables	1,558,045.04
		c. Intergroup advance	5,355,179.00
Druk Green Power Corporation Limited	Fellow Subsidiary	a. Sale of natural resources	608,042.62
		d. Trade receivables	66,538.00
		c. Hire Charges (Income)	48,000.00
		d. Sale of Furniture	25,970.00
Thimphu Tech Park Limited	Fellow Subsidiary	a. AMC for ERP (Expense)	1,838,532.00
State Mining Corporation Limited	Fellow Subsidiary	a. Sale of natural resources	310,799.40
		b. Trade receivables	771,340.98
Menjong Sorig Pharmaceuticals Corporation Limited	Fellow Subsidiary	a. Sale of Furniture	121,439.00
Bhutan Hydropower Services Limited	Fellow Subsidiary	a. Running & Maintenance others	44,658.47
		b. Sale of natural resources	15,195.84
		c. Sale of Furniture	16,915.00
Bhutan Board Product Limited	Fellow Subsidiary	a. Trade receivables	2,258,596.09
Druk Air Corporation Limited	Fellow Subsidiary	a. Trade receivables	4,599.50

Key Management Personnel

A) Managing Director's Remuneration and other benefits

Particulars	2023 (Nu)	2022 (Nu)
Salary	3,506,812	2,103,956
Other benefits	377,824	-
Provident Fund	225,317	167,678
Sitting fee	60,000	64,000
Sitting fee (Offtg. CEO)	16,000	28,000
Total	4,185,953	2,363,612

B) Board Directors - Sitting fee

Position	Name	2023 (Nu)	2022 (Nu)	Remarks
Chairperson	Dasho Karma Tshiteem	64,000	84,000	
Director	Mr. Karma Tenzin	56,000	60,000	
Director	Mr. Chencho	64,000	68,000	
Director	Mr. Rinzin Dorji	64,000	72,000	
Director	Mr. Ugyen Wangdi	88,000	76,000	
Director	Mr. Damber Singh Kharka	-	24,000	Resigned
Director	Mr. Rinchen Wangdi	-	76,000	Resigned
	Total:	336,000	460,000	

C) Special Invitees - Sitting fee

Position	Name	2023 (Nu)	2022 (Nu)
Internal Auditor	Mr. Lobzang Thinley	6,000	6,000
Company Secretary	Ms. Sangay Choden	36,000	46,000
HR Manager	Mr. Dhanapati Bhandari	2,000	-
	Total:	44,000	52,000

30. Foreign Exchange Translation

During the year certain foreign exchange transactions were undertaken by the Company on account of purchase of machines. The company has earned a net gain of Nu.853,468.17 through the foreign exchange translation.

Payment date	Currency	Foreign Currency	Functional currency (Nu)	Invoice/ Receipt date	Functional currency (Nu)	Exchange Gain/(Loss)
21.08.2023	CHF	85,818.82	8,142,489.44	15.12.2023	8,199,215.88	56,726.24
21.09.2023	CHF	343,275.28	32,000,121.40	15.12.2023	32,796,863.53	796,741.93
	Total	429,094.10	40,142,611.24		40,996,079.41	853,468.17

31. Expected Credit Loss

During the year the management has carried out a computation of impairment loss on debt receivables based on the *ECL Model - Impairment* in compliance with *BFRS 9 - Financial Instruments*. The impairment loss for the year is calculated to Nu.7,349,173.95 and the difference of Nu.1,029,992.87 (Nu.7,349,173.95 less Nu.6,319,18.06) has been provided for the year 2023.

Particulars	31.12.2023	31.12.2022
ECL Allowances	7,349,173.95	9,415,334.98
Provision for doubtful Debts (Opening Balance)	6,319,181.06	10,016,213.61
Net Impairment loss/(gain) of Financial Asset	**1,029,992.87**	**(600,878.63)**

32. Government Grant

The company received government grants of Nu.7,000,000.00 and Nu.1,500,000.00 in 2016 and 2017 respectively as partial funding for establishment of a Glue-lamination plant in Paro. The grant is being amortized @ 15% per annum. Further, a grant of Nu.12,896,214 was transferred from WCCL in 2021 during the process of amalgamation.

Particulars	Nu.
Glu-lam Project- 2016 and 2017	8,500,00.00
Karuna Project - 2018	12,896,214.00
Total Grant received	**21,396,214.00**
Previous period adjustments	15,539,151.00
Balance as at 1 January 2023	**5,857,063.00**
Released to the Statement of Comprehensive Income	1,321,881.00
Balance as at 31 December 2023	**4,535,182.00**

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

33. Nature of reserves

i. All shares are of the same class and have the same rights attached.

ii. Retained Earnings comprise profits from previous year. Out of these profits, dividends paid, if any for the previous year in the current year is adjusted along with other adjustments. The current year's profit is transferred to the retained earnings.

iii. General Reserves are the reserves created through transfer of 20% of annual profit (the system of transferring 20% of annual profit to General Reserves is discontinued). Dividend may be declared from the general reserve after fulfilling the formalities.

iv. Capital Reserves includes the following:
(All in Ngultrum)

a. Net assets taken over from Plantation Thinning Work (PTW) in the year 2001	3,356,963.00
b. Net assets taken over from Integrated Forestry Development Project (IFDP) in the year 2002	29,071,608.72
c. Assets taken over from Integrated Forestry Management Project (IFMP) in the year 2001 Incorporated in the year 2005	1,748,921.00
d. Valuation of Store and spares	97,704.55
e. Others	309,099.45
Total: 2023	**34,584,296.72**
Total: 2022	**34,584,296.72**

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

34. Borrowing cost

i) Loan Details
The company has availed term loan amounting to Nu.30.00 million in 2017, Nu.30.00 million in 2019 and Nu. 70.00 million in 2022 from National Pension and Provident Fund (NPPF) under the sovereign guarantee provided by Druk Holding and Investments Limited (DHI). The loan carries a fixed rate of 7% for the loan availed in 2017 and 2019 and 7.66% for the loan availed in 2022. Loans are repayable within 7 years in 28 quarterly equal installments. Loan balance from NPPF as on 31.12.2023 is Nu.113.364 million.

In 2020, the company has availed Overdraft (OD) loan from Bank of Bhutan Limited with maximum limit amount of Nu. 60 million under the sovereign guarantee provided by Druk Holding and Investments Limited (DHI) at the interest rate of 9.26% per annum, the OD loan balance has been fully paid in 2023.

In 2023, the company availed short term loan of Nu.100 million as Inter Company Loan from Bhutan Telecom Limited at the interest rate of Nu.3.50% to facilitate export business of stone boulder from Phuentsholing and Gelephu Region and paid back within three months. Further, the company has availed Nu.600 million as Inter Company Loan from Druk Holding and Investment at the interest rate of Nu.3.50% to purchase machineries as per the business expansion plan.

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

ii) Borrowing Cost Capitalization
During the year, no borrowing cost has been capitalized (previous year Nu.337,422.05) for purchase and installation of two numbers seasoning kiln.

35. Contingent Liability

The stone quarries leased from the Department of Geology & Mines, erstwhile Ministry of Economic Affairs, have 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 a joint account with the Department of Geology and Mines and deposited (details below) as security deposit for restoring the harvested areas.

Sl.No.	Particulars	Amount (Nu.)
1	Ngangshing Quarry ERB	450,380.00
2	Tsangkhar Quarry ERB	1,280,327.28
	Total	1,730,707.28

36. Leases

The company has measured the lease liability at the present value of the remaining lease payment, discounted using the lessee's incremental borrowing rate at the date of initial application. Cost model has been applied for right-of-use assets.

Particulars	Amount (Nu)	Particulars	Amount (Nu)
Lease Assets	2,656,517	Lease Liability	2,628,769
Less: Depreciation	871,700	Less: Lease expense	504,446
Net Assets	1,784,817	Net Liability	2,124,323

- Interest on lease is worked out at Nu 173,741.01

37. Earnings per Share

Particulars	2023	2022	2021
Profit (loss) for the year	19,066,004	(28,208,336.78)	1,083,705.23
No. of Shares (issued and fully paid up)	1528098.52	1528098.516	1528098.516
EPS	12.48	(18.46)	0.71

39. Previous year's figure have been regrouped wherever necessary to confirm to current year's grouping.

38. Events After Balance Sheet Date

On 20.03.2024, the Annual General Meeting approved 2.26% of the annual basic pay as Performance Based Variable Allowance (PBVA).

No dividend was declared for the financial year ended 31 December 2023.

NOTE 2: PROPERTY, PLANT & EQUIPMENT

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As on 1.1.2023	Addition during '23	Sales and Other Adjs	As on 31.12.2023	As on 1.1.2023	For the year	Sales & Other Adjs	As on 31.12.2023	As on 31.12.2023	As of 31.12.2022
Building	154,564,937	6,371,310	(2,504,532)	158,331,777	92,610,117	5,290,984	(2,068,299)	95,932,802	62,598,880	61,954,040
Road*	304,418,863	13,491,250		297,906,113	249,887,674	30,370,273		280,257,946	117,448,170	134,527,190
Cable Crane	136,873,181	21,164,166	(16,263,659)	131,775,688	96,708,349	10,995,203	(16,263,607)	91,439,926	40,335,772	50,164,892
Plant and Machineries	435,617,285	35,046,152	(14,003,861)	456,659,576	258,350,983	27,729,756	(11,461,056)	274,599,680	152,059,090	157,266,302
Tractor & Truck	15,830,862	1,853,019	(3,918,766)	13,764,715	11,518,600	1,288,424	(3,918,763)	8,888,261	4,876,454	4,311,862
Vehicle	33,888,231		(4,852,916)	29,035,305	30,370,586	1,509,213	(4,837,970)	27,031,829	2,003,476	3,517,635
Furniture	11,279,434	1,734,178	(98,159)	12,915,450	10,235,429	436,000	(98,144)	10,573,295	2,342,155	1,044,006
Office Equipment	38,567,304	1,886,251	(2,503,617)	37,950,349	28,109,154	3,218,443	(2,090,095)	29,237,502	8,612,667	10,058,180
Tools & Implements	2,059,883		-	2,059,883	1,405,311	229,253		1,634,564	425,419	654,672
Total	1,182,495,582	71,548,164	(43,535,059)	1,210,518,686	779,976,003	81,367,417	(40,737,823)	819,615,798	390,902,888	403,519,579
Previous Year	1,091,608,560	94,868,543	(3,983,521)	1,182,495,582	697,922,258	84,923,064	(3,869,320)	779,976,003	403,519,579	393,683,671

*Road is Constructed on Government land

NOTE 3: INTANGIBLE ASSETS

Current Year	14,234,067			14,234,067	12,300,477	1,768,404		14,068,881	165,186	1,933,590
Previous Year	14,234,067			14,234,067	10,046,648	2,253,829		12,300,477	1,933,590	4,187,419

NOTE 3A: RIGHT OF USE ASSET

Current Year	1,945,238	711,279		2,656,517	323,849	149,851		473,700	1,794,817	1,623,390
Previous Year	1,366,295	578,943		1,945,238	206,060	115,789		323,849	1,623,390	-

NOTE 4: CAPITAL WORK-IN-PROGRESS

Particulars	Opening 1.1.2023	Addition	Adjustment	Closing 31.12.2023
Road-W.I.P	150,000	25,657,378	6,178,399	19,629,379
Machine-W.I.P	-	-	-	-
Building-W.I.P	1,480,698	2,044,966	3,464,187.14	60,477
Total CWIP	1,630,698	27,702,344	9,642,586	19,690,856
Previous Year	3,774,906	14,915,679	17,051,887	1,638,698

NOTE 5: OTHER NON-CURRENT ASSETS

Particulars	31-12-2023 (Nu.)	31-12-2022 (Nu.)
Environmental Restoration Bond	1,910,707	1,730,707
Un-amortized Mine Cost	(209,998)	(281,832)
Total Other Non-Current Assets	1,700,710	**1,448,875**

NOTE 6: DEFFERED TAX ASSETS/LIABILITY

Particulars	31-12-2023 (Nu.)	31-12-2022 (Nu.)
Deferred Tax on PPE (OCI)	3,822,866	3,419,968
Deferred Tax on Provision for employee benefits(OCI)	1,926,509	-
Total Deferred Tax Assets/Liability	**5,749,374**	**3,419,968**

NOTE 7: OTHER CURRENT ASSETS

Particulars	31-12-2023 (Nu.)	31-12-2022 (Nu.)
Advance to Contractor	21,581,024	2,477,521
Advance to Suppliers	340,266,875	5,824,070
Advance for POL	2,809,329	2,044,450
Advance to Other	4,920,366	18,433,171
Advance to Staff-Other	1,614,108	797,594
Prepaid Expense	2,121,397	2,045,229
Other Receivable-GFPMO Cost	381,936	386,580
Security deposit to others	431,361	1,118,555
Advance to Staff-Salary	2,737,088	5,116,863
Advance to Staff-Travel	5,250	11,750
Retention Money Receivable	342,694	652,265
Margin Money	4,342,526	2,373,233
Provision for doubtful advance	-	(45,621)
Provision for corporate tax-Previous year	-	(2,097,930)
Advance for Corporate tax	-	41,079
TDS withheld by Client	-	5,456,231
Total Other Current Assets	**383,551,959**	**42,854,983**

NOTE 8: CASH AND CASH EQUIVALENT

Particulars	31-12-2023 (Nu.)	31-12-2022 (Nu.)
Cash in hand	43,459	37,829
Bank Balances		
Local Banks-Others	109,129,574	6,333,719
Balances with BOBL	116,870,711	28,131,535
Total Cash & Cash Equivalents	**226,041,744**	**34,503,083**

NOTE 9: TRADE AND OTHER RECEIVABLES

Particulars	31-12-2023 (Nu.)	31-12-2022 (Nu.)
Sundry debtors	223,805,283	143,900,311
Provision for doubtful Debts	(7,349,174)	(10,016,214)
Total Trade and Other Receivables	**216,456,109**	**133,884,097**

NOTE 10: INVENTORIES

Particulars	31-12-2023 (Nu.)	31-12-2022 (Nu.)
Stock of raw-material	11,381,806	18,695,966
Stock of Work-In-Progress	-	7,798,077
Stock of finished goods	209,213,658	222,645,679
Stock of store/spare parts	68,652,190	43,944,924
Provision for Stone chip Raw-material	-	(3,458,993)
Provision for Slow moving stock of spares	-	(2,655,654)
Total Inventories	**289,244,655**	**286,877,998**

NOTE 11: BORROWINGS

Note 11.a: Non-current Borrowings

Particulars	31-12-2023 (Nu.)	31-12-2022 (Nu.)
Non-current Maturities of Long term Borrowings	92,151,351	115,100,847
Total Non-Current Borrowings	**92,151,351**	**115,100,847**

Note 11.b: Current Borrowings

Particulars	31-12-2023 (Nu.)	31-12-2022 (Nu.)
Current maturities of long term borrowings	23,412,624	22,265,401
Inter Company Loan	600,000,000	7,112,122
Total Current Borrowings	**623,412,624**	**29,377,524**

NOTE 12: GOVERNMENT GRANT

Particulars	31-12-2023 (Nu.)	31-12-2022 (Nu.)
Balance as at 1st January 2023	5,857,063	8,329,608
Released to the statement of comprehensive income	1,321,881	2,472,545
Balance as at 31st December 2023	**4,535,182**	**5,857,063**
Current Portion of Grant	**1,321,881**	**2,472,545**
Non-current Portion of Grant	**3,213,301**	**3,384,518**

NOTE 13: PROVISION FOR EMPLOYEE BENEFITS

Particulars	31-12-2023 (Nu.)	31-12-2022 (Nu.)
Fair Value of Plan Assets (FVA)	122,531,113	131,602,509
Defined Benefit Obligation (DBO)	118,849,351	114,956,631
Net retirement benefit Liabilities - gratuity	**(3,681,762)**	**(16,645,878)**
Less: Current	18,760,580	17,654,778
Total Non-Current Assets (Note 13)	**(22,442,342)**	**(34,300,656)**
Non-Current Provision for Leave Encashment	-	11,029,449
Non-Current Provision for Transfer Grant	3,692,472	3,429,953
Non-Current Provision for Carriage charges	2,040,237	2,109,657
Non-Current Provision for Travel Allowance	3,692,472	3,429,953
Total Non-current Liabilities (Note 13. a)	**9,425,181**	**19,999,012**
Current Liabilities		
Provision for Gratuity	18,760,580	17,654,778

Provision for Transfer Grant	991,150	1,223,757
Provision for Carriage charges	838,884	1,158,757
Provision for Travel Allowance	991,150	1,223,757
Provision for Leave Encashment	4,208,644	1,133,234
Total Current Liabilities (Note 13.b)	**25,788,408**	**22,374,263**

NOTE 14: TRADE AND OTHER PAYABLES

Particulars	31-12-2023 (Nu.)	31-12-2022 (Nu.)
Creditors	99,118,775	56,306,716
Other payables	2,120,579	744,131
Other Recoveries	48,020	17,535
Security deposit	5,249,188	7,109,293
EMD Received	743,083	829,690
Retention Money Payable	1,238,595	1,525,929
Advance from others	186,282	1,068,880
Royalty on Firewood collection	162,652	48,909
Royalty payable	10,530,198	20,071,927
Total Trade and Other Payables	**121,264,537**	**87,922,870**

NOTE 15: OTHER LIABILITIES

Particulars	31-12-2023 (Nu.)	31-12-2022 (Nu.)
15.a: Other Non-current Liabilities:		
Lease Liability	2,124,323	1,917,491
Total Other Non-Current Liabilities	**2,124,323**	**1,917,491**
15 b: Other current liabilities:		
Advance from Customer	14,554,089	26,288,499
Liability for Tax	1,155,163	1,540,034
Health contribution	548	-
Financial Institution Loan	10,851	-
Staff Welfare Fund	500	-
PBVA Payable	2,566,124	-
TA/DA payable	361,613	709,949
Salary Tax	5,951	8,280
Salary Saving Scheme - NRDCL	35,181	-
Staff Welfare Loan - NRDCL	9,749	-
Total Other current liabilities	**18,697,747**	**28,546,762**
15 C: Deferred Tax Liability:		
Provision for Gratuity	1,970,279	2,487,240
Provision for Transfer Grant	1,405,087	1,396,115
Provision for Carriage charges	865,736	974,318
Provision for Travel Allowance	1,405,087	1,396,115
Deferred Tax on Provision for employee benefits (OCI)	(4,370,674)	190,713
Total Deferred Tax Liability	**1,275,515**	**6,444,497**

NOTE 16: PROVISION FOR CORPORATE INCOME TAX

Particulars	31-12-2023 (Nu.)	31-12-2022 (Nu.)
Provision for corporate tax Current Year	14,199,359	-
TDS withheld by customer	(3,294,799)	-
Advance for Corporate tax	(342,707)	-
Total Provision for Corporate Income Tax	**10,561,854**	-

NOTE- 17.a: REVENUE

Particulars	31-12-2023 (Nu.)	31-12-2022 (Nu.)
i. Sale of Timber and timber products		
Sale of Timber	389,064,060	322,646,879
Sale of Briquette	487,073	825,874
Sale of woodchip	-	42,600
Sale of firewood	48,545,233	45,035,832
Sale of Forest Residue	18,812,158	7,503,884
Sale of Glulam Timber	2,319,109	3,339,298
Sale of Joinery Product	30,001,022	26,139,217
Sale of WCC Product	15,828,992	39,879,266
Sub-total Sale of Timber & timber products	**507,725,647**	**445,407,651**
ii. Sale of sand and stone chips		
Sale of Sand	113,958,662	112,334,985
Sale of Stone	236,259,098	119,488,800
Sale of Stone Chips	38,752,570	48,638,426
Sub-total Sale of stone chips	**388,970,330**	**280,462,211**
Total (i+ii)	**896,695,977**	**725,869,862**

NOTE- 17.b: OTHER INCOME

Particulars	31-12-2023 (Nu.)	31-12-2022 (Nu.)
Hire charge	12,773,652	9,058,089
Other Misc. Income	7,174,454	6,637,394
House Rent Income	831,755	752,446
Release of Grant received to SCI	1,321,891	2,472,545
Profit from sale of Fixed Assets	3,490,942	1,744,250
Discounts Received	-	9,748
Liabilities no more required written back	1,193,144	7,137,663
Audit recovery	297,675	13,275
Foreign Exchange Gain	833,668	750,455
Interest on others	1,184,200	596,952
Unwinding of environmental restoration fund	200,119	178,155
Total Other Income	**29,321,073**	**29,350,971**

NOTE 18: COST OF SALES (DIRECT EXPENSES)

Particulars	31-12-2023 (Nu.)	31-12-2022 (Nu.)
i. Production Expenses		
Marking cost	34,207	40,640
Felling & cross-cutting	8,102,758	7,128,057
Debarking	915,027	1,256,998
Cable craning	17,673,049	13,797,849
Transportation	82,861,235	61,508,652
Hire charges Expenses	159,464	146,055
Production Incentives	3,577,654	3,222,611
Sawing charges	1,482,857	8,629,222
Other Production expenses	4,018,866	1,885,130
Electricity	820,104	2,652,289
Sanitation & protection	84,710	48,065
Misc cost	128,284	324,729
FMU expenses/Inventory	754,237	887,016
Timber handling & Stacking	3,866,654	3,534,727
Royalty	32,281,114	23,976,052
Ration	1,006,334	955,918
Mitigation cost	984,620	4,263,822
Toll Fee	3,080	371,650
Extraction	238,893,516	169,685,255
Sub-total of Production Expenses	**397,647,749**	**302,994,695**
ii. Reforestation Expenses		
Nursery Expenses	343,789	367,701
Creation of Plantation	2,499,741	1,641,265
Plantation maintenance	2,300,904	2,659,157
Nursery creation	303,893	692,852
Sub-total of Reforestation Expenses	**5,448,326**	**5,360,975**
iii. Stock Expenses		
Cost of Goods Manufactured	**46,983,168**	**35,014,206**
iv. Employee Compensation and Benefit Expenses		
Basic Salaries	97,077,778	104,282,568
PF - Employer's Contribution	14,095,880	14,577,623
Allowances	35,917,800	22,254,023
Master roll payment	624,735	289,981
Overtime allowance	1,809,675	1,967,054
Performance based variable allowance(PBVA)	3,157,226	-
Leave Encashment	8,177,980	8,685,801
Leave Travel Concession (LTC)	5,291,232	5,941,395
Transfer Grant	922,595	754,458
Carriage charges	465,230	282,150
Travel Allowance	105,084	156,714
Salary Arrear	25,560	879,303

Bonus	-	-
PBVA	-	-
Sub-total of Employee Compensation and Benefits Expenses	**164,663,869**	**160,203,991**
ii. Separation Allowances - NRDCL:		
Gratuity Expenses	5,521,085	7,339,540
Transfer Grant	665,280	5,460,615
Travel Allowance	665,280	5,461,045
Carriage Charges	425,540	3,587,053
Sub-total of Separation Allowances	**7,277,185**	**21,847,953**
iii. Depreciation and amortization:		
Building	4,425,864	4,445,702
Road	30,370,271	32,937,200
Cable Crane	10,995,283	12,574,104
Machinery and Equipment	27,729,756	27,625,808
Tractors and Trucks	1,288,424	900,936
Depreciation-Vehicle	725,254	727,569
Furniture	295,099	274,189
Office Equipment	2,004,245	2,081,063
Tools & Implements	229,233	224,760
ROU	349,851	321,849
Sub-total of Depreciation and amortization	**78,411,296**	**82,113,138**
iv. Repair & Maintenance Costs		
Depot	737,535	347,196
Furniture and Fittings - NRDCL	1,900	-
Plant and machinery	95,286,746	89,364,904
Tractor and Truck	676,618	620,851
Road	5,359,421	4,687,641
Electrical Equipment	12,675	31,404
Office Building	990,743	937,787
Sub-total of Repair & Maintenance Costs	**103,065,837**	**96,189,783**
Grand Total of Cost of Sales (Direct Expenses)	**803,697,432**	**699,521,677**

NOTE 19: ADMINISTRATIVE EXPENSES

Particulars	31-12-2023 (Nu.)	31-12-2022 (Nu.)
i. General Administrative Expenses:		
Postage and delivery charges	70,070	71,980
Publications	10,000	92,000
Telecommunication Expenses (Telephone/Fax)	1,467,109	816,798
Internet Charges	773,298	1,053,557
Advertisement	57,768	89,844
Water and Sewerage	235,963	226,016
Lease Expenses	522,685	685,872
Electricity & Lightings	1,693,506	605,746
Subscription Charges	58,175	47,012

Insurance of structures	47,678	197,671
Legal & Professional Fees	8,800	11,250
Uniforms & Liveries	1,579,600	1,965,756
Consumable Stores	977,994	540,598
Bank Charges	1,052,992	332,421
Sub-total of General Administrative Expenses	**8,347,175**	**6,736,099**
ii. Human Resources Development		
HRD - Short term Training In Country	125,670	345,083
HRD - Long term Training / Scholarships - In country	415,759	417,450
Sub-total of HRD Expenses	**541,430**	**762,533**
iii. Premises Expenses		
Premises - Repair & Maintenance	2,210	600
Premises Cost - Rental	1,274,994	1,138,347
Sub-total of Premises Expenses	**1,277,204**	**1,138,947**
iv. Motor Vehicle Costs		
Fuel	2,870,563	3,141,740
Repair & Maintenance	3,194,105	2,121,904
Hire of vehicle	35,327	-
Tyres	83,291	30,100
Insurance	161,959	113,432
Registration & Blue Book Renewal	60,808	47,010
Emission	1,961	239
Sub-total of Motor Vehicles Expenses	**6,408,013**	**5,454,466**
v. Information Technology Costs		
Annual Maintenance Costs	2,089,207	2,092,626
Repairs & Maintenance Costs for hardware	395,396	151,657
Subscription/ License	76,551	628,765
Onetime costs (low Value items)	480	11,700
Sub-total of IT Costs	**2,561,634**	**2,884,748**
vi. Travel Expenses		
In-Country	7,964,983	10,664,111
Ex-Country	531,886	163,705
Sub-total of Travel Expenses	**8,496,869**	**10,827,816**
vii. Meeting & Security Expenses		
Meeting Expenses	154,096	121,497
Security Services Costs	434,978	491,233
Sub-total of meeting & Security Expenses	**589,074**	**612,730**
viii. Staff Welfare (SW) and Engagement Costs		
Staff Engagement Costs	27,235	5,279
Tendrel Ceremony	569,689	21,075
Funeral Expenses (Semso)	79,171	30,000
Prayer/Ritual Expense (Rimdro)	540,005	259,682
Tea Expenses/ pantry	441,514	541,780
Medical Expenses	130,970	822,259

Staff Farewell/gifts	116,505	222,855
Compensation	5,000	465,000
Sub-total of SW & Engagement Costs	**1,910,889**	**2,367,910**
ix. Audit Engagement Expenses		
Audit Expenses	113,190	113,190
Audit - Expenses	46,375	11,975
Sub-total of Audit Engagement Expenses	**159,565**	**125,165**
x. Printing & Stationery Costs :		
Printer Cartridge	227,254	116,834
Photocopy paper	147,713	68,359
Stationery cost	130,490	135,184
Sub-total of Printing & Stationery Costs	**505,456**	**320,377**
xi. Board Expenses		
Meeting Expenses	48,018	38,290
Sub-Committee meeting expenses	12,000	15,420
Sub-Committee meeting fees	44,000	192,000
Farewell and Gifts	-	27,980
Directors' Fees	396,000	455,000
Sub-total of Board Expenses	**500,018**	**728,690**
xii. Donations and Corporate Social Responsibility (CSR)	50,000	45,000
Sub-total of CSR	**50,000**	**45,000**
xiii. Consultancy Charges:		
Consultancy Charges Recurring	319,387	296,002
Sub-total of Consultancy Charges	**319,387**	**296,002**
xiv. Hospitality and entertainment - NRDCL:		
H&E - Business meeting - NRDCL	66,111	-
Subtotal of Hospitality and entertainment	**66,111**	-
xv. Provisions - NRDCL:		
Provisions-Write offs - NRDCL	1,029,993	-
Sub-total of Provisions - NRDCL	**1,029,993**	-
xvi. Statutory Fees - NRDCL:		
Business License/Registration Fees	46,000	80,517
Rates and taxes	173,626	169,520
BST	224,771	108,902
Sub-total of Statutory Fees - NRDCL	**444,396**	**358,939**
xvii. Brand Management Fees	702,010	1,111,323
Sub-total of Board Management Fees	**702,010**	**1,111,323**
xviii. Employee Compensation and Benefit Expenses -HO:		
Basic Salaries	17,326,396	18,581,628
PF - Employer's Contribution	2,420,680	3,883,075
Allowances	8,545,032	6,299,137
Performance based variable allowance(PBVA)	408,898	-
Leave Encashment	2,159,369	97,970
Leave Travel Concession (LTC)	504,705	581,420

Carriage charges	42,504	12,589
Salary Arrear	4,551	85,000
Sub-total of Employee Compensation & Benefits Exp.	**31,361,925**	**29,541,859**
xix. Separation Allowances		
Gratuity Expenses	1,046,512	951,309
Transfer Grant	126,105	534,120
Travel Allowance	126,105	534,120
Carriage Charges	80,660	372,828
Sub-total of Separation Allowances	**1,379,378**	**2,392,627**
xx. Depreciation and amortization-HO:		
Building	1,165,120	1,164,141
Vehicle	783,959	782,991
Furniture	142,912	104,550
Office Equipment	1,214,182	1,080,113
Software	1,768,404	2,253,829
Sub-total of Depreciation and Amortization - HO	**5,074,577**	**5,385,625**
Total of Administrative Expenses	**71,724,704**	**71,090,856**

NOTE 20: SELLING & DISTRIBUTION EXPENSES

Particulars	31-12-2023 (Nu.)	31-12-2022 (Nu.)
Advertisement	131,964	372,434
Marketing	90,000	-
Auction expenditure	108,616	384,469
Auction Sitting Fees	67,000	34,000
Discount	527,042	22,836
Total of Selling & Distribution Expenses	**924,622**	**813,779**

NOTE 21: FINANCING COSTS

Particulars	31-12-2023 (Nu.)	31-12-2022 (Nu.)
Corporate Guarantee Fees	759,088	722,436
Bank Fees and Commission	137,833	10,638
Interest expenses (BoBL)	11,843	1,330,127
Interest Expenses (others)	15,380,495	6,711,901
Interest Expense (Lease)	220,856	173,741
Total of Financing Costs	**16,510,124**	**9,148,842**

NOTE 22: INCOME TAX COMPUTATIONS

Particulars	31-12-2023 (Nu.)	31-12-2022 (Nu.)
PROFIT BEFORE TAX	33,166,177	(23,374,521)
ADD: Provision for doubtful Debts/write-off	1,029,995	-
ADD: Gift & Donation	50,000	45,000
ADD: Prior Period Adjustment	-	646,595
ADD: Interest on Loan	5,203,973	-
ADD: Provision for Gratuity	6,367,597	8,290,799

ADD: Provision for Leave	509,295	-
ADD: Provision for Transfer Grant	791,383	4,653,710
ADD: Provision for Carriage charges	509,200	3,248,504
ADD: Provision for Travel Allowance	791,383	4,653,710
ADD: Provision PBVA	-	-
Less : Carry Forward and Offset of Losses	(1,278,704)	-
NET TAXABLE AMOUNT	**47,331,197**	**(3,806,113)**
30% CIT	14,199,359	-
Total Tax Expense	**14,199,359**	-
Deferred Tax		
Deferred Tax Expenses	5,644,189	6,253,984
Deferred Tax Income	(5,749,374)	(3,419,968)
	(105,186)	**2,834,016**
Deferred Tax Expenses(OCI)	(1,926,509)	4,561,387
	(1,926,509)	**4,561,387**

NOTE 25: FAIR VALUE MEASUREMENTS

Financial instruments by category
(All amounts in Nu. unless otherwise stated)

Particulars	31.12.2023			31.12.2022		
	FVPL	FVOCI	Amortised Cost	FVPL	FVOCI	Amortised Cost
Financial assets:						
Environmental Restoration Bond	-	-	1,700,710	-	-	1,448,879
Cash and cash equivalent	-	-	226,041,744	-	-	34,503,083
Sundry debtors	-	-	223,805,283	-	-	143,900,310
Advance to Staff-Salary	-	-	2,737,088	-	-	3,116,863
Total financial assets	-	-	**454,284,826**	-	-	**182,969,132**
Financial liabilities:						
Borrowing	-	-	713,563,955	-	-	144,478,371
Creditors	-	-	99,118,775	-	-	56,506,728
Other payables	-	-	2,120,579	-	-	744,122
Security deposit	-	-	5,249,188	-	-	7,109,293

EMD Received	-	-	743,083	-	-	829,690
Retention Money Payable	-	-	1,238,590	-	-	1,525,929
Advance from others	-	-	186,282	-	-	1,068,880
Total financial liabilities	-	-	**824,220,455**	-	-	**212,363,010**

i. **Fair value hierarchy**

This section explains the judgments 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 amortized 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 maximize 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 determined using discounted cash flow analysis.

iii. **Fair value of financial assets and liabilities measured at amortized cost**

Particulars	31.12.2023		31.12.2022		01.01.2022	
	Carrying amount	Fair Value	Carrying amount	Fair Value	Carrying amount	Fair Value
Financial assets:						
Environmental Restoration Bond	1,700,710	1,700,710	1,448,875	1,448,875	3,977,338	3,977,338
Security deposit	-	-	-	-	47,543	47,543
Total financial assets	**1,700,710**	**1,700,710**	**1,448,875**	**1,448,875**	**3,929,794**	**3,929,794**
Financial liabilities:						

Borrowing	715,563,958	715,563,958	144,479,371	144,479,371	98,614,311	98,614,311
Total Financial liabilities	**715,563,958**	**715,563,958**	**144,479,371**	**144,479,371**	**98,614,311**	**98,614,311**

The carrying amounts of sundry debtor, cash and cash equivalents, interest/income accrued on FD, advance to staff, trade payables, other payables, security deposit, EMD, retention money, and 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 the 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 judgment 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.

NOTE 24: CAPITAL MANAGEMENT

Risk management

The Company is formed as a 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 requirements to meet dividend and tax expectations as contained in 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 the balance sheet is considered as Capital.

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 amortized 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 recognized 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.

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.

Maturities of financial liabilities
The tables below analyze the group's financial liabilities into relevant maturity groupings based on their contractual maturities.

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 as at 31 December 2023	Less than 1 year	More than 1 year	Total
Trade and other payables	121,264,537	-	121,264,537
Borrowings	625,412,624	92,151,331	718,563,955
Interest on borrowing	7,847,048	-	7,847,048
Total financial liabilities	**752,524,209**	**92,151,331**	**844,675,540**

Contractual maturities of financial liabilities as at 31 December 2022	Less than 1 year	More than 1 year	Total
Trade and other payables	87,922,870	-	87,922,870
Borrowings	29,377,524	115,100,847	144,478,371
Interest on borrowing	9,229,435	-	9,229,435
Total financial liabilities	**126,529,848**	**115,100,847**	**241,630,695**

Contractual maturities of financial liabilities as at 1 January 2022	Less than 1 year	More than 1 year	Total
Trade and other payables	76,791,722	-	76,791,722
Borrowings	13,846,960	63,635,614	77,482,575
Interest on borrowing	4,394,472	-	4,394,472
Total financial liabilities	**95,033,154**	**63,635,614**	**158,668,768**

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 a cash basis except when the sales are made for a 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 Dec. 2023	179,968,792	41,587,250	2,249,251	223,805,293
Trade receivable as on 31 Dec. 2023	**179,968,792**	**41,587,250**	**2,249,251**	**223,805,293**

Particulars	Less than six months	More than six months less than 3 years	More than 3 years	Total
Trade receivable as on 31 Dec. 2022	86,793,427	53,182,596	3,926,286	143,900,310
Trade receivable as on 31 Dec. 2022	**86,793,427**	**53,182,596**	**3,926,286**	**143,900,310**

Trade receivable as on 31 Dec. 2021	61,604,529	38,735,898	3,790,540	104,130,967
Trade receivable as on 31 Dec. 2021	**61,604,529**	**38,735,898**	**3,790,540**	**104,130,967**

The requirement for impairment is analyzed at each reporting date. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in **Note 23**. The Company does not hold collateral as security.

ii. Financial instruments and cash deposits

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

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

NOTE 26: RENEWAL, CANCELLATION AND SUSPENSION OF BUSINESS LICENSES

The Company has twelve licenses which are renewed during the year, as detailed below:

Sl. No.	License No.	Business Specification	Date of renewal	Validity
1	R1009533	Retail-Sand and Boulders	10.09.2023	08.09.2025
2	1037578	Wood Joinery Unit	05.09.2023	06.09.2025
3	1036949	Manufacturing of Briquette	25.05.2023	24.05.2025
4	1000073	Logging & Timber Marketing	05.08.2023	30.08.2025
5	1036301	Extraction of Sand and Stone	14.02.2023	14.02.2025
6	1039969	Sawmill	03.08.2023	26.09.2025
7	1045085	NRDCL Furniture Units	28.03.2023	11.03.2025
8	1000024	Furniture Unit (Langjophakha)	09.11.2023	09.11.2025
9	6007618	Tingzam Stone Crushing	07.10.2023	08.10.2025
10	3007623	Bhur Stone Crushing Unit	21.11.2023	24.10.2025
11	R2003434	NRDCL Export	04.08.2023	20.07.2025
12	6009499	Sawmill and Wood Joinery Unit	23.08.2023	24.08.2025

For JIGMI Audit & Financials Pvt. Ltd.

For Natural Resource Development Corporation Limited

Jigmi Rinzin FCCA
(Membership No. 0283308)
Partner

Sonam Chophel
General Manager

[illegible] Thinley
Chief Executive Officer

Dasho Karma Tshiteem
Chairman

Date: 7 May 2024

A. Ratio Assessing Profitability

Sl. No	Ratio	Profitability	Numerator - 2023	Denominator - 2023	31.12.2023	31.12.2022
1	Return on Investment	(EBIT/Net Assets or Net worth) * 100	48,657,701	638,484,043	7.62	(3.57)
2	Operating Profit	(Operating Profit excluding financial charges)/Net Sales *100	49,670,291	896,695,977	5.54	(2.57)
3	Net Profit Ratio	Net Profit before Tax/Net Sales*100	33,160,177	896,695,977	3.70	(3.50)

B. Ratio for Assessing Financial Health

Sl. No	Ratio	Financial Health	Numerator - 2023	Denominator - 2023	31.12.2023	31.12.2022
1	Capital Turnover Ratio	Net Sales/(Average Capital employed (Less Capital Reserve))	896,695,977	603,899,746	1.48	1.14
2	Fixed Assets Turnover Ratio	Net Sales/Net Fixed Assets	896,695,977	391,068,074	2.29	1.79
3	Stock Turnover Ratio	Cost of Goods sold including selling expenses/Average Inventory	804,622,054	288,061,317	2.79	2.38
4	Current Ratio	Current Asset/Current Liabilities	1,115,294,428	805,047,050	1.39	2.92
5	Liquid Ratio	(Current Assets Less Inventory less Prepaid Expenses)/(Current Liabilities Less Bank Overdraft)	823,928,396	801,047,050	1.03	1.23

ANNEXURE 'A': RANGE OF ASSETS' USEFUL LIFE

*(Refer Note 3(i): **Property, Plant and Equipment - BAS 16**)*

Assets Class	Useful Life
Land Development cost	30 -40 years
Buildings and civil structures:	
Permanent	30 -40 years
Semi-Permanent	3 -10 years
Plant and machinery	5 -20 years
Other equipment	5 - 20 years
Computer and office equipment	3 -7 years
Furniture and Fixtures	7 - 10 years
Cables and power systems	5 – 10 years
Vehicles	7 – 10 years
Capital tools and spares	5 - 10 years
Aircraft fleet	15- 17 years
Other aviation assets	10 years
Transmission and distribution lines	30 years

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