ANNUAL REPORT 2024

NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED

NRDCL

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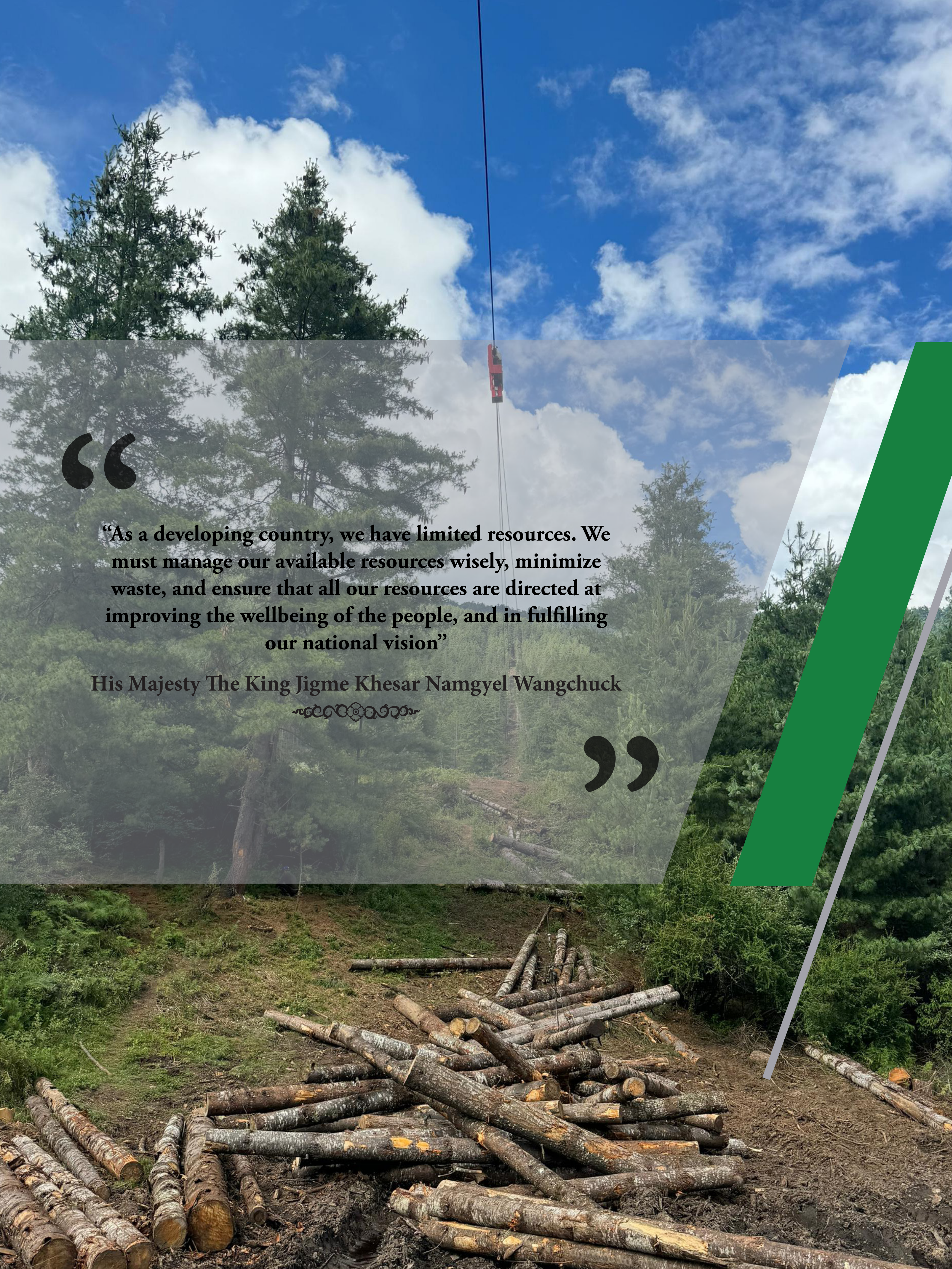


"As a developing country, we have limited resources. We must manage our available resources wisely, minimize waste, and ensure that all our resources are directed at improving the wellbeing of the people, and in fulfilling our national vision"

His Majesty The King Jigme Khesar Namgyel Wangchuck

CONTENTS

THE YEAR IN REVIEW

On behalf of the Management of Natural Resources Development Corporation Limited, I am pleased to present the 2024 Annual Report, highlighting our key initiatives, achievements, challenges, and strategic direction for growth.

Until 2023, NRDCL consistently produced approximately two million cubic feet (cft) of timber annually, adequately meeting domestic demand. However, the economic repercussions of the COVID-19 pandemic, particularly the negative balance of payments and declining foreign reserves prompted a national reassessment of Bhutan's economic drivers. With 69.70% of the country's land under forest cover, timber was identified as a strategic resource for economic revitalization. A government study confirmed the potential for a sustainable annual harvest of up to 12.05 million cft, leading to a national initiative to boost timber exports and enhance Indian Rupee reserves.

In support of this strategy, NRDCL, with guidance from Druk Holding and Investments and the Department of Forests and Park Services (DoFPS), committed to increasing timber extraction to over five million cft annually. The company invested Nu. 900 million in modern extraction machinery and launched a dedicated timber export project.

Despite these efforts, several challenges continue to constrain growth. Domestic timber prices remain fixed at the NRPC rates approved in 2020, while a mandated floor price for exports does not reflect current market dynamics. Although NRDCL has signed Memorandum of Understanding (MoUs) with Indian trading partners, regulatory hurdles, logistics limitations, and export restrictions on certain timber species continue to affect sales.

As a result, NRDCL's total revenue declined by Nu. 65.68 million compared to 2023, primarily due to a slowdown in domestic construction activity in the country. Despite increased operational costs, the company achieved a profit

after tax of Nu. 15.11 million reflecting a 20.31% decrease from the previous year. Nevertheless, over the past five years, NRDCL has maintained a positive compound annual growth rate (CAGR) of 5.32%. Timber remained our primary revenue stream, contributing 58.81% of total revenue, with the export project alone generating Nu. 142.12 million in 2024.

To strengthen institutional capacity, NRDCL appointed new members to its Board of Directors. The Corporate Strategic Plan (CSP 2022–2030) was also revised to incorporate a balanced scorecard framework, which will guide performance measurement and implementation beginning in 2025. Enhanced communication and collaboration were fostered through monthly and quarterly review meetings, field inspections, and the introduction of an annual employee recognition program.

In alignment with our Corporate Social Responsibility (CSR) commitments, NRDCL undertook initiatives totaling Nu. 18.891 million. Highlights include leasing a stone-crushing plant to the Gyalsung Infra Project at concessional rates, providing crop compensation and maintaining farm roads benefiting over 600 households, distributing firewood to Kidu recipients, and supporting sanitation in bark beetle-infested areas. The company also provided emergency relief during the Dechencholing flash flood.

We extend our sincere gratitude to our customers, DHI, the NRDCL Board, DoFPS, MoENR, and all stakeholders for their unwavering support. I also commend our dedicated employees for their hard work and perseverance throughout 2024.

On behalf of the entire NRDCL team and myself, I reaffirm our continued commitment to serving the Tsa-Wa-Sum, and we look forward to a brighter and more prosperous 2025.

Kadrincheyla.

Yours sincerely,

(Jigme Thinley)

Chief Executive Officer

VISION, MISSION & VALUES

VISION

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

MISSION

- **"Sustainably manage the nation's natural resources ensuring availability, accessibility, and affordability through commercially-viable practices."**

Core Values

Teamwork: We collaborate in teams to achieve the company's goals and embrace diversity.

Integrity: We uphold and practice the highest ethical standards in all our conduct.

Agility: We respond swiftly and effectively to changing external factors, ensuring adaptability and responsiveness.

Excellence: We strive for excellence in all aspects of our business activities, aiming for continuous improvement and superior performance.

Accountability: We take responsibility for our actions and decisions, maintaining transparency and trust with all stakeholders.

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 Command conveyed to the 87th session of the National Assembly. However, its history dates back to 1979 when it was created as the Logging Division 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.

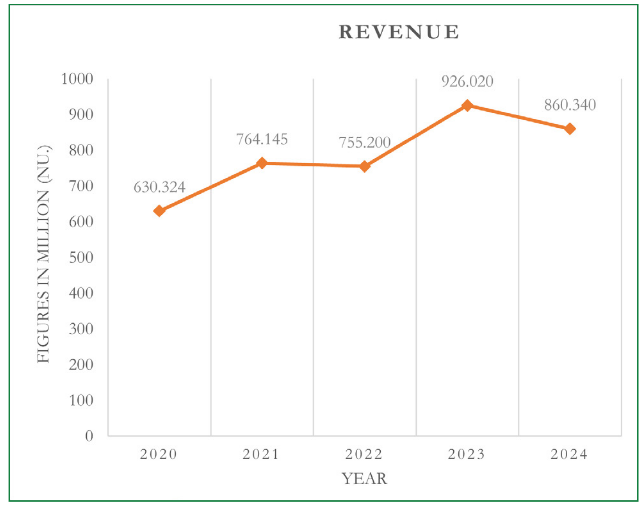
NRDCL is a fully-owned Druk Holding and Investments (DHI) company. The company is governed by the Articles of Incorporation under the Companies Act of the Kingdom of Bhutan 2016.

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.

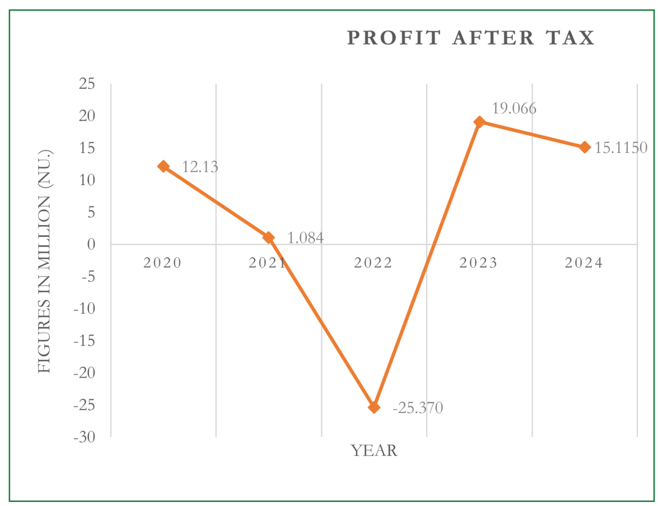
#	Name of the Region	Activities/Products	Coverage/Operation Area
1	Rinpung Region	Timber, Sand & Stone	Thimphu, Paro, and Haa
2	Sha Region	Timber, Sand & Stone	Wangdue, Punakha, Gasa, Tsirang, and Dagana
3	Jakar Region	Timber, Sand & Stone	Bumthang, Trongsa, and Zhemgang
4	Zhonggar Region	Timber, Sand,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

ANNUAL FINANCIAL PERFORMANCE IN LAST FIVE YEARS

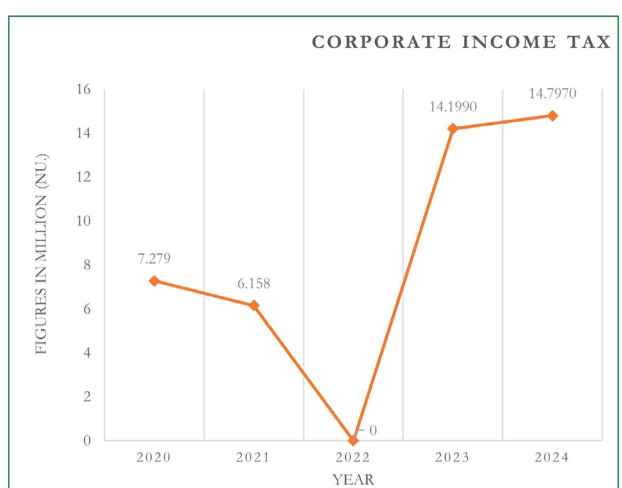
REVENUE	
Year	**Revenue**
2020	630.324
2021	764.145
2022	755.200
2023	926.020
2024	860.340



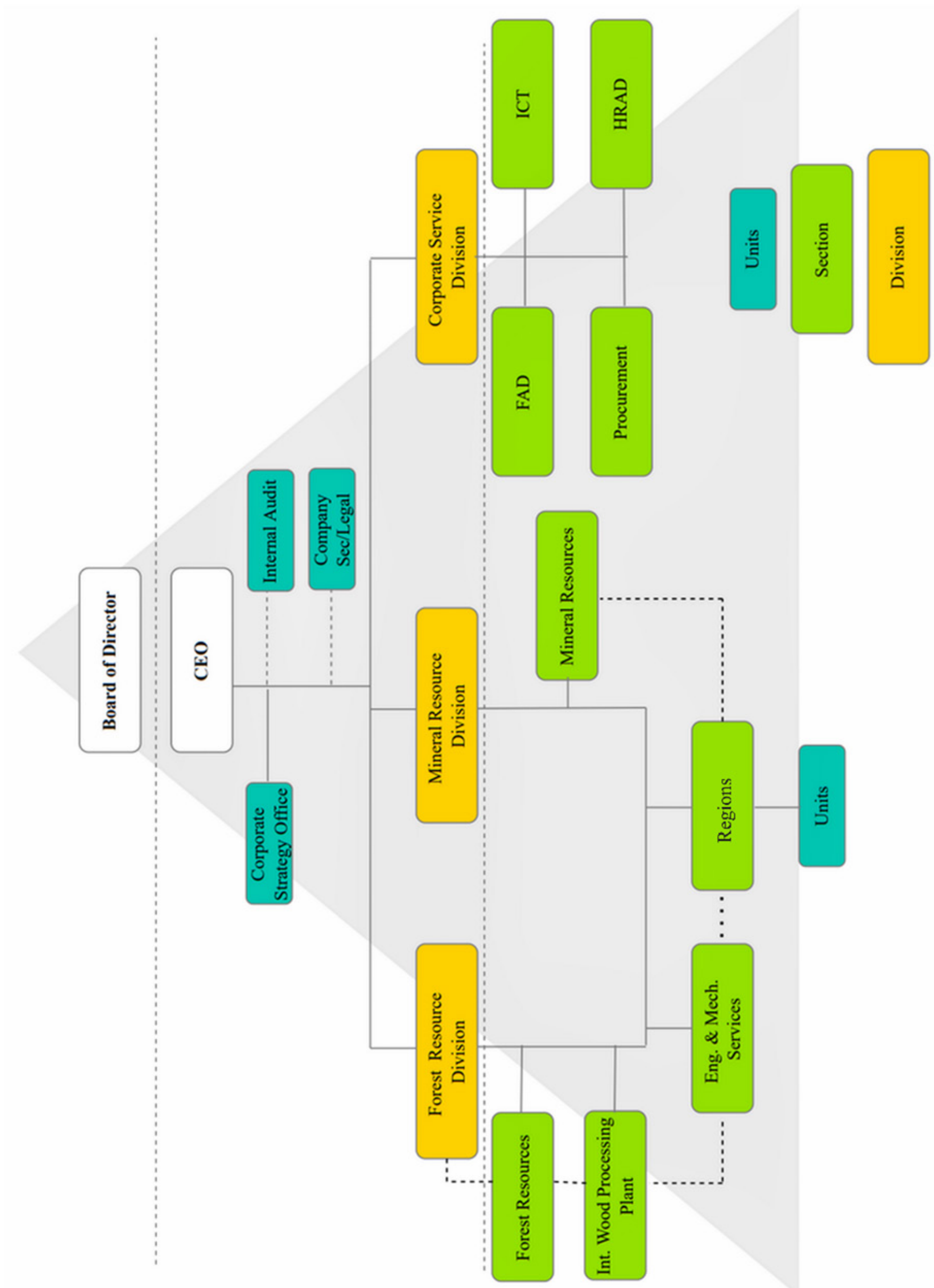
PROFIT AFTER TAX	
Year	**PAT**
2020	12.130
2021	1.084
2022	(25.370)
2023	19.066
2024	15.115



CORPORATE INCOME TAX	
Year	**CIT**
2020	7.279
2021	6.158
2022	-
2023	14.199
2024	14.797



ORGANIZATION STRUCTURE PROFILE



BOARD OF DIRECTORS

Mr. Karma Galay
Chairman

Mr. Karma Galay is the Director General for the Department of Local Governance and Disaster Management under Ministry of Home Affairs. Before joining the Department, he served as the Dzongdag of Sarpang Dzongkhag. He also held the position of Director, Department of Roads in 2013.

Additionally, he has carried out the research titled, 'Time Use Happiness and Environmental Impacts' and co-edited several significant books on Gross National Happiness. He brings vast experience and a broad range of expertise at the policy and executive levels.

He holds a Master's Degree in International Policy Studies from the Standford University of California and a Bachelor's Degree with Economics Honours from Sherubtse College, Bhutan. He hails from Saling in Mongar. He serves as an Independent, Non-Executive Director and Chairman on NRDCL Board.

Mr. Sonam Wangdi is currently serving as the Chief of Nature Conservation Division under the Department of Forests and Park Services of the Royal Government of Bhutan. As the Chief of this Division, he is responsible for providing strategic guidance for conservation programs in the country and also ensuring sustainable utilization of forest resources within Bhutan's Protected Areas.

As the Chief, he is responsible for technically advising the protected area system of Bhutan with scientific management interventions. He serves as an Independent and Non-Executive Director on NRDCL Board.

Mr. Sonam Wangdi
Board Director

Mr. Sunil Rasaily
Board Director

Mr. Sunil Rasaily currently works as an independent consultant in the areas of business, economic and financial management. He has a cross-functional work experience spanning over two and a half decades in the Government, public and private sector.

He has over 14 years of work experience in the private sector and has been closely associated with the manufacturing and mineral sector. He also worked in the Bhutan Power Corporation for over 11 years at a technical capacity as well as a corporate planner. He is a founding partner of QED Group, established in 2012 to pursue evidence-based research and advocate alternate solutions to topical issues through its consulting arm and think tank.

He works closely with the Bhutan Chamber of Commerce and Industry and is actively involved in private sector development activities at the policy level.

He holds a Bachelor's degree in Electrical and Electronics Engineering and a Master's degree in Business Administration. He serves as an Independent and Non-Executive Director on NRDCL Board.

Ms. Yeshey Lhamo is a Senior Analyst at Druk Holding and Investments (DHI) Limited. Before joining DHI, she served as an Associate Lecturer at the Financial Institutions Training Institute (FITI). With over 14 years of diverse experience in the insurance sector, training and development, and strategic finance, Ms. Yeshey has cultivated a robust expertise in financial management, risk analysis, and organizational development. She holds a Master's in Business Administration with a specialization in Finance from Gedu College of Business Studies and a Bachelor of Commerce (Honors) degree from Sherubtse College.

Ms. Yeshey Lhamo
Board Director

Mr. Chencho
Board Director

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 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.

Mrs. Dechen Eadon serves as an Independent and Non-Executive director of NRDCL Board. She currently works at Royal Institute of Management (RIM) as a Sr. Lecturer. Prior to joining the RIM, she served as a Chief HR Officer in the Royal Civil Service Commission (RCSC). She received her Master of Business (HR) from QUT, Australia and B.Com (Hons) from Sherubtse College.

Mrs. Dechen Eadon
Board Director

Mr. Jigme Thinley
Board Director/CEO

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 from across multiple organizations both in the government and the corporate sectors. He has more than 23 years of diverse experiences in the area of taxation, business, entrepreneurship, HR Management and finance. He has Masters of Business Administration (international business) from Asian Institute of Technology, Thailand.

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 Master of Business Administration (international business) from Asian Institute of Technology, Thailand

Karma Wangdi
General Manager

Mr. Karma Wangdi is General Manager of the Forest Resources Division (FRD). Prior to his current post, he served as Head of Corporate Strategy Office (CSO) in the company. He has Master of 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 the Corporate Services Division (CSD). He has more than 25 years of experience in the area of finance at NRDCL. He has Master of Business Administration from the University of Canberra, Australia

Namgay Wangchuk
General Manager

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

Thinley Dema
Company Secretary

Mrs. Thinley Dema completed her bachelor's degree in law (BA-LLB) from Sikkim University and completed her postgraduate Diploma in National Law from Royal Institute of Management (RIM), Thimphu.

Jamyang Choden
Head, CSO

Ms. Jamyang Choden is the Head of the Corporate Strategy Office (CSO). She completed her Master of Business Administration from University of Canberra, Australia.

DIRECTORS' REPORT

To the Shareholder,

As the Chairman of the Board of Directors of Natural Resources Development Corporation Limited (NRDCL), and on behalf of the Board of Directors and the Management, I would like to present the Directors' Report for the year ending 31st December 2024.

1. Operational highlights

The product-wise production and disposal report for 2024 vis-à-vis 2023 and 2022 are presented in the table below.

#	Particulars	2024			2023 Achievement (Quantity)	2022 Achievement (Quantity)
	Core products	Annual Target	Achievement (Quantity)	Achievement %		
1	Timber Production (cft.)	7,252,752.88	3,499,148.47	48.25%	2,444,646.57	1,779,387.35
2	Timber Sales (cft.)	6,769,452.88	2,492,036.23	36.81%	2,111,881.00	2,057,038.83
3	Sand Production (m3)	524,440.00	456,424.94	87.03%	488,937.00	468,536,17
4	Sand Sales (m3)	524,440.00	415,549.59	79.24%	476,667.95	499,353.98
5	Stone Production (cft)	19,306,409.20	26,933,125.19	139.97%	22,262,964.84	15,109,092.43
6	Stone Disposal (cft)	19,241,409.20	27,884,066.26	144.43%	26,523,677.94	13,712,491.35
7	Stonechips Production (cft)	4,128,452.20	1,910,066.51	46.27%	2,811,707.44	3,015,745.57
8	Stonechips Disposal (cft)	4,128,452.20	1,566,804.25	37.95%	1,755,911.29	2,783,538.52

1.1. Timber

a. Timber production was 3.499 million cft against the target of 7.252 million cft and sale was 2.492 million cft against the target of 6.769 million cft in 2024.

b. Total revenue of Nu. 505.966 million was earned from the sale of timber in 2024 against the target of Nu. 1,545.541 million as compared to revenue earning of Nu. 389.064 million in 2023.

c. The closing stock of log, pole and hakaries stood at 1.315 million cft. and total sawn timber and block timber 0.085 million cft. at the end of 2024.

1.2. Sand

a. Sand production in 2024 was 456,424.94m3 against the target of 524,440.00m3 and sale was 415,549.59 m3 against the target of 524,440.00 m3.

b. Total revenue of Nu.107.703 million was earned from sale of sand in 2024 against the target of Nu.131.862 million as compared to revenue earning of Nu. 113.959 million in 2023.

1.3. Stone

a. Stone/boulder production in 2024 was 26.933 million cft. against the target of 19.306 million cft and sale was 27.884 million cft. against the target of 19.241 million cft.

b. Total revenue of only Nu.84.084 million was earned from sale of stone in 2024 against the target of Nu. 158.169 million as compared to revenue earning of Nu.236.259 million in 2023.

1.4. Stonechips

a. Stonechips production in 2024 was 1.910 million cft. against the target of 4.128 million cft. and sale was 1.566 million cft. against the target of 4.128 million cft.

b. Total revenue of Nu. 21.832 million was earned from the sale of stone aggregates in 2024 against the target of Nu. 84.622 million as compared to revenue earning of Nu. 38.753 million in 2023.

c. The overall physical achievement of sales was lowest for stonechips at 37.95%.

The board and the 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	2024			2023	2022
		Annual Target	Achievement (Quantity)	Achievement %	Achievement (Quantity)	Achievement (Quantity)
1	Joinery- Production (sq ft.)	489,500	339,394.97	69.34%	412,610.43	308,999.64
2	Joinery- Sales (sq. ft.)	494,960	312,583.86	63.15%	443,617.68	338,615.36
3	Bhutanese Craft/ Construction Joinery -Production (in Nos.)	6,225.00	2,132.00	34.25%	30,523.00	34,812.62
4	Bhutanese Craft/ Construction Joinery –Sales (in Nos.)	6,225.00	2,125.00	34.14%	26,471.00	33,985.70
5	Firewood Production (m3)	29,816.00	38,981.61	130.74%	47,048.08	42,149.35
6	Firewood Supply (m3)	29,816.00	36,330.76	121.85%	44,102.01	
7	Plantation Creation (Ha.)	23.24	28.74	123.67%	25.43	53.66
8	Seedling- Production (Nos.)	78,000	68,000	87.18%	166,284.00	186,846.00
9	Road Construction (km)	39.3 km	14.61 km	37.1 %	12.96	11.62

1.1. Joinery Products

- Produced 339,394.97 sq. ft. of joineries and disposed the same against the target of 494,960.00 sq. ft. of joineries, from the Joinery Unit at Ramtokto, Thimphu and Lingmithang, Mongar.

1.2. Bhutanese Crafts/ Construction Joinery

- Produced 2,132 Nos. of Bhutanese crafts/ construction joinery against the target of 6,225 Nos. and the sale was 2,125 Nos. against the target of 6,225 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.

1.3. Revenue

- A revenue of Nu. 55.55 million for products of IWPP (furniture, construction materials and joinery products) against the target of Nu. 112.98 was achieved. It was 49% achievement.

1.4. Firewood

- Produced 38,981.61 (m3) of firewood against the target of 29,816.00 (m3) and the supply was 36,330.76 (m3) against the target of 29,816.00 (m3).
- Firewood supply was done based on demand and subject to availability of lops and tops or forest residue after extraction of prime timber.

1.5. Plantation Creation

- A total of 28.74 hectares of plantation was carried out in 2024 against the target of 23.24 hectares.

1.6. Seedling Production

- During the year, 68,000 Nos. of seedlings were produced against the target of 78,000 Nos. in 2024.

1.7. 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, 14.61 km of road construction were constructed and completed against the target of 39.3 km at a cost of Nu. 25.68 million. Approximately, Nu. 8.1 million was spent on maintenance.

Highlights of the Important Initiatives

1. With the RGOB recognizing timber as one of the low hanging fruits and opening up of timber export, the Board during 108th Board meeting held on 10th October 2023 endorsed the Timber Export Project to enable the company to capitalize on the export of timber. The key initiatives includes the following:
   - Procurement of 36 Cable Cranes. These were procured to enhance extraction and transportation capabilities of timber logs in remote and difficult terrains.
   - Procurement of 20 Log Loaders:
   - 8 Teleloggers: Added for precision handling and versatility in confined spaces, boosting efficiency in logging operations.
   - 10 Crane Loaders (Tajfun): Procured for high-capacity material processing, paired with 10 Tata Trucks (procured separately) to ensure mobility and rapid deployment across sites.
   - 2 JCB Backhoe Loaders with Grappler Attachments: Introduced for multifunctional site management, enabling excavation, loading, and material handling in diverse conditions.

2. In order to boost sales through export of timber, the company entered into MoU with some of the leading timber traders from India. MoU with M/s Singla Timbers Private Limited and M/s Saraswati Wood Private Limited for 3 million each was signed on 21st May 2024 & 19th June 2024 respectively for a period of one year.

3. The establishment of the Sundry Debtors Recovery Committee (SDRC) has enabled management to efficiently monitor and manage debt through continuous follow-up on the collection of sundry debtors.

Other Activities

1. During the year, the Board and management held an exclusive retreat to review the Corporate Strategic Plan (CSP) for the period of 2025-2030. The Board endorsed the CSP during the 118th meeting of the Board held on 20th December 2024.

2. In 2024, the management initiated quarterly meetings at regional offices to enhance communication, foster teamwork, and ensure alignment with organizational goals across all levels. These meetings were held at the Jakar Regional Office, Bumthang and Khotokha under the Sha Regional Office, Wangduephodrang.

Key Challenges

- NRDCL has encountered several significant challenges that have adversely affected its operations and financial performance:

1. Price Regulations- The prices of timber, sand, and sawn timber are fixed by the Natural Resource Pricing Committee (NRPC). The non-revision in timber prices has had a detrimental effect on NRDCL's profitability and sustainability, hampering our ability to deliver services effectively. For the financial year 2024, the timber export project was expected to be a significant revenue generator; however, it did not perform as planned, partly due to regulatory hindrances, such as the requirement to adhere to a floor price irrespective of the market trends. These pricing and regulatory challenges limits revenue generation and does not enable the company to make capital investment required for its growth owing to short of fund.

2. Scaling down of Initial Project - Initially, the timber export project was approved with a budget of Nu. 1.715 billion, with DHI contributing Nu. 600 million. The investment aimed to support the extraction of 12.05 million cubic feet of timber annually. However, due to the inability to secure the remaining funds and issues with the export market, the project scope was reduced to Nu. 1.20 billion, lowering the annual extraction target to 5.31 million cubic feet. It was later further downsized to Nu. 900 million, with an adjusted extraction target of 4.75 million cubic feet. As a result, the planned procurement of 60 cable cranes (CC) and 48 loaders was scaled back, reducing the project's extraction capacity. Given these constraints, the timber export project was revised to an investment of Nu. 900 million, with the target renegotiated to 1.495 million cubic feet during the mid-year review meeting, 2024.

3. Timber Export Bottlenecks- The timber export business commenced with high hopes but has encountered numerous challenges and it has not picked up as anticipated. The following are the significant bottleneck in the export of timber:

- Only four timber species were found to be enlisted with the Indian PPQ, restricting our ability to export the majority of timbers which are not enlisted;
- Bhutan being a landlocked country, relies solely on road transportation. This has made our timber less competitive in the international market due to logistical inefficiencies.
- The deferment of investment tranches and subsequent delays in delivery of machineries had significantly affected timber production and export target; and
- Both the production and export were hampered due to regulatory hitches like delay in environment clearances and launching of online forestry system.

4. Domestic Market Slowdown- The market for the construction materials has slowed down domestically owing to inauspicious year and halting of construction activities. Significant portion of the timber produced especially under Jakar Region has remained unsold and the quarry sand stocked under Sha Region has not found its buyers.

5. Boulder Export Challenges - The year 2024 also did not see the light as it was hoped in the beginning of the year in the case of boulder. The market in Bangladesh remained more or less stagnant, worsened by route issues, as a result of which export of boulders from Phuentsholing had to stop completely. The company only sold RBM to Indian parties under the Pling Region. The only boulder export was done from Gelephu, which was not free of challenges such as damage of a bridge, and overload issue beside the low market demand.

2. Financial highlights

- The highlights of the financial performance of the company in 2024 is presented below:

Revenue, OpEx, PAT and Dividend trend

Nu. in million

Particulars	2024	2023	I/(D) -Nu	I/(D) - %
Revenue				
Sales	816.55	896.70	(80.15)	-8.94%
Other Income	43.79	29.32	14.47	49.35%
Total	**860.34**	**926.02**	(65.68)	-7.09%
Expense				
Cost of sales	696.75	803.70	(106.95)	-13.31%
Operating expenses	133.68	89.16	44.52	49.93%
Total	**830.43**	**892.86**	(62.43)	-6.99%
Profit before tax	**29.91**	**33.16**	**(3.25)**	-9.80%
Tax (assessed)	14.80	14.20	0.60	
Profit After Tax (PAT)	**15.11**	**18.96**	**(3.85)**	-20.31%

- Overall revenue for the company has decreased by Nu. 65.68 million compared to 2023.
- The overall demand in the domestic market remained low as the construction industry did not revive as expected, and
- The timber export remained grossly underachieved because of several external factors:

i) Environmental clearances for timber extraction sites were issued on 22nd April 2024. The 4-month delay in obtaining these clearances, along with subsequent operational challenges, significantly hampered timber extraction and disrupted the operational plan for those months.

ii) Delay in delivery of logging machines as a result of production delay from the manufacturer and shipping delays due to disruptions in the Red Sea and Middle East Conflicts;

iii) Constraints at the exit gate, particularly limited capacity for processing timber exports, have significantly impacted the delivery of higher export volumes; and

iv) Species enlisting issues in PPQ, India. Only four timber species were found to be enlisted with the Indian PPQ, restricting our ability to export the majority of timbers which are not enlisted;

- The Cost of Sales has decreased by Nu. 106.95 million and Operating Expenses has increased by Nu. 44.5 million respectively compared to 2023. Increase is mainly attributed to Financing cost and Depreciation.

- The company has earned a profit before tax of Nu. 29.91 million compared to profit of Nu. 33.16 million in 2023.

Financial summary for five years

Nu in million

Year	2020	2021	2022	2023	2024	CAGR
Revenue	630.32	764.15	755.20	926.02	860.34	5.32%
Expenses excluding dep. and interest	524.88	653.01	683.93	795.77	666.83	6.17%
Tax	7.28	6.16		13.79	14.80	
Profit After Tax (PAT)	**12.13**	**1.08**	(25.37)	16.26	15.11	
Dividend		9.00				
Revenue per employee	1.40	1.44	1.59	2.00	1.68	
PAT per employee	0.03	0.00	(0.05)	0.04	0.03	
Number of employees	**450**	**531**	**476**	**463**	**513**	
Number of employees	417	450	531	476	463	

Revenue composition trend in % - Product-wise

Particular	2020	2021	2022	2023	2024
Timber	46.91%	41.25%	40.40%	42.01%	58.81%
Sand	30.03%	13.17%	15.48%	12.31%	12.52%
Stone	5.31%	16.74%	16.46%	25.51%	9.77%
Stone chips	3.37%	6.62%	6.70%	4.18%	2.54%
Joinery	2.13%	10.75%	9.56%	5.53%	5.49%
Others	12.25%	11.47%	11.40%	10.46%	10.87%
	100.00%	100.00%	100.00%	100.00%	100.00%

- In the past five years (2020 to 2024), Compounded Annual Growth Rate (CAGR) was 5.32% only. The major increase in revenue is seen in 2023, amounting to Nu. 170.82 million, an 18% increase.
- Timber constitutes a major contributor (58.81%) to the overall revenue. Revenue generation from mineral products such as sand, stone and stone chips has fluctuated year on year.

Summary of expenditure for five years

Nu in million

Particular	2020	2021	2022	2023	2024	CAGR
OpEx	524.88	653.01	683.93	792.66	666.83	6.17
Depreciation	84.03	97.68	87.5	83.69	113.90	7.90
Finance cost	2.01	6.21	9.15	16.51	49.70	122.99
CapEx	125.1	122.6	94.87	71.55	756.71	56.83
Total	**736.02**	**879.5**	**875.45**	**964.41**	**967.52**	

- The Compounded Annual Growth Rate for OpEx in the past 5 years was 6.17%. CAGR % for expense was higher than the revenue growth drivers mainly because there has been no corresponding increase in the prices for domestic timber supply, sand and stone since 2020.
- There was significant increase in the finance cost in 2024 attributed to Nu. 900 million loans availed for investment in Organization capacity building.
- 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 with significant increase in 2024.

Revenue and OpEx growth comparison

There is a direct correlation between OpEx growth and reduction in PAT. The OpEx growth in 2024 is -16 which is much lower than revenue growth of –7 %, as a result, the company had made a profit.

Particulars	2020	2021	2022	2023	2024
Revenue	-20%	21%	-1.17%	23%	-7%
OpEx	-18%	24%	3.13%	16%	-16%

Summary of Cash Flow for last five years

Nu in million

Particulars	2019	2020	2021	2022	2023	2024
Cash inflow/(outflow) from Operating activities	66.78	20.89	54.76	32.75	(283.24)	382.81
Cash inflow/(outflow) from Investing Activities	(94.83)	(124.04)	(67.73)	(91.48)	(81.99)	(719.14)
Cash inflow/(outflow) from Financing Activities	17.05	85.37	31.89	45.78	556.77	235.36
Increase/(Decrease) in cash	(11.01)	(17.78)	18.92	(12.95)	191.54	(100.97)

- In General, the cash flow trend shows cash inflow from Operating Activities, indicating that the company generates enough cash to meet its operating activities. There is a huge negative cash flow of Nu. 283 million from Operating Activities in 2023, which resulted from a huge advance payment to suppliers amounting to Nu. 368 million as Working Capital on account of the purchase of logging equipment.
- There is a net decrease in cash by Nu. 100.97 million as a result of huge investment in procuring logging equipment.

Key Financial Ratios

A. Ratio Assessing Profitability				Ratio	
Sl. No	**Ratio**	**Numerator - 2024**	**Denominator – 2024**	**2024**	**2023**
1	Return on Investment	77,657,557	659,321,780	11.78	7.62
2	Operating Profit	77,657,557	816,553,500	9.51	5.54
3	Net Profit Ratio	29,911,801	816,553,500	3.66	3.70
B. Ratio for Assessing Financial Health				**Ratio**	
Sl. No	**Ratio**	**Numerator - 2024**	**Denominator – 2024**	**2024**	**2023**
1	Capital Turnover Ratio	816,553,500	659,321,780	1.24	1.48
2	Fixed Assets Turnover Ratio	816,553,500	1,031,440,788	0.79	2.29
3	Stock Turnover Ratio	698,010,300	409,263,908	1.71	2.79
4	Current Ratio	852,356,266	908,117,722	0.94	1.39
5	Liquid Ratio	320,568,574	908,117,722	0.35	1.03

3. Audit Report

The company's books of accounts for the financial year 2024 were audited by M/s Jigme Audit and Financials Pvt. Ltd, Thimphu. For the financial year, the company did not have any material audit observation.

4. Dividend

Given the financial challenges, the Board, in its 120th meeting, endorsed management's decision not to declare dividend for the year. This aligns with the company's recent investments in extraction machinery for key national initiatives, including the scientific thinning of the nation's forests and major upcoming projects like GMC, which will utilize mass timber.

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 2024, the NRDCL Board comprised of seven Board Directors, including the Chairman and CEO. During the year, the company had eight Board meetings.

NRDCL has two Board sub-committees i.e. the Board Audit Committee and the Board Human Resources Committee, which provide recommendations to the full Board for decision-making. In 2024, four Board Audit Committee meetings were held; however, no meetings of the Board Human Resources Committee took place, all while maintaining quorum requirements as stipulated by the Companies Act 2016 and the DHI Corporate Governance Code.

6. Corporate Social Responsibility (CSR)

In adherence to its commitment to corporate social responsibility (CSR), NRDCL engaged in various initiatives during the year 2024. These endeavours were aligned with the principles of sustainable development and community welfare.

In 2024, NRDCL supported CSR initiatives amounting to Nu. 18.891 million. Notable efforts include support given to the special projects, charitable contributions, and environmental conservation initiatives.

a. Special Projects

- NRDCL has actively engaged in supporting various projects. This involvement included providing of machinery and manpower at various locations, valued at a total of Nu. 240,054.38 over the course of the year, all offered free of charge.
- Gyalsung Infra Project- Given the significance of National Project, NRDCL hired out 70 TPH Stone Crushing Plant to Gayshung Infra Project Khotokha at a very minimal rate at Nu. 7.50 per cft, forgoing potential revenue of Nu. 10.03 million.

b.Social and Environmental Mandates

- Crop Compensation- NRDCL demonstrated its commitment to local farmers by annually paying crop compensation amounting to Nu. 551,473.72 to 17 affected farmers of Tshokhona and Rinchengang;
- Maintenance of Gewog Farm Roads- In 2024, NRDCL invested Nu. 4.99 million to maintain approximately 62 kilometers of roads outside our immediate operational areas. These farm roads are crucial for accessing extraction sites. This initiative not only facilitated the smooth functioning

of NRDCL's operations but also significantly contributed to local economic development, positively impacting over 600 households.

- Sanitation Works- Irrespective of the commercial value of the timber harvest, NRDCL took sanitation operation of bark beetle infested area from Uruk, Zhicha, & Tangsibji under Jakar Region; Thimphu, Paro & Haa Dzongkhag under Rinpung Region, and extracted a total of 768,507.00 cft.
- Emergency Services- NRDCL provided emergency services by deploying machinery during the Dechencholing flash flood, with a total monetary value of Nu. 71,056.00; and
- Financial Contribution to DoFPS, RGOB- NRDCL contributed Nu. 46,200.00 for the procurement of eleven-timber passing hammers to facilitate the smooth functioning of the timber export initiative.

c. Charitable Contributions

As part of our commitment to social responsibility and community development, NRDCL proudly contributes to the nation through a variety of charitable initiatives.

Notable contributions include:

- Waiving off the hiring charges for our main conference hall, amounting to Nu. 324,000.00, to support educational initiatives.
- For the wellbeing of the country and its people, NRDCL has contributed a total of Nu. 146,128.00 in cash and kind to support religious activities organized by various religious organizations across the nation;
- Supplied 30 cft of sawn timber worth Nu. 11,478.60 towards Draktsho, an NGO for the disabled people;
- A donation of Nu. 50,000.00 to the Tshokey Dorji Foundation for Kurim at Kuenselphodrang, Thimphu, supporting community development projects; and
- Firewood supplied on Kidu from Hejo retail outlet located at Hejo cremation ground to 25 Kidu recipient in the year 2024 worth Nu. 1.39 million.

In 2024, NRDCL reaffirmed its commitment to environmental sustainability and community welfare through its CSR initiatives, which included both monetary and in-kind donations, as well as infrastructure development that directly or indirectly benefited the local community and environment. By maintaining 71 kilometers of farm roads, NRDCL positively impacted over 600 rural households across the country. Furthermore, throughout its operational period, NRDCL has constructed 369.59 kilometers of forest roads, valued at Nu. 471.611 million, benefiting more than 27 Gewogs across 13 Dzongkhags.

Between 2014 and 2023, the NRDCL constructed nine Bailey/log stringer bridges at a total cost of Nu. 21.10 million benefiting the local community. In 2024, an additional Bailey Bridge was built over the Nikachu River under the CFMU, costing Nu. 9.476 million and benefiting 30 households under the Chendebji Chiwog of Trongsa Dzongkhag. To address issues related to river course changes and road blockages on farm roads, the NRDCL also constructed 22 gabion walls from 2016 to 2021.

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.

7. Organizational and Human Resource Management and Development

Considering human resource as one of the most important resources for the growth and success of an organization, NRDCL continuously emphasizes on development and optimum utilization of its available human resources.

In the beginning of 2024, the HR strength stood at 460 (416 regular, 20 contract and 24 ESP), and at the end of the year, it stood at 513 (476 regular, 15 contract and 22 ESP). With the voluntary resignation of 35 employees during the year, the attrition rate for 2024 stood at 7.2%. Another 10 employees exited the company either through superannuation or disciplinary actions. As replacement of those separated employees and for the scientific thinning timber project, company recruited 98 new employees in 2024.

As part of long-term HR development, the management approved the further studies of three officials in 2024 that are currently studying MBA at Royal Institute of Management. One official, who has been studying Bachelor of Forestry at College of Natural Resources, Lobeysa will complete the course in the mid of 2025. Efforts continued to develop HR capacity on hands-on training for field staff to handle the ERP system effectively and training for machine operators and helpers on utilization of new machines. However, major planned training programs for the year were not fully implemented due to financial constraints in 2024.

Other significant milestones in organizational development front included strengthening of coordination and communication processes with frequent field visits of management team and fostering quarterly progress review meetings in the field offices, effective implementation of revised performance management system and initiating the annual employee award program for the first time in the history of NRDCL to recognize the performers and enhance morale of the employees.

8. Way Forward

As we approach 2025, NRDCL aims to enhance the construction industry through innovative strategies that elevate performance and support national growth. Our focus will be on mass-engineered timber, Thermo Mechanical Timber Modification (TMTM), and value-added projects. To increase operational efficiency and return on investment, we will implement the TMTM project, study mass timber production, and enhance the export of sawn timber and other value-added products.

9. 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 Land Commission Secretariat, 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 Galay)

Chairman

NRDCL

CORPORATE GOVERNANCE REPORT

It is the NRDCL Board's and Management's continuing endeavor 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 this effect, it is vested with the requisite powers, authorities and duties. In 2024, the NRDCL Board comprised of seven Board Directors, including the Chairman and the CEO. The details of each of the Board Directors are provided below:

Name	Role	Profile	Appointment to present term	Term
Mr. Karma Galay	Chairman	Director General, DLGDM, MoHA	March 2024	1st Term
Mr. Chencho	Board Director	Director, Cabinet Secretariat	March 2021	2nd Term
Mr. Sonam Wangdi	Board Director	Chief Forestry Officer, DoFPs	March 2024	1st Term
Mr. Sunil Rasaily	Board Director	Consultant, Private Sector	March 2024	1st Term
Mr. Ugyen Wangdi	Board Director	Associate Director, DHI	April 2022	2nd Term
Ms. Dechen Eadon	Board Director	Lecturer, RIM	March 2024	1st Term
Mr. Jigme Thinley	CEO/ Board Director	Chief Executive Officer, NRDCL	July 2023	1st Term

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 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 eight Board meetings in 2024, 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
111th Board Meeting	12th March 2024	• Dasho Karma Tshiteem • Mr. Chencho • Mr. Ugyen Wangdi • Mr. Jigme Thinley	• Mr. Rinzin Dorji • Mr. Karma Tenzin
112th Board Meeting	19th April 2024	• All Board members were present during the meeting.	None
113th Board Meeting	14th May 2024	• Mr. Chencho • Mr. Ugyen Wangdi • Mr. Sonam Wangdi • Mr. Sunil Rasaily • Mr. Jigme Thinley	• Mr. Karma Galay • Ms. Dechen Eadon
114th Board Meeting	27th June 2024	• Mr. Karma Galay • Mr. Ugyen Wangdi • Mr. Sonam Wangdi • Mr. Sunil Rasaily • Ms. Dechen Eadon • Mr. Jigme Thinley	• Mr. Chencho
115th Board Meeting	31st July 2024	• All Board members were present during the meeting.	None
116th Board Meeting	4th November 2024	• Mr. Chencho • Mr. Ugyen Wangdi • Mr. Sunil Rasaily • Ms. Dechen Eadon • Mr. Jigme Thinley	• Mr. Karma Galay • Mr. Sonam Wangdi
117th Board Meeting	29th November 2024	• Mr. Karma Galay • Mr. Ugyen Wangdi • Mr. Sonam Wangdi • Mr. Sunil Rasaily • Ms. Dechen Eadon • Mr. Jigme Thinley	• Mr. Chencho
118th Board Meeting	20th December 2024	• Mr. Karma Galay • Mr. Chencho • Mr. Sonam Wangdi • Mr. Sunil Rasaily • Ms. Dechen Eadon • Mr. Jigme Thinley	• Mr. Ugyen Wangdi

Board Sub- Committee Meetings

NRDCL has two Board sub-committees i.e. the Board Audit Committee and the Board Human Resource Committee. These committees assist the Board in fulfilling its responsibilities. Each committee's powers and responsibilities are defined in the Committee Charter, which has been approved by the Board. The Charter outlines the terms and responsibilities of the committee. Board committees do not have legal standing or distinction from the Board itself; they exist solely to make recommendations that 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 three independent non-executive Directors as members and four meetings were held in 2024.

Meeting No.	Date	Members Present	Apologies
45th Board Audit Committee	15th April 2024	• Mr. Chencho • Mr. Ugyen Wangdi	None
46th Board Audit Committee	16th July 2024	• Mr. Ugyen Wangdi • Mr. Sunil Rasaily	• Mr. Chencho
47th Board Audit Committee	31st October 2024	• Mr. Chencho • Mr. Ugyen Wangdi • Mr. Sunil Rasaily	
48th Board Audit Committee	18th December 2024	• Mr. Chencho • Mr. Sunil Rasaily	• 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. During the year, no BHRC meeting was held.

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 2024 are as follows:

#	Particulars/Details	Remuneration & other benefits (Nu)	Sitting Fees (Nu)
1.	Board of Directors		Nu.428,000
2.	Chief Executive Officer	Nu. 2,954,412	Nu.76000
Total		**Nu. 2,954,412**	**Nu. 516,000**

Annual General Meeting

The 17th Annual General Meeting was held on 20th March 2024, which was attended by the Shareholder, Board Directors and the key members of the management team. The 17th Annual General Meeting transacted the following business items:

17.1. Adoption of Agenda
17.2. Ratification of Minutes of 16th Annual General Meeting
17.3. Consideration of the Audited Accounts for the financial year ended 31st December 2023, **Auditors' Report and Directors' Report**
17.4. Declaration of Dividend 2023, if any.
17.5. Appointment of, and fixing the remuneration of Statutory Auditors
17.6. Declaration of remuneration paid to Chief Executive Officer and Directors
17.7. Consideration of the Annual Compact Evaluation Report and declaration of PBVA based on the outcome of the Annual Compact 2023.
17.8. Consideration of appointment/retirement of Board Directors.
17.9. Ratification of appointment of Chief Executive Officer, NRDCL

Extraordinary General Meeting

No extraordinary General meeting was held in 2024

Business Code Of Conduct

Natural Resources 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 strives 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 2024 as per the existing policies and practices of DHI and DHI owned companies.

INDEPENDENT AUDITORS' REPORT

AIN: ……………………..

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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: 01/01/2024 to 31/12/2024

April 2025

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	1. Karma Galay, Director General, Department of Local Governance & Disaster Management, Ministry of Home Affairs (from 20.03.2024 till date), CID No.: 10xxxxxxx87 Email: karmagalay@moha.gov.bt 2. Dasho Karma Tshiteem, (Till 20.03.2024), CID.: 10xxxxxxx95
Head of the Agency:	Jigme Thinley, Chief Executive Officer CID No.: 11xxxxxxx80 Email: ceo@nrdcl.bt
	Sonam Chophel, General Manager, CSD, CID No.: 11xxxxxxx92 Email: gm.csd@nrdcl.bt
Period Audited:	01.01.2024 – 31.12.2024
Schedule of Audit:	Planning: 14 – 19 January 2025 Field: 20 January – 07 February 2025 Reporting date: 13.03.2025
Composition of Audit Team:	**Audit Partner:** Jigmi Rinzin, FCCA, CID No.: 10xxxxxxx64 **Team Leader:** Puran Kumar Dural, Sr. Audit Manager, CID No.: 10xxxxxxx99 **Team Members:** 1. Phurpa Yoezer, Asst. Audit Associate, CID No.: 11xxxxxxx28 2. Padma Dhital, DSP RIM GDA Intern, CID No.: 10xxxxxxx08 3. Lungten Zangmo, DSP RIM GDA Intern, CID No.: 12xxxxxxx76 4. Jigme Galay, DSP RIM Certificate Intern, CID No.: 11xxxxxxx32
Supervising Officer:	Jigmi Rinzin FCCA, Partner
Engagement Letter:	RAA(SA-18)/COAD/2024/3229 Dated: 18 November 2024
Focal Person:	Jigmi Rinzin, Partner, CID No.10xxxxxxx64 Email: pjrinzin@gmail.com Email: jafplc2018@gmail.com
Date of Audit Exit Meeting:	11th February 2025

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 Centre

TABLE OF CONTENTS

འཇིགས་མེད་རྩིས་ཞིབ་དང་དཔལ་འབྱོར།

JIGMI Audit & Financials

(A Private Limited Company)

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2024

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 2024, 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 2024, 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.

JIGMI Audit & Financials Pvt. Ltd. Thimphu

Bldg. 11/B, Lodrey Zur Lam 6 SW, P.O. Box. No. 689, Thimphu 11001, Bhutan. Tel. +975 2 350868, +975 2 350869; Mobile: +975 17601963, +975 77719442, Email: jafplc2018@gmail.com, pjrinzin@gmail.com

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

JIGMI Audit & Financials Pvt. Ltd. Thimphu

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JIGMI Audit & Financials

(A Private Limited Company)

FOR BETTER BUSINESS

misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional 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

JIGMI Audit & Financials Pvt. Ltd. Thimphu

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འཇིགས་མེད་རྩིས་ཞིབ་དང་དངུལ་འབྲེལ།

JIGMI Audit & Financials

(A Private Limited Company)

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.
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 Audit & Financials Pvt. Ltd. Thimphu

Jigmi Rinzin FCCA
(Membership No. 0283308)
Partner

Date: 16th April 2025

Bldg. 11/B, Lodrey Zur Lam 6 SW, P.O. Box. No. 689, Thimphu 11001, Bhutan. Tel. +975 2 350868, +975 2 350869; Mobile: +975 17601963, +975 77719442, Email: jafplc2018@gmail.com, pjrinzin@gmail.com

Appendix I

MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENTS

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 (PPE) in the Assets Register to show full particulars including quantitative details and situation of the assets. As explained to us, the PPE 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 PPE 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. *The company has a year-end total loan outstanding of Nu.992.153 million comprising Nu.392.153 million from NPPF and Nu.600 million from DHI.* Rate of interest and other terms and conditions of these loans availed by the Company, current or un-current, are *prima facie* not prejudicial to the interest of the Company.

JIGMI Audit & Financials Pvt. Ltd. Thimphu

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 PPE 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.

JIGMI Audit & Financials Pvt. Ltd. Thimphu

21. Undisputed amount payable in respect of taxes, royalties, provident funds and other statutory deductions at the year-end are as under:

Particulars	31.12.2024 (Nu.)	31.12.2023 (Nu.)
Liability for Tax	1,004,355	1,153,163
Health contribution	-	545
Salary Tax	-	5,931
Royalty payable	990,666	10,530,198
Total	**1,995,021**	**11,689,837**

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 recover 63.27% of the old outstanding debtors, amounting to Nu.141.605 million out of Nu.223.805 million as reported as of 31.12.2023. Outstanding debtors as at 31.12.2024 was Nu.156.252 million. *There, company needs to vigorously maintain its follow-up activities as there are still 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.

JIGMI Audit & Financials Pvt. Ltd. ★ Thimphu ★

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.

JIGMI Audit & Financials Pvt. Ltd. Thimphu

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 Audit & Financials Pvt. Ltd. Thimphu

Jigmi Rinzin FCCA
(Membership No. 0283308)
Partner

Date: 16th April 2025

FINANCIAL STATEMENTS

NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED
Statement of Financial Position as at 31 December 2024

(All in Ngultrum)

PARTICULARS	Notes	31-12-2024	31-12-2023
ASSETS			
Non-current assets			
Property, plant and equipment	2	1,031,217,329	390,902,888
Intangible assets	3	223,459	165,186
Right of Use Assets	3a	1,234,966	1,784,817
Net retirement benefit (Liabilities)/ Assets	13	32,333,713	22,442,342
Capital Work-In-Progress	4	1,179,760	19,698,856
Other non-current assets	5	1,137,679	1,700,710
Deferred Tax Assets	6	3,926,649	4,475,859
Total Non-Current asset		**1,071,253,555**	**441,170,658**
Current Assets			
Cash and cash equivalent	8	125,067,265	226,041,744
Trade and other receivables	9	146,103,007	216,456,109
Inventories	10	529,283,182	289,244,635
Other current assets	7	51,902,812	383,551,939
Total current assets		**852,356,266**	**1,115,294,428**
TOTAL ASSETS		**1,923,609,820**	**1,556,465,086**
EQUITY AND LIABILITIES			
Equity			
Share capital		152,808,852	152,808,852
Retained earnings		336,833,954	315,198,192
Statutory and other restricted reserves		34,584,297	34,584,297
Other reserves		145,912,558	145,912,558
Total Equity		**670,139,661**	**648,503,899**
Liabilities			
Non-current liabilities			
Non-current borrowings	11	332,454,511	92,151,331
Government grant	12	2,133,530	3,213,301
Provision for employee benefits	13	9,199,483	9,425,181
Lease Liability	15	1,564,914	2,124,323
Total non-current liabilities		**345,352,437**	**106,914,137**
Current liabilities			
Current borrowings	11	659,698,364	623,412,624
Government grant	12	1,200,826	1,321,881
Provision for employee benefits	13	22,272,732	25,788,408
Trade and other payables	14	171,103,093	121,264,537
Other current liabilities	15	47,797,556	18,697,747
Provision for corporate income tax	16	6,045,152	10,561,854
Total Current liabilities		**908,117,722**	**801,047,050**

JIGMI Audit & Financials Pvt. Ltd. ★ Thimphu ★

Total liabilities			1,253,470,159	907,961,187
TOTAL EQUITY AND LIABILITIES			1,923,609,820	1,556,465,086

For JIGMI Audit & Financials Pvt. Ltd.

JIGMI Audit & Financials Pvt. Ltd. Thimphu

Jigmi Rinzin FCCA
(Membership No. 0283308)
Partner

Date: 16th April 2025

For Natural Resource Development Corporation Limited

Sonam Chophel
General Manager

Jigme Thinley
Chief Executive Officer

Karma Galay
Chairman

NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED

Statement of Comprehensive Income for the period ended 31 December 2024

(All in Ngultrum)

Particulars	Notes	31-12-2024	31-12-2023
Revenue	17. a	816,553,500	896,695,977
Cost of Sales (Direct Expenses)	18	696,747,414	803,697,432
Gross Profit		**119,806,086**	**92,998,545**
Other income	17. b	43,786,278	29,321,073
Operating Expenses:			
Administrative Expenses	19	82,719,127	71,724,704
Selling & Distribution Expenses	20	1,262,886	924,622
Finance cost	21	49,698,551	16,510,114
Total Operating expenses		**133,680,564**	**89,159,441**
Operating profit (loss) before income tax		**29,911,801**	**33,160,177**
Income tax expense	22	14,797,155	14,199,359
Profit/(loss) for the year		**15,114,646**	**18,960,818**
Statement of Other comprehensive income			
Profit/(loss) for the year		15,114,646	18,960,818
Deferred Tax (Income)/Expense	22	2,313,435	105,186
Actuarial gain(losses) on defined benefit plans		7,365,504	(6,421,695)
Deferred tax on actuarial gains/(losses) (Gratuity)	22	(2,862,645)	7,395,403
Total comprehensive income for the year		**21,930,940**	**20,039,711**

For JIGMI Audit & Financials Pvt. Ltd.

JIGMI Audit & Financials Pvt. Ltd. Thimphu

Jigmi Rinzin FCCA
(Membership No. 0283308)
Partner

Date: 16th **April 2025**

For Natural Resource Development Corporation Limited

Sonam Chophel
General Manager

Jigme Thinley
Chief Executive Officer

Karma Galay
Chairman

NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED

Statement of Changes in Equity for the period ended 31 December 2024

(All in Ngultrum)

Particulars	Equity Share Capital			Reserves and Surplus		Other Reserves		Total
	No. of Shares (fully paid up)	Par value	Issued share value	General Reserves	Retained Earnings	Revaluation Reserves	Capital Reserves	
Balance as at 1 January 2023 (A)	1,528,089	100	152,808,852	145,912,558	295,158,481	-	34,584,297	628,464,188
Profit for the year	-	-	-	-	18,960,818		-	18,960,818
Deferred Tax Income					105,186			105,186
Retirement benefit obligations-Retained Earning	-	-	-	-	(6,421,695)	-	-	(6,421,695)
Deferred tax on actuarial gains/(losses) (Gratuity)	-	-	-	-	7,395,403	-	-	7,395,403
Total comprehensive income for the year (B)	1,528,089	100	152,808,852	145,912,558	315,198,192	-	34,584,297	648,503,899
Dividends paid	-	-	-	-	-	-	-	-
Proceeds from Shares issued	-	-	-	-	-	-	-	-
Total Contributions by and Distributions to Owners (C)	-	-	-	-	-	-	-	-
Total transactions with Non-Controlling Interests directly recognized in Equity (D)	-	-	-	-	-	-	-	-
Balance as at 31 December 2023 E=(A+B+C+D)	1,528,089	100	152,808,852	145,912,558	315,198,192	-	34,584,297	648,503,899
Balance as at 1 January 2024 (A)	1,528,089	100	152,808,852	145,912,558	315,198,192	-	34,584,297	648,503,899
Profit for the year	-	-	-	-	15,114,646		-	15,114,646
Deferred Tax Income/(Expense)	-	-	-	-	2,313,435	-	-	2,313,435
Retirement benefit obligations-Retained Earning	-	-	-	-	7,365,504	-	-	7,365,504)

Deferred tax on actuarial gains/(losses) (Gratuity)	-	-	-	-	(2,862,645)	-	-	(2,862,645)
Tax Paid relating to earlier years	-	-	-	-	(295,177)	-	-	(295,177)
Total comprehensive income for the year (B)	1,528,089	100	152,808,852	145,912,558	336,833,954	-	34,584,297	670,139,661
Dividends paid	-	-	-	-	-	-	-	-
Proceeds from Shares issued	-	-	-	-	-	-	-	-
Total Contributions by and Distributions to Owners (C)	-	-	-	-	-	-	-	-
Total transactions with Non-Controlling Interests directly recognized in Equity (D)	-	-	-	-	-	-	-	-
Balance as at 31 December 2024 E=(A+B+C+D)	1,528,089	100	152,808,852	145,912,558	336,833,954	-	34,584,297	670,139,661

Number of shares authorized for each class of shares:

Authorised Share Capital	31.12.2024	31.12.2023
Number of ordinary shares of face value Nu.100 each	8,000,000	8,000,000

For JIGMI Audit & Financials Pvt. Ltd.

JIGMI Audit & Financials Pvt. Ltd. Thimphu

Jigmi Rinzin FCCA
(Membership No. 0283308)
Partner

Date: 16th **April 2025**

For Natural Resource Development Corporation Limited

Sonam Chophel
General Manager

Jigme Thinley
Chief Executive Officer

Mr. Karma Galay
Chairman

NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED

Statement of Cash Flows for the year ended 31 December 2024

(All in Ngultrum)

Particulars	Notes	31-12-2024	31-12-2023
Cash flows from operating activities			
Profit before income tax		29,911,801	33,160,177
Adjustments for:			
Depreciation and amortization	2&3	113,902,002	83,685,872
(Profit)/loss on disposal of PPE	17	(7,120,561)	(3,490,942)
Release of Grant received to SCI	12	(1,200,826)	(1,321,881)
Liabilities no more required written back	17	(1,458,075)	(1,193,144)
Interest paid	21	47,745,756	15,392,339
Income tax paid	16	(19,313,857)	24,761,213
Interest received	17	(4,864,248)	(1,184,000)
Foreign Exchange (gain)/Loss	17	(4,075,948)	(853,468)
Cash flows from operating activities-Before Changes in WC		**153,526,044**	**148,956,166**
Changes in other current assets	7	331,649,127	(369,095,674)
Changes in trade and other receivables	9	70,353,103	(82,572,013)
Changes in inventories	10	(240,038,547)	(2,366,637)
Changes in trade and other payables	14	51,296,630	34,534,811
Changes in other current and non-current liabilities	15	28,540,400	(14,813,565)
Changes in Deferred Tax Assets	6	549,210	(2,329,406)
Changes in provision for employee benefits	13	(13,632,746)	4,698,628
Changes in non-current assets	5	563,031	(251,835)
Net cash flow from operating activities		**382,806,253**	**(283,239,525)**
Cash flows from investing activities			
Purchase of PPE and Intangible Assets	2	(756,712,056)	(72,259,442)
Right of Use Asset	3a	-	-
Purchase for Capital WIP	4	18,519,096	(18,060,158)
Proceeds from sale of PPE		10,107,752	6,288,180
Interest received	17	4,864,248	1,184,000
Foreign Exchange Gains/(Loss)	17	4,075,948	853,468
Net cash flow from investing activities		**(719,145,011)**	**(81,993,953)**
Cash flows from financing activities			
Interest Paid	21	(47,745,756)	(15,392,339)
Change in Long Term Borrowings	11	240,303,179	(22,949,516)
Change in Overdraft/Short Term Borrowings	11	36,285,739	594,035,100
Actuarial gain(losses) on defined benefit plans		7,365,504	(6,421,695)
Tax Paid relating to earlier years		(295,177)	-
Deferred Tax Income/(Expense)		2,313,435	-
Deferred tax on actuarial gains/(losses) (Gratuity)		(2,862,645)	7,500,588
Net cash flow from financing activities		**235,364,279**	**556,772,138**
Net increase or (decrease) in cash and cash equivalents		(100,974,479)	191,538,661

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Cash and cash equivalents at beginning of year		226,041,744	34,503,083
Cash and cash equivalents at end of the year	8	**125,067,265**	**226,041,744**

For JIGMI Audit & Financials Pvt. Ltd.

Jigmi Rinzin FCCA
(Membership No. 0283308)
Partner

Date: 16th **April 2025**

For Natural Resource Development Corporation Limited

Sonam Chophel
General Manager

Jigme Thinley
Chief Executive Officer

Karma Galay
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.

JIGMI Audit & Financials Pvt. Ltd. Thimphu

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	Thimphu, Paro, Haa
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 Yangste, Trashigang, Lhuentse, Pemagatshel, and Samdupjongkhar
Sha Region	Timber, sand, stone	Wangdue, Punakha, Gasa, Dagana and Tsirang
Gelephu Region	Timber, sand, stone	Sarpang
Integrated Wood Processing Plant	Timber related value-added products, Wood Joinery Products, Sawn Timber Outlet	Operational from Langjuphakha & Ramtokto, Thimphu

The consolidated financial statements for the year ended 31 December 2024 were authorized for issue in accordance with a resolution of the director on 13.03.2025

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:

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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.

JIGMI Audit & Financials Pvt. Ltd. Thimphu

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 compiled with all requirements of BFRS. A complete set of financial statements comprise of:

JIGMI Audit & Financials Pvt. Ltd. Thimphu

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.

JIGMI Audit & Financials Pvt. Ltd. Thimphu

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.

JIGMI Audit & Financials Pvt. Ltd. Thimphu

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 BFRS 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.

JIGMI Audit & Financials Pvt. Ltd. Thimphu

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.

JIGMI Audit & Financials Pvt. Ltd. Thimphu

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:

JIGMI Audit & Financials Pvt. Ltd. Thimphu

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:

JIGMI Audit & Financials Pvt. Ltd. Thimphu

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.

JIGMI Audit & Financials Pvt. Ltd. Thimphu

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.

JIGMI Audit & Financials Pvt. Ltd. Thimphu

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.

JIGMI Audit & Financials Pvt. Ltd. Thimphu

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.

JIGMI Audit & Financials Pvt. Ltd. Thimphu

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 expanse 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.

JIGMI Audit & Financials Pvt. Ltd. Thimphu

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	102,380,286	18,025,574	120,405,860
PF - Employer's Contribution	14,245,816	2,569,432	16,815,248
Allowances	74,682,488	15,378,421	90,060,909
Master roll payment	153,516	-	153,516
Overtime allowance	213,352	-	213,352
Leave Encashment	8,134,844	1,477,702	9,612,546
Leave Travel Concession (LTC)	5,415,200	580,058	5,995,258
Transfer Grant	672,211	48,373	720,584
Carriage charges	362,104	43,456	405,560
Travel Allowance	71,806	2,368	74,174
Salary Arrear	114,602	1,146	115,748
Separation Allowances - NRDCL			
Gratuity Expenses	7,148,587	1,069,509	8,218,096
Transfer Grant	518,806	361,806	880,612
Travel Allowance	518,806	361,806	880,612
Carriage Charges	322,530	270,895	593,425
Depreciation and amortization			
Building	4,464,671	1,525,136	5,989,807
Road	30,003,697	-	30,003,697
Cable Crane	37,017,904	-	37,017,904
Machinery and Equipment	33,722,827	-	33,722,827
Tractors and Trucks	1,209,441	-	1,209,441
Vehicle	701,740	650,105	1,351,845
Furniture	281,104	267,096	548,200
Office Equipment	1,980,348	1,146,281	3,126,629
Tools & implements	202,573	-	202,573
ROU	549,851	-	549,851
Software	-	179,227	179,227

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 2024 is Nu. 77,698,629.89 (previous year Nu. 68,452,190.47).

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	2024	2023
Defined benefit obligation (DBO)	117.941	118.849
Fair value of Plan Assets (FVA)	131.132	122.531
Funded Status (Surplus/(Deficit)	13.191	3.682
Effect of Asset ceiling	-	-
Net defined benefit asset (DBA)	13.191	3.682

ii. Statement of Comprehensive Income

Nu. in million

Particulars	2024	2023
Current Service Cost	8.949	8.616
Past Service cost	-	-
Loss/(Gain) on settlement	-	-
Interest on DBO	9.071	7.797
Less: Expected interest on plan asset	(9.802)	(9.845)
Expenses recognized in profit or loss	8.218	6.568

iii. Other Comprehensive Income

Nu. in million

Particulars	2024	2023
Actuarial (gain) or loss due to experience adjustments	(8.016)	22.474
Actuarial (gain) or loss due to changes in financial assumptions	-	-
Actuarial (gain) or loss due to changes in demographic assumptions	-	-
Return on plan assets (greater) or less than discount rate	1.202	1.829
Expenses recognized as OCI	(6.814)	24.303

- Scheme is funded by allocating a separate fund;
- Retirement age:
  Grade 8 and above: 60 years
  Grade 9 and below: 58 years
- Benefit payable on Retirement/Resignation/Disability/Death; and
- Form of benefit: Lump sum (no ceiling)

JIGMI Audit & Financials Pvt. Ltd. Thimphu

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

- As per company's Service Rules and Regulation (SRR), employees shall be allowed to accrue leave for a maximum 30 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/her credit.
- Encashment of leave in pro-rata basis is also permitted.

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

i) Statement of Financial Position

Nu. in million

Particulars	2024	2023
Defined benefit obligation (DBO)	4.666	4.684
Fair value of Plan Assets (FVA)	-	-
Funded Status (Surplus/(Deficit)	(4.666)	(4.684)
Effect of Asset ceiling	-	-
Net defined benefit asset (DBA)	(4.666)	(4.684)

ii. Statement of Comprehensive Income

Nu. in million

Particulars	2024	2023
Current Service Cost	0.532	0.471
Past Service cost	-	-
Loss/(Gain) on settlement	-	-
Interest on DBO	0.349	0.320
Less: Expected interest on plan asset	-	-
Expenses recognized in profit or loss	0.881	0.791

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

i) Statement of Financial Position

Nu. in million

Particulars	2024	2023
Defined benefit obligation (DBO)	4.666	4.684
Fair value of Plan Assets (FVA)	-	-
Funded Status (Surplus/(Deficit)	(4.666)	(4.684)
Effect of Asset ceiling	-	-
Net defined benefit asset (DBA)	(4.666)	(4.684)

JIGMI Audit & Financials Pvt. Ltd. Thimphu

ii. Statement of Comprehensive Income

Nu. in million

Particulars	2024	2023
Current Service Cost	0.532	0.471
Past Service cost	-	-
Loss/(Gain) on settlement	-	-
Interest on DBO	0.349	0.320
Less: Expected interest on plan asset	-	-
Expenses recognized in profit or loss	0.881	0.791

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

i) Statement of Financial Position

Nu. in million

Particulars	2024	2023
Defined benefit obligation (DBO)	2.996	2.879
Fair value of Plan Assets (FVA)	-	-
Funded Status (Surplus/(Deficit)	(2.996)	(2.879)
Effect of Asset ceiling	-	-
Net defined benefit asset (DBA)	(2.996)	(2.879)

ii. Statement of Comprehensive Income

Nu. in million

Particulars	2024	2023
Current Service Cost	0.379	0.273
Past Service cost	-	-
Loss/(Gain) on settlement	-	-
Interest on DBO	0.214	0.234
Less: Expected interest on plan asset	-	-
Expenses recognized in profit or loss	0.593	0.506

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	152,808,851.60
		b. Inter-Corporate Guarantee & Management Fees	3,111,274.57
		c. Intragroup - Non trade payables	584,487.57
		d. Intragroup - Sale of Energy, Power and Resources	80,765.00
		e. Intragroup - Trade Payables	5,680,327.87

JIGMI Audit & Financials Pvt. Ltd. Thimphu

		f. Interest of Inter Corporate Loan	21,000,000.00
		g. Inter Corporate Loan	600,000,000.00
		h. Intragroup - Purchase of Services	517,817.34
		i. Intragroup - Trade receivables	79,149.70
Bhutan Power Corporation Limited	Fellow Subsidiary	a. Intragroup - Purchase of Services	2,088,005.81
		b. Intragroup - Trade Payables	105,006.20
		c. Intragroup - Sale of Energy, Power and Resources	195,661.85
Bank of Bhutan Limited	Fellow Subsidiary	a. Intragroup - Purchase of Services	520,786.63
		b. Bank balance (Cash book)	51,814,782.63
Bhutan Telecom Limited	Fellow Subsidiary	a. Intragroup - Purchase of Services	1,470,651.14
		b. Intragroup - Trade Payables	68,769.92
State Trading Corporation Limited	Fellow Subsidiary	a. Intragroup - Purchase of Services	294,150.00
		b. Intragroup - Trade Payables	415,769.62
		c. Purchase of Office equipment	1,422,440.00
Construction Development Corporation Limited	Fellow Subsidiary	a. Intragroup - Sale of Energy, Power and Resources	3,588,668.31
		b. Construction of Bridge	9,476,880.37
Druk Green Power Corporation Limited	Fellow Subsidiary	a. Intragroup - Sale of Energy, Power and Resources	801,870.00
		b. Intragroup - Revenue from Services	68,000.00
Thimphu Tech Park Limited	Fellow Subsidiary	a. Intragroup - Purchase of Services	2,936,762.20
		b. Intragroup - Trade Payables	153,211.00
State Mining Corporation Limited	Fellow Subsidiary	a. Intragroup - Trade receivables	9,122.94
		b. Intragroup - Sale of Energy, Power and Resources	664,645.32
Druk Air Corporation Limited	Fellow Subsidiary	a. Intragroup - Trade Payables	25,889.00
		b. Intragroup - Purchase of Services	232,857.00
Crawfish Himalayan Limited	Fellow Subsidiary	a. Intragroup - Sale of Energy, Power and Resources	25,760.00
		b. Intragroup - Revenue from Services	8,000.00
Bhutan Hydropower Services Limited	Fellow Subsidiary	a. Intragroup - Trade Payables	83,500.00
		b. Intragroup - Purchase of Services	111,240.00

Key Management Personnel

A) Managing Director's Remuneration and other benefits

Particulars	2024 (Nu)	2023 (Nu)
Salary	2,954,412	3,306,812
Other benefits	39,000	577,824
Provident Fund	181,488	225,317
Sitting fee	76,000	60,000
Sitting fee (Offtg. CEO)	12,000	16,000
Total	**3,262,900**	**4,185,953**

B) Board Directors – Sitting fee

Position	Name	2024 (Nu)	2023 (Nu)	Remarks
Chairperson	Dasho Karma Tshiteem	24,000	64,000	Resigned
Chairperson	Karma Galay	40,000	-	New
Director	Karma Tenzin	8,000	56,000	Resigned
Director	Chencho	80,000	64,000	
Director	Rinzin Dorji	8,000	64,000	Resigned
Director	Ugyen Wangdi	96,000	88,000	
Director	Sonam Wangdi	48,000	-	New
Director	Sunil Rasaily	72,000	-	New
Director	Dechen Eadon	52,000	-	New
	Total:	**428,000**	**336,000**	

C) Special Invitees - Sitting fee

Position	Name	2024 (Nu)	2023 (Nu)
Internal Auditor	Lobzang Thinley	8,000	6,000
Company Secretary	Sangay Choden	16,000	36,000
Company Secretary	Thinley Dema	24,000	-
HR Manager	Dhanapati Bhandari	-	2,000
	Total:	**48,000**	**44,000**

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.4,075,948.18 (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)
11.09.2023	CHF	81,352.87	7,683,951.34	15.01.2024	7,869,181.96	185,230.62
27.09.2023	CHF	325,411.49	30,239,058.44	15.01.2024	31,476,727.82	1,237,669.38
11.10.2023	$	274,200.00	22,838,118.00	04.01.2024	22,817,553.00	(20,565.00)
19.10.2023	$	274,200.00	22,838,118.00	25.01.2024	22,798,633.20	(39,484.80)

JIGMI Audit & Financials Pvt. Ltd. Thimphu

30.10.2023	CHF	124,711.27	11,675,894.06	01.04.2024	11,718,369.40	42,475.34
15.12.2023	CHF	498,845.06	48,266,054.04	01.04.2024	46,873,475.59	(1,392,578.45)
06.02.2024	CHF	125,601.27	12,047,673.82	19.09.2024	12,533,750.73	486,076.91
08.04.2024	CHF	502,405.08	46,557,878.76	19.09.2024	50,135,002.93	3,577,124.17
Total			**202,146,746.46**		**206,222,694.64**	**4,075,948.18**

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.10,149,427.77 and the difference of Nu.1,853,275.37 (Nu.10,149,427.77 less Nu.8,296,152.40) has been provided for the year 2024.

Particulars	31.12.2024	31.12.2023
ECL Allowances	10,149,427.77	7,349,173.93
Provision for doubtful Debts as per book	8,296,152.40	6,319,181.06
Net Impairment loss/(gain) of Financial Asset	**1,853,275.37**	**1,029,992.87**

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.12,896,214.00 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	16,861,032.00
Balance as at 1 January 2024	**4,535,182.00**
Released to the Statement of Comprehensive Income	1,200,826.00
Balance as at 31 December 2024	**3,334,356.00**

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.

JIGMI Audit & Financials Pvt. Ltd. Thimphu

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)

Particulars	Nu.
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: 2024	**34,584,296.72**
Total: 2023	**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.50.00 million in 2017, Nu.50.00 million in 2019, Nu. 70.00 million in 2022 and Nu.300.000 million in 2024 (to purchase machineries as per the business expansion plan) 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, 7.66% for the loan availed in 2022 and 9.41% for loan availed in 2024. Loans are repayable within 7 years in 28 quarterly equal installments. Loan balance from NPPF as on 31.12.2024 is Nu.392.153 million.

In 2023, the company availed short term loan of 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. Loan balance from DHI as on 31.12.2024 is Nu.600 million

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

ii) Borrowing Cost Capitalization

During the year, no borrowing cost has been capitalized.

35. Contingent Liability

The stone quarries leased from the Department of Geology & Mines, Ministry of Energy and Natural Resources, have not been in operation for more than two years. As per the policy it is

JIGMI Audit & Financials Pvt. Ltd. Thimphu

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	Tsangkhar Quarry ERB	1,280,327.28
	Total	**1,280,327.28**

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	1,421,551	Less: Lease expense	1,063,855
Net Assets	1,234,966	Net Liability	1,564,914

Interest on lease is worked out at Nu. 166,546.55

37. Earnings per Share

Particulars	2024	2023	2022
Profit (loss) for the year	15,114,646	19,066,004	(28,208,336.78)
No. of Shares (issued and fully paid up)	1,528,088.52	1,528,088.52	1,528,088.52
EPS	9.89	12.41	(18.46)

38. 849.27 MT of 40 mm aggregates valuing Nu.1,456,839.18, which was transferred to Dhubri port for eventual delivery to Bangladesh, was initially treated as credit sales based on letter of credit between 2022 to 2023. However, before these stocks were delivered to the buyers in Bangladesh, the new port management had imposed huge demurrage charges that exceeded the resale value. Therefore, the management had decided to surrender the stock to save from incurring a financial loss to the company. To this effect, a provision for bad debt equivalent Nu.1,456,839.18 was created for the year ended 31 December 2024.

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

40. Events After Balance Sheet Date

No dividend was declared for the financial year ended 31 December 2024.

JIGMI Audit & Financials Pvt. Ltd. Thimphu

NOTE 2: PROPERTY, PLANT & EQUIPMENT

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As on 1.1.2024	Addition during '24	Sales and Other Adjts	As on 31-12-2024	As on 1.1.2024	For the year	Sales & Other Adjts	As on 31.12.2024	As on 31.12.2024	As of 31.12.2023
Building	158,531,777	2,443,987	(4,717,797)	156,257,966	95,932,892	5,989,806	(2,985,770)	98,936,927	57,321,039	62,598,885
Road*	397,906,115	53,659,458	-	451,565,573	280,257,946	30,003,697	-	310,261,643	141,303,930	117,648,170
Cable Crane	131,775,698	560,547,483	-	692,323,181	91,439,926	37,017,904	-	128,457,830	563,865,351	40,335,772
Plant and Machineries	426,659,576	134,022,656	(3,663,500)	557,018,732	274,599,685	33,722,827	(3,663,499)	304,659,014	252,359,718	152,059,890
Tractor & Truck	13,764,715	-	-	13,764,715	8,888,261	1,209,441	-	10,097,702	3,667,013	4,876,454
Vehicle	29,055,305	483,084	(2,014,937)	27,523,452	27,051,829	1,351,845	(1,909,884)	26,493,790	1,029,662	2,003,476
Furniture	12,915,450	254,493	(455,530)	12,714,413	10,573,295	548,200	(445,622)	10,675,873	2,038,540	2,342,155
Office Equipment	37,850,169	5,063,395	(4,367,172)	38,546,392	29,237,502	3,126,629	(3,226,969)	29,137,163	9,409,230	8,612,667
Tools & Implements	2,059,883		-	2,059,883	1,634,464	202,573		1,837,037	222,846	425,419
Total:	**1,210,518,686**	**756,474,556**	**(15,218,935)**	**1,951,774,307**	**819,615,798**	**113,172,924**	**(12,231,744)**	**920,556,978**	**1,031,217,329**	**390,902,888**
Previous Year	**1,182,495,582**	**71,548,164**	**(43,525,059)**	**1,210,518,686**	**778,976,003**	**81,367,617**	**(40,727,821)**	**819,615,798**	**390,902,888**	**403,519,579**

**Road is Constructed on Government land*

NOTE 3: INTANGIBLE ASSETS

Current Year	14,234,067	237,500		14,471,567	14,068,881	179,227		14,248,108	223,459	1,933,590
Previous Year	14,234,067			14,234,067	12,300,477	1,768,404		14,068,881	165,186	1,933,590

NOTE 3A: RIGHT OF USE ASSET

Current Year	2,656,517	-		2,656,517	871,700	549,851		1,421,551	1,234,966	1,784,817
Previous Year	1,945,238	711,279		2,656,517	321,849	549,851		871,700	1,784,817	1,623,390

NOTE 4: CAPITAL WORK-IN-PROGRESS

Particulars	Opening 1.1.2024	Addition	Adjustment	Closing 31.12.2024
Road-W.I.P	19,629,379	6,765,740	25,215,359	1,179,760
Machine-W.I.P	-	-	-	-
Building-W.I.P	69,477	1,941,092	2,010,569.01	-
Total: CWIP	**19,698,856**	**8,706,832**	**27,225,928**	**1,179,760**
Previous Year	**1,638,698**	**27,702,744**	**9,642,586**	**19,698,856**

NOTE 5: OTHER NON-CURRENT ASSETS

Particulars	31-12-2024 (Nu.)	31-12-2023 (Nu.)
Environmental Restoration Bond	1,224,825	1,910,707
Un-amortized Mine Cost	(87,146)	(209,998)
Total Other Non-Current Assets	**1,137,679**	**1,700,710**

NOTE 6: DEFFERED TAX ASSETS/LIABILITY

Particulars	31-12-2004 (Nu.)	31-12-2023 (Nu.)
Deferred Tax on PPE (OCI)	14,510,174	3,822,866
Deferred Tax on Provision for employee benefits (OCI)	(2,209,651)	1,926,509
Total Deferred Tax Assets	**12,300,523**	**5,749,374**
Provision for Gratuity	(2,465,429)	(1,970,279)
Provision for Transfer Grant	(1,399,943)	(1,405,087)
Provision for Carriage charges	(898,908)	(863,736)
Provision for Travel Allowance	(1,399,943)	(1,405,087)
Deferred Tax on Provision for employee benefits(OCI)	(2,209,651)	4,370,674
Total Deferred Tax Liability	**(8,373,874)**	**(1,273,515)**
Non-Current	**3,926,649**	**4,475,859**

NOTE 7: OTHER CURRENT ASSETS

Particulars	31-12-2024 (Nu.)	31-12-2023 (Nu.)
Advance to Contractor	20,563,428	21,581,024
Advance to Suppliers	6,692,173	340,266,875
Advance for POL	3,587,879	2,809,325
Advance to Other	8,967,926	6,920,366
Advance to Staff-Other	945,633	1,614,105
Prepaid Expense	2,504,510	2,121,397
Other Receivable-GFPMO Cost	282,229	381,936
Security deposit to others	363,361	431,361
Advance to Staff-Salary	3,675,781	2,737,088
Advance to Staff-Travel	222,050	3,250
Retention Money Receivable	342,684	342,684
Margin Money	3,755,159	4,342,528
Total Other Current Assets	**51,902,812**	**383,551,939**

NOTE 8: CASH AND CASH EQUIVALENT

Particulars	31-12-2024 (Nu.)	31-12-2023 (Nu.)
Cash in hand	4,414	41,459
Bank Balances		
Local Banks-Others	73,248,069	109,129,574
Balances with BOBL	51,814,783	116,870,711
Total Cash & Cash Equivalents	**125,067,265**	**226,041,744**

JIGMI Audit & Financials Pvt. Ltd. Thimphu

NOTE 9: TRADE AND OTHER RECEIVABLES

Particulars	31-12-2024 (Nu.)	31-12-2023 (Nu.)
Sundry debtors	156,252,434	223,805,283
Provision for doubtful Debts	(10,149,428)	(7,349,174)
Total Trade and Other Receivables	**146,103,007**	**216,456,109**

NOTE 10: INVENTORIES

Particulars	31-12-2024 (Nu.)	31-12-2023 (Nu.)
Stock of raw-material	17,248,409	11,581,806
Stock of finished goods	285,961,880	185,791,378
Stock of store/spare parts/Stock Assets	226,072,893	91,871,451
Total Inventories	**529,283,182**	**289,244,635**

NOTE 11: BORROWINGS

Note 11.a: Non-current Borrowings

Particulars	31-12-2024 (Nu.)	31-12-2023 (Nu.)
Non-current borrowings from NPPF	332,454,511	92,151,331
Total Non-Current Borrowings	**332,454,511**	**92,151,331**

Note 11.b: Current Borrowings

Particulars	31-12-2024 (Nu.)	31-12-2023 (Nu.)
Current borrowings from NPPF	59,698,364	23,412,624
Inter Company Loan from DHI	600,000,000	600,000,000
Total Current Borrowings	**659,698,364**	**623,412,624**

NOTE 12: GOVERNMENT GRANT

Particulars	31-12-2024 (Nu.)	31-12-2023 (Nu.)
Balance as at 1 January 2024	4,535,182	5,857,063
Released to the statement of comprehensive income	1,200,826	1,321,881
Balance as at 31 December 2024	**3,334,356**	**4,535,182**
Current Portion of Grant	**1,200,826**	**1,321,881**
Non-current Portion of Grant	**2,133,530**	**3,213,301**

NOTE 13: PROVISION FOR EMPLOYEE BENEFITS

Particulars	31-12-2024 (Nu.)	31-12-2023 (Nu.)
Fair Value of Plan Assets (FVA)	131,131,790	122,531,113
Defined Benefit Obligation (DBO)	117,940,979	118,849,351
Net retirement benefit Liabilities - gratuity	**(13,190,811)**	**(3,681,762)**
Less: Current	19,142,902	18,760,580
Total Non-Current Assets *(Note 13)*	**(32,333,713)**	**(22,442,342)**
Non-Current Provision for Leave Encashment	-	-

JIGMI Audit & Financials Pvt. Ltd. Thimphu

Non-Current Provision for Transfer Grant	3,562,480	3,692,472
Non-Current Provision for Carriage charges	2,074,523	2,040,237
Non-Current Provision for Travel Allowance	3,562,480	3,692,472
Total Non-current Liabilities (Note 13. a)	**9,199,483**	**9,451,181**
Current Liabilities		
Provision for Gratuity	19,142,902	18,760,580
Provision for Transfer Grant	1,103,996	991,150
Provision for Carriage charges	921,838	838,884
Provision for Travel Allowance	1,103,996	991,150
Provision for Leave Encashment	-	4,206,644
Total Current Liabilities (Note 13.b)	**22,272,732**	**25,788,408**

NOTE 14: TRADE AND OTHER PAYABLES

Particulars	31-12-2024 (Nu.)	31-12-2023 (Nu.)
Creditors	155,113,958	99,118,775
Stock Liabilities	50,320	1,869,167
Other payables	3,454,900	2,120,579
Other Recoveries	-	46,020
Security deposit	7,205,041	5,249,188
EMD Received	1,072,116	743,083
Retention Money Payable	2,913,065	1,238,593
Advance from others	226,158	186,282
Royalty on Firewood collection	76,869	162,652
Royalty payable	990,666	10,530,198
Total Trade and Other Payables	**171,103,093**	**121,264,537**

NOTE 15: OTHER LIABILITIES

Particulars	31-12-2024 (Nu.)	31-12-2023 (Nu.)
15.a: Other Non-current Liabilities:		
Lease Liability	1,564,914	2,124,323
Total Other Non-Current Liabilities	**1,564,914**	**2,124,323**
15 b: Other current liabilities:		
Advance from Customer	46,573,487	14,554,089
Liability for Tax	1,004,355	1,153,163
Health contribution	-	545
Financial Institution Loan	-	10,851
Staff Welfare Fund	3,000	500
PBVA Payable	-	2,566,124
TA/DA payable	206,876	361,613
Salary Tax	-	5,931
Salary Saving Scheme - NRDCL	6,893	35,181

Staff Welfare Loan - NRDCL	2,945	9,749
Total Other current liabilities	**47,797,556**	**18,697,747**

NOTE 16: PROVISION FOR CORPORATE INCOME TAX

Particulars	31-12-2024 (Nu.)	31-12-2023 (Nu.)
Provision for corporate tax-Current Year	14,839,915	14,199,359
TDS withheld by customer	(2,417,162)	(3,294,799)
Advance for Corporate tax	(6,377,601)	(342,707)
Total Provision for Corporate Income Tax	**6,045,152**	**10,561,854**

NOTE- 17.a: REVENUE

Particulars	31-12-2024 (Nu.)	31-12-2023 (Nu.)
i. Sale of Timber and timber products:		
Sale of Timber	505,965,776	389,064,060
Sale of Briquette	-	487,073
Sale of firewood	41,418,372	48,163,233
Sale of Forest Residue	8,321,367	18,812,158
Sale of Glulam Timber	558,023	2,319,109
Sale of Joinery Product	24,963,199	33,051,022
Sale of WCC Product	21,707,423	15,828,992
Sub-total Sale of Timber & timber products	**602,934,159**	**507,725,647**
ii. Sale of sand and stone chips:		
Sale of Sand	107,703,260	113,958,662
Sale of Stone	84,083,746	236,259,098
Sale of Stone Chips	21,832,335	38,752,570
Sub-total Sale of stone chips	**213,619,341**	**388,970,330**
Total (i+ii)	**816,553,500**	**896,695,977**

NOTE- 17.b: OTHER INCOME

Particulars	31-12-2024 (Nu.)	31-12-2023 (Nu.)
Hire charge	15,792,570	12,773,652
Other Misc. Income	7,767,125	7,174,434
House Rent Income	1,206,280	831,755
Release of Grant received to SCI	1,200,826	1,321,881
Profit from sale of Fixed Assets	7,120,561	3,490,942
Discounts Received	5,533	-
Liabilities no more required written back	1,458,075	1,193,144
Audit recovery	32,984	297,679
Foreign Exchange Gain	4,075,948	853,468
Interest on others	4,864,248	1,184,000
Unwinding of environmental restoration fund	262,128	200,119
Total Other Income	**43,786,278**	**29,321,073**

JIGMI Audit & Financials Pvt. Ltd. ★ Thimphu ★

NOTE 18: COST OF SALES (DIRECT EXPENSES)

Particulars	31-12-2024 (Nu.)	31-12-2023 (Nu.)
i. Production Expenses:		
Marking cost	928,908	34,207
Felling & cross-cutting	14,742,255	8,102,758
Debarking	508,669	915,027
Cable craning	12,019,144	17,673,049
Transportation	92,430,193	82,861,235
Hire charges Expenses	99,067	159,464
Production Incentives	3,070,898	3,577,654
Sawing charges	746,499	1,482,837
Other Production expenses	4,788,161	4,018,866
Electricity	644,068	820,104
Sanitation & protection	-	84,710
Mine cost	139,276	128,284
FMU expenses/Inventory	1,207,193	754,237
Timber handling & Stacking	3,489,979	3,866,654
Royalty	41,920,436	32,281,114
Ration	3,966	1,006,334
Mitigation cost	283,200	984,620
Toll Fee	-	3,080
Extraction	195,092,101	238,893,516
Sub-total of Production Expenses	**372,114,016**	**397,647,749**
ii. Reforestation Expenses:		
Nursery Expenses	454,707	343,789
Creation of Plantation	1,373,320	2,499,741
Plantation maintenance	2,474,202	2,300,904
Nursery creation	400,555	303,893
Sub-total of Reforestation Expenses	**4,702,784**	**5,448,326**
iii. Stock Expenses:		
Cost of Goods Manufactured	**(100,893,712)**	**46,983,168**
iv. Employee Compensation and Benefit Expenses:		
Basic Salaries	102,380,286	97,077,778
PF - Employer's Contribution	14,245,816	14,093,880
Allowances	74,682,488	33,917,800
Master roll payment	153,516	624,233
Overtime allowance	213,352	1,809,675
Performance based variable allowance (PBVA)	-	2,157,226
Leave Encashment	8,134,844	8,177,980
Leave Travel Concession (LTC)	5,415,200	5,291,232
Transfer Grant	672,211	922,193
Carriage charges	362,104	463,230

Jigmi Audit & Financials Pvt. Ltd. Thimphu

Travel Allowance	71,806	103,084
Salary Arrear	114,602	25,560
Sub-total of Employee Compensation and Benefits Expenses	**206,446,224**	**164,663,869**
v. Separation Allowances – NRDCL:		
Gratuity Expenses	7,148,587	5,521,085
Transfer Grant	518,806	665,280
Travel Allowance	518,806	665,280
Carriage Charges	322,530	425,540
Sub-total of Separation Allowances	**8,508,729**	**7,277,185**
vi. Depreciation and amortization:		
Building	4,464,671	4,425,864
Road	30,003,697	30,370,271
Cable Crane	37,017,904	10,995,283
Machinery and Equipment	33,722,827	27,729,736
Tractors and Trucks	1,209,441	1,288,424
Depreciation-Vehicle	701,740	725,254
Furniture	281,104	293,099
Office Equipment	1,980,348	2,004,261
Tools & Implements	202,573	229,253
ROU	549,851	549,851
Sub-total of Depreciation and amortization	**110,134,157**	**78,611,296**
vii. Repair & Maintenance Costs:		
Depot	1,434,582	737,535
Furniture and Fittings - NRDCL	-	1,900
Plant and machinery	85,341,295	95,286,746
Tractor and Truck	501,755	676,618
Road	7,336,952	5,359,421
Electrical Equipment	9,595	12,875
Office Building	1,111,037	990,743
Sub-total of Repair & Maintenance Costs	**95,735,216**	**103,065,837**
Grand Total of Cost of Sales (Direct Expenses)	**696,747,414**	**803,697,432**

NOTE 19: ADMINISTRATIVE EXPENSES

Particulars	31-12-2024 (Nu.)	31-12-2023 (Nu.)
i. General Administrative Expenses:		
Postage and delivery charges	42,010	70,070
Publications	15,000	10,000
Telecommunication Expenses (Telephone/Fax)	765,948	1,467,109
Internet Charges	821,500	773,238
Advertisement	77,456	57,768
Water and Sewerage	236,983	235,963
Lease Expenses	1,749,543	522,683

Jigmi Audit & Financials Pvt. Ltd. ★ Thimphu ★

Electricity & Lightings	1,459,418	1,493,506
Subscription Charges	32,400	50,175
Insurance of structures	292,881	47,678
Legal & Professional Fees	5,310	8,800
Uniforms & Liveries	1,794,864	1,579,600
Consumable Stores	1,740,850	977,994
Bank Charges	284,942	1,052,592
Sub-total of General Administrative Expenses	**9,319,104**	**8,347,175**
ii. Human Resources Development:		
HRD - Short term Training In-Country	115,482	125,670
HRD - Long term Training/ Scholarships - In country	-	415,759
Sub-total of HRD Expenses	**115,482**	**541,430**
iii. Premises Expense:		
Premises - Repair & Maintenance	3,520	2,210
Premises Cost - Rental	1,447,967	1,274,994
Sub-total of Premises Expenses	**1,451,487**	**1,277,204**
iv. Motor Vehicle Costs:		
Fuel	2,705,247	2,870,563
Repair & Maintenance	2,154,146	3,194,105
Hire of vehicle	-	35,327
Tyres	51,200	83,291
Insurance	144,659	161,959
Registration & Blue Book Renewal	52,739	60,808
Emission	2,149	1,961
Sub-total of Motor Vehicles Expenses	**5,110,140**	**6,408,013**
v. Information Technology Costs:		
Annual Maintenance Costs	2,377,393	2,089,207
Repairs & Maintenance Costs for hardware	755,521	395,596
Subscription/License	405,855	76,351
Onetime costs (low Value items)	8,760	480
Sub-total of IT Costs	**3,547,529**	**2,561,634**
vi. Travel Expenses:		
In-Country	4,898,059	7,964,983
Ex-Country	1,950,860	531,886
Sub-total of Travel Expenses	**6,848,919**	**8,496,869**
vii. Meeting & Security Expenses:		
Meeting Expenses	799,329	154,096
Security Services Costs	89,994	434,978
Sub-total of meeting & Security Expenses	**889,323**	**589,074**
viii. Staff Welfare (SW) and Engagement Costs:		

JIGMI Audit & Financials Pvt. Ltd. Thimphu

Staff Engagement Costs	18,520	27,235
Tendrel Ceremony	736,123	569,689
Funeral Expenses (Semso)	135,330	79,171
Prayer/Ritual Expense (Rimdro)	553,726	540,005
Tea Expenses/pantry	354,124	441,514
Medical Expenses	-	130,970
Staff Farewell/gifts	50,614	116,905
Compensation	-	5,000
Sub-total of SW & Engagement Costs	**1,848,437**	**1,910,489**
ix. Audit Engagement Expenses:		
Audit Expenses	118,850	113,190
Audit - Expenses	14,560	46,375
Sub-total of Audit Engagement Expenses	**133,410**	**159,565**
x. Printing & Stationery Costs:		
Printer Cartridge	296,881	227,254
Photocopy paper	275,337	147,713
Stationery cost	177,938	130,490
Sub-total of Printing & Stationery Costs	**750,156**	**505,458**
xi. Board Expenses:		
Meeting Expenses	135,466	48,018
Sub-Committee meeting expenses	-	12,000
Sub-Committee meeting fees	44,000	44,000
Farewell and Gifts	12,000	-
Directors' Fees	520,000	396,000
Sub-total of Board Expenses	**711,466**	**500,018**
xii. Donations and Corporate Social Responsibility	40,000	50,000
Sub-total of CSR	**40,000**	**50,000**
xiii. Consultancy Charges:		
Consultancy Charges Recurring	313,700	319,387
Sub-total of Consultancy Charges	**313,700**	**319,387**
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	6,184,073	1,029,993
Sub-total of Provisions - NRDCL	**6,184,073**	**1,029,993**
xvi. Statutory Fees – NRDCL:		
Business License/Registration Fees	56,500	46,000
Rates and taxes	115,984	173,626
BST	-	224,771

JIGMI Audit & Financials Pvt. Ltd. ★ Thimphu ★

Sub-total of Statutory Fees - NRDCL	**172,484**	**444,396**
xvii. Brand Management Fees	1,325,027	702,010
Sub-total of Board Management Fees	**1,325,027**	**702,010**
xviii. Employee Compensation and Benefit Expenses -HO:		
Basic Salaries	18,025,574	17,226,396
PF - Employer's Contribution	2,569,432	2,420,689
Allowances	15,378,421	8,545,032
Performance based variable allowance (PBVA)	-	408,898
Leave Encashment	1,477,702	2,159,369
Leave Travel Concession (LTC)	580,058	554,705
Transfer Grant	48,373	-
Carriage charges	43,456	42,304
Travel Allowance	2,368	-
Salary Arrear	1,146	4,531
Sub-total of Employee Compensation & Benefits Expenses	**38,126,530**	**31,361,925**
xix. Separation Allowances:		
Gratuity Expenses	1,069,509	1,046,512
Transfer Grant	361,806	126,103
Travel Allowance	361,806	126,103
Carriage Charges	270,895	80,660
Sub-total of Separation Allowances	**2,064,016**	**1,379,378**
xx. Depreciation and amortization-HO:		
Building	1,525,136	1,165,120
Vehicle	650,105	783,959
Furniture	267,096	142,912
Office Equipment	1,146,281	1,214,182
Software	179,227	1,768,404
Sub-total of Depreciation and Amortization - HO	**3,767,845**	**5,074,577**
Total of Administrative Expenses	**82,719,127**	**71,724,704**

NOTE 20: SELLING & DISTRIBUTION EXPENSES

Particulars	31-12-2024 (Nu.)	31-12-2023 (Nu.)
Advertisement	224,750	131,964
Marketing	76,728	90,000
Auction expenditure	221,592	108,616
Auction Sitting Fees	-	67,000
Discount	739,816	527,042
Total of Selling & Distribution Expenses	**1,262,886**	**924,622**

JIGMI Audit & Financials Pvt. Ltd. Thimphu

NOTE 21: FINANCING COSTS

Particulars	31-12-2024 (Nu.)	31-12-2023 (Nu.)
Corporate Guarantee Fees	1,786,248	759,088
Bank Fees and Commission	-	137,833
Interest expenses (BoBL)	-	11,843
Interest Expenses (others)	47,745,756	15,380,495
Interest Expense (Lease)	166,547	220,854
Total of Financing Costs	**49,698,551**	**16,510,114**

NOTE 22: INCOME TAX COMPUTATIONS

Particulars	31-12-2024 (Nu.)	31-12-2023 (Nu.)
PROFIT BEFORE TAX	29,911,801	33,166,177
ADD: Provision for doubtful Debts/ write-off	6,184,073	1,029,993
ADD: Gift & Donation	40,000	50,000
ADD: Prior Period Adjustment	-	-
ADD: Interest on Loan	5,181,355	5,203,973
ADD: Provision for Gratuity	8,218,096	6,567,597
ADD: Provision for Leave	-	509,195
ADD: Provision for Transfer Grant	880,612	791,383
ADD: Provision for Carriage charges	593,425	506,200
ADD: Provision for Travel Allowance	880,612	791,383
ADD: Provision PBVA	(2,566,124)	-
Less: Carry Forward and Offset of Losses	-	(1,278,704)
NET TAXABLE AMOUNT	**49,323,849**	**47,331,197**
30% CIT	14,797,155	14,199,359
Total Tax Expense	**14,797,155**	**14,199,359**
Deferred Tax		
Deferred Tax Expenses	(6,164,223)	(5,644,189)
Deferred Tax Income	8,477,657	5,749,374
Deferred Tax Income/(Expense)	**2,313,435**	**105,186**
Deferred Tax Expenses (OCI)	2,209,651)	(1,926,509)

NOTE 23: FAIR VALUE MEASUREMENTS

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

Particulars	31.12.2024			31.12.2023		
	FVPL	FVOCI	Amortized Cost	FVPL	FVOCI	Amortized Cost
Financial assets:						
Environmental Restoration Bond	-	-	1,137,679	-	-	1,700,710

JIGMI Audit & Financials Pvt. Ltd. Thimphu

Cash and cash equivalent	-	-	125,067,265	-	-	226,041,744
Sundry debtors	-	-	156,252,434	-	-	223,805,283
Advance to Staff-Salary	-	-	4,843,464	-	-	2,737,088
Total financial assets	-	-	**287,300,842**	-	-	**454,284,826**
Financial liabilities:						
Borrowing	-	-	992,152,874	-	-	715,563,955
Creditors	-	-	156,231,813	-	-	99,118,775
Other payables	-	-	3,454,900	-	-	2,120,579
Security deposit	-	-	7,205,041	-	-	5,249,188
EMD Received	-	-	1,072,116	-	-	743,083
Retention Money Payable	-	-	2,913,065	-	-	1,238,593
Advance from others	-	-	226,158	-	-	186,282
Total financial liabilities	-	-	**1,163,255,967**	-	-	**824,220,455**

i. Fair value hierarchy

This section explains the judgments and estimates made in determining the fair values of the financial instruments that are:

a. recognized 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.

JIGMI Audit & Financials Pvt. Ltd. Thimphu

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

Particulars	31.12.2024		31.12.2023		01.01.2023	
	Carrying amount	Fair Value	Carrying amount	Fair Value	Carrying amount	Fair Value
Financial assets:						
Environmental Restoration Bond	1,137,679	1,137,679	1,700,710	1,700,710	1,448,875	1,448,875
Security deposit	-	-	-	-	-	-
Total financial assets	**1,137,679**	**1,137,679**	**1,700,710**	**1,700,710**	**1,448,875**	**1,448,875**
Financial liabilities:						
Borrowing	992,152,874	992,152,874	715,563,955	715,563,955	144,478,371	144,478,371
Total Financial liabilities	**992,152,874**	**992,152,874**	**715,563,955**	**715,563,955**	**144,478,371**	**144,478,371**

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.

JIGMI Audit & Financials Pvt. Ltd. Thimphu

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.

JIGMI Audit & Financials Pvt. Ltd. Thimphu

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 2024	Less than 1 year	More than 1 year	Total
Trade and other payables	171,103,093	-	171,103,093
Borrowings	659,698,364	332,454,511	992,152,874
Interest on borrowing	55,148,592	-	55,148,592
Total financial liabilities	**885,950,048**	**332,454,511**	**1,218,404,558**

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	623,412,624	92,151,331	715,563,955
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 1 January 2023	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	9,229,455	-	9,229,455
Total financial liabilities	**126,529,848**	**115,100,847**	**241,630,695**

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:

JIGMI Audit & Financials Pvt. Ltd. Thimphu

Particulars	Less than six months	More than six months less than 3 years	More than 3 years	Total
Trade receivable as on 31 Dec. 2024	58,122,028	89,438,321	8,692,085	156,252,434
Trade receivable as on 31 Dec. 2024	**58,122,028**	**89,438,321**	**8,692,085**	**156,252,434**

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	179,968,782	41,587,250	2,249,251	223,805,283
Trade receivable as on 31 Dec. 2023	**179,968,782**	**41,587,250**	**2,249,251**	**223,805,283**

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 eleven 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	10.09.2024	08.09.2025
2	1037578	Wood Joinery Unit	05.09.2024	06.09.2025
3	1000073	Logging & Timber Marketing	05.08.2024	30.08.2025
4	1036301	Extraction of Sand and tone	14.02.2024	16.02.2025
5	1039969	Sawmill	05.08.2024	26.09.2025
6	1045083	NRDCL Furniture Units	28.03.2024	11.03.2025
7	1000324	Furniture Unit (Languphakha)	09.11.2024	09.11.2025
8	6007618	Tingzam Stone Crushing	07.10.2024	08.10.2025
9	3007623	Bhur Stone Crushing Unit	21.11.2024	24.10.2025
10	R2003414	NRDCL Export	04.08.2024	20.07.2025
11	6009499	Sawmill and Wood Joinery Unit	23.08.2024	24.08.2025

For JIGMI Audit & Financials Pvt. Ltd.

Jigmi Rinzin FCCA
(Membership No. 0283308)
Partner

For Natural Resource Development Corporation Limited

Sonam Chophel
General Manager

Jigme Thinley
Chief Executive Officer

Karma Galay
Chairman

Date: 16th April 2025

RATIO ANALYSIS

A. Ratio Assessing Profitability

Sl. No	Ratio	Profitability	Numerator - 2024	Denominator - 2024	31.12.2024	31.12.2023
1	Return on Investment	(EBIT/Net Assets or Net worth) * 100	77,657,557	659,321,780	11.78	7.62
2	Operating Profit	(Operating Profit excluding financial charges)/Net Sales *100	77,657,557	816,553,500	9.51	5.54
3	Net Profit Ratio	Net Profit before Tax/Net Sales*100	29,911,801	816,553,500	3.66	3.70

B. Ratio for Assessing Financial Health

Sl. No	Ratio	Financial Health	Numerator - 2024	Denominator - 2024	31.12.2024	31.12.2023
1	Capital Turnover Ratio	Net Sales/(Average Capital employed (Less Capital Reserve))	816,553,500	659,321,780	1.24	1.48
2	Fixed Assets Turnover Ratio	Net Sales/Net Fixed Assets	816,553,500	1,031,440,788	0.79	2.29
3	Stock Turnover Ratio	Cost of Goods sold including selling expenses/Average Inventory	698,010,300	409,263,908	1.71	2.79
4	Current Ratio	Current Asset/Current Liabilities	852,356,266	908,117,722	0.94	1.39
5	Liquid Ratio	(Current Assets Less Inventory less Prepaid Expenses)/(Current Liabilities Less Bank Overdraft)	320,568,574	908,117,722	0.35	1.03

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ANNEXURE 'A': RANGE OF ASSETS' USEFUL LIFE

*(Refer Note 1(5): **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

JIGMI Audit & Financials Pvt. Ltd. Thimphu

MANAGEMENT INITIATIVES

NRDCL has tirelessly worked in alignment with our vision to be the premier institution in providing reliable and quality natural resource products and services to support nation-building at its forefront. With continuous support from the Board of Directors, furthered by DHI's guidance, the Management team has prioritized aspects which are crucial to the company's performance and growth. From prioritizing staff well-being, to improving the company's finances, multiple avenues have been explored, many efforts put in and transformative initiative undertaken.

The launch of NRDCL's Corporate Strategic Plan (2025–2030) marked a key milestone, outlining a five-year roadmap focused on service excellence, sustainable growth, and innovation. The plan aims to boost customer engagement, operational efficiency, and long-term value while aligning with national priorities.

A performance review of the Joinery and Stone Crushing Plant Units in the Zhonggar Region revealed operational losses due to market challenges. Consequently, management closed both units, resulting in a cost reduction of Nu. 23.43 million for the region.

NRDCL conducted a strategic analysis on the potential impact of AWBI entering the timber extraction and export market. This enabled the company to adjust its market strategies and strengthen collaboration with private sawmillers, reinforcing its leadership in the timber value chain.

In collaboration with DHI, a feasibility study was conducted on the introduction of Thermo-Mechanical Timber Modification (TMTM) machines as part of our product innovation and diversification efforts. This project aims to enhance value by producing seasoned semi-finished timber, while promoting efficient processing through the sustainable use of local wood. The ultimate goal is to meet the quality timber demands of GMC.

To enhance receivables management and ensure healthy cash flows, a dedicated Standard Operating Procedure (SOP) was implemented for the follow-up on sundry debtors. This initiative strengthened financial discipline and led to a reduction in sundry debtors from Nu. 223.805 million on January 1, 2024, to Nu. 156.25 million as of December 31, 2024.

To foster a positive organizational culture and evaluate employee well-being, the Employee Engagement Survey 2024 was conducted, offering valuable insights into staff satisfaction and identifying key areas for improvement. In addition, we launched the inaugural Employee Awards Program to recognize and celebrate the outstanding dedication and contributions of our team. A total of sixteen employees and four private logging contractors were honored for their commitment to shaping NRDCL into the organization it is today.

To support workforce development and promote operational excellence, a comprehensive study on the certification of machine operators was also launched. This initiative aims to standardize operators' qualification, enhance workplace safety, and ensure the professional growth of NRDCL's technical personnel is approved by Board for implementation in 2025.

Collectively, these initiatives underscore NRDCL's unwavering commitment to innovation, accountability, and national service, establishing a strong foundation for sustainable growth and operational excellence.

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