ANNUAL REPORT 2025

NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED

NRDCL

a dhi Company

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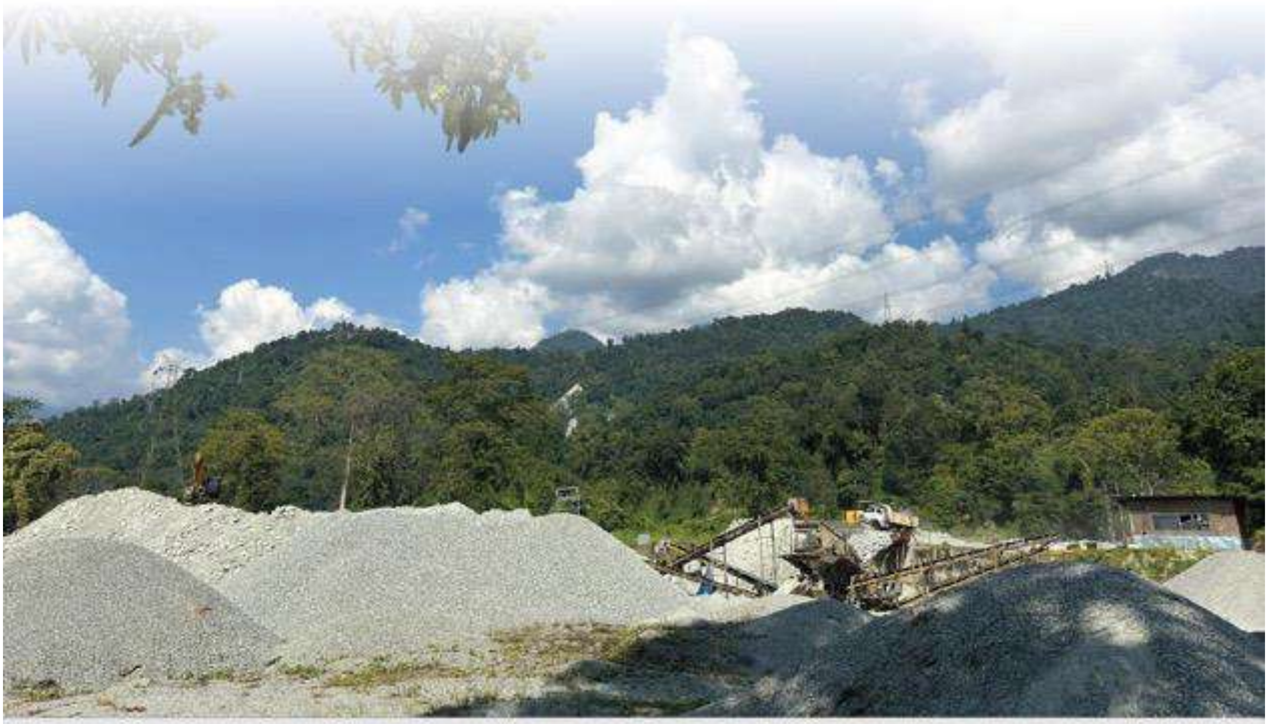
ANNUAL REPORT

2025



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

His Majesty The King Jigme Khesar Namgyel Wangchuck

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FROM THE CEO'S DESK

The year 2025 marked a pivotal phase in the growth of Natural Resources Development Corporation Limited, as the Company advanced its transition from a resource-based extractor to a value-driven company. Building on the strategic progress of 2024, NRDCL focused on improving efficiency, strengthening market presence, and promoting sustainable, value-added timber utilization.

Despite a challenging external environment marked by market volatility, logistical constraints, and evolving regulations, the Company sustained strong operational momentum. Timber remained the primary revenue driver, supported by improved production efficiency and optimized supply chains. Export performance saw significant growth, with volumes increasing from 533,627.71 cft in 2024 to 1,957,347.38 cft in 2025, and revenues rising from INR 142.12 million to INR 493.58 million, alongside USD 45,000 earned from intermediary exports to third countries like Dubai. This reflects NRDCL's continued progress in export diversification and international market expansion.

A key highlight of the year was the Company's ongoing shift toward value addition. Expansion into value-added timber products, including construction materials and furniture, strengthened NRDCL's market positioning. Notable achievements included the successful execution of timber-structure projects for Bhutan Telecom Limited, BDBL, RMA and Menjong Sorig Pharmaceuticals Corporation Ltd., demonstrating strong technical capabilities.

Operational efficiency remained a priority, with continued improvements in productivity and resource utilization. Investments in advanced logging machinery, including cable cranes and loaders, enhanced harvesting efficiency and operational readiness.

Jigme Thinley

Financially, NRDCL maintained stable performance, achieving a milestone revenue of Nu. 1.124 billion. Sales grew by 32.99%, while expenses increased by 29.94% compared to 2024. Although rising costs and ongoing investments placed pressure on margins, the Company maintained positive cash flows and strong liquidity through prudent financial management.

The Company continued to face structural challenges, including constrained price revisions for key products such as timber and sand, which affected profitability amid rising costs. Export limitations, such as restricted species enlistment and high logistics costs due to Bhutan's landlocked geography, also posed challenges. NRDCL remained actively engaged with stakeholders to address these issues and improve the operating environment.

Beyond its commercial role, NRDCL continued to contribute to national development and community well-being. In 2025, the Company invested Nu. 5.24 million to maintain 71.25 km of roads benefiting over 600 households, and Nu. 10.53 million in CSR initiatives focused on community development and environmental conservation.

Human resource development remained a key focus, with strengthened training programs, improved performance management systems, and enhanced employee engagement. Efforts to address workforce challenges, including attrition in critical roles, were reinforced through targeted recruitment and capacity-building.

Looking ahead, NRDCL remains committed to its vision of becoming a high-value, export-oriented timber company, while continuing to advocate for enabling policy support in pricing and export facilitation.

I extend my sincere appreciation to the Royal Government of Bhutan particularly DoFPS and DGM, Druk Holding & Investments Limited, the Board of Directors, and all stakeholders for their continued support. I also thank our employees for their dedication and resilience.

NRDCL moves forward with confidence, clarity, and a strong commitment to sustainable growth and national service.

Tashi Delek
Chief Executive Officer
NRDCL

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

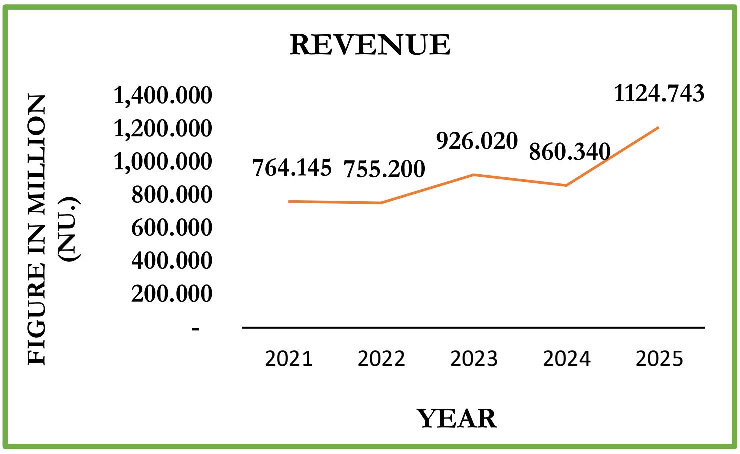
Natural Resources Development Corporation Limited (NRDCL) was established in November 2007 based on an Executive Order of the Royal Government of Bhutan, which was issued in response to the Royal Command conveyed to the 87th session of the National Assembly. However, its history dates back to 1979 when 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.

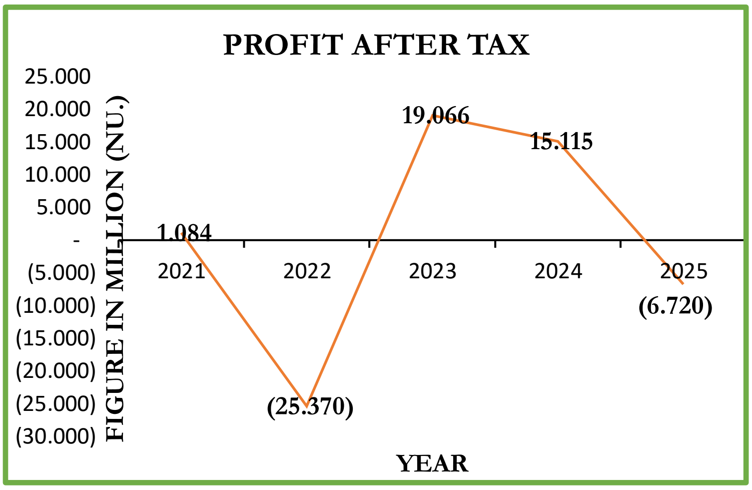
#	Name of the Region	Activities/Products	Converge/Operation Area
1	Rinpung Region	Timber, Sand & Stone	Thimphu, Paro, and Haa
2	Sha Region	Timber, Sand & Stone	Wangdue, Punakha, Gasa, Tsirang, and Dagana
3	Jakar Region	Timber, Sand & Stone	Bumthang, Trongsa, and Zhemgang
4	Zhonggar Region	Timber, Sand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

ANNUAL FINANCIAL PERFORMANCE IN LAST FIVE YEARS

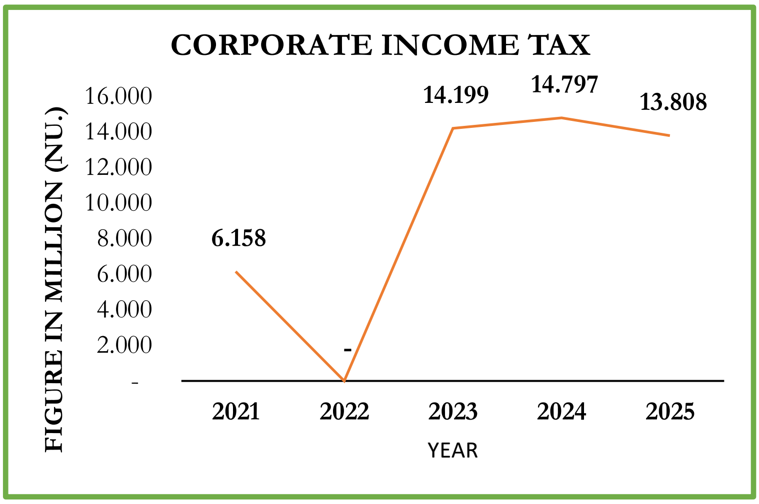
REVENUE	
Year	Revenue
2021	764.145
2022	755.200
2023	926.020
2024	860.340
2025	1124.743



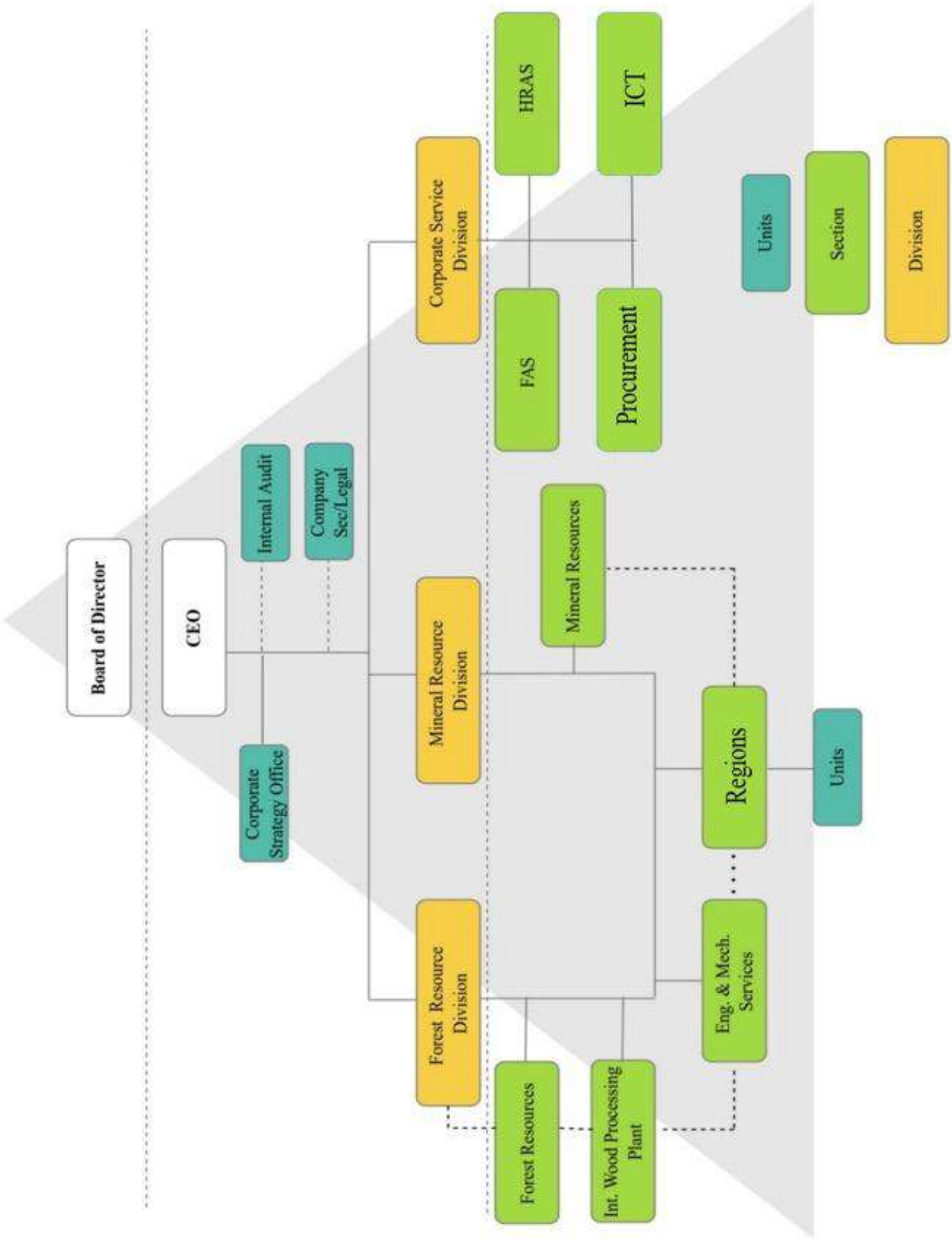
PROFIT AFTER TAX	
Year	PAT
2021	1.084
2022	(25.370)
2023	19.066
2024	15.115
2025	(6.720)



CORPORATE INCOME TAX	
Year	CIT
2021	6.158
2022	-
2023	14.199
2024	14.797
2025	13.808



ORGANIZATION STRUCTURE PROFILE



BOARD OF DIRECTORS

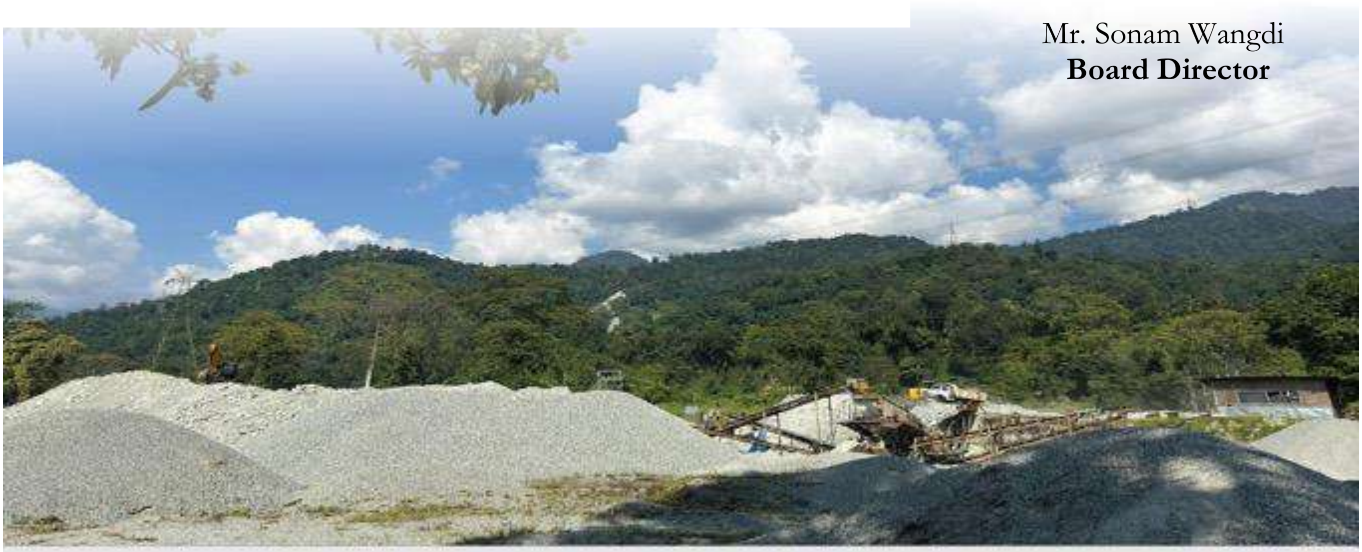
Mr. Karma Galay
Chairman

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.

Ms. 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

NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED

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 2025.

1. Operational highlights

The product-wise production and disposal report for 2025 vis-à-vis 2024 and 2023 are presented in the table below.

#	Particulars	2025			2024	2023
		Annual Target	Achievement (Quantity)	Achievement %	Achievement (Quantity)	Achievement (Quantity)
	Core products					
1	Timber Production (cft.)	4,503,000.00	3,966,363.89	88.08%	3,499,148.47	2,444,646.57
2	Timber Sales (cft.)	4,219,500.00	3,809,265.06	90.28%	2,492,036.23	2,111,881.00

1.1. Timber

a. Timber production was 3.97 million cft, an increase of 0.47 million cft (13.35%) compared to 2024 production achievement and sale was 3.81 million cft, an increase of 1.32 million cft (53.01%) compared to 2024.

b. Total revenue of Nu. 814.51 million was earned from the sale of timber in 2025 compared to revenue earning of Nu. 505.97 million in 2024.

c. The closing stock of logs and poles stood at 0.874 million cft (last year 1.315 million cft) and total sawn and block timber at 0.133 million cft (last year 0.085 million cft) at the end of 2025.

#	Particulars	2025			2024	2023
	Core products	Annual Target	Achievement (Quantity)	Achievement %	Achievement (Quantity)	Achievement (Quantity)
1	Sand Production (m^3)	477,940.00	418,776.15	87.62	456,424.94	488,937.00
2	Sand Sales (m^3)	521,940.00	408,284.08	78.22	415,549.59	476,667.95
3	Stone Production (cft)	8,293,475.82	16,081,048.10	193.90	26,933,125.19	22,262,964.84
4	Stone Sales (cft)	8,293,475.82	12,629,404.75	152.28	27,884,066.26	26,523,677.94
5	Stonechips Production (cft)	2,359,429.20	2,024,765.48	85.82	1,910,066.51	2,811,707.44
6	Stonechips Sales (cft)	2,868,840.90	1,736,918.93	60.54	1,566,804.25	1,755,911.29

1.2. Sand

a. Sand production in 2025 was 418,776.15m^3 against 456,424.94m^3 in 2024, a decrease of 37,648.79 m^3 (8.25%). Sales achievement was 408,284.08 m^3 against 415,549.59 in 2024.

b. Total revenue of Nu.101.346 million was earned from sale of sand in 2025 against Nu. 107.70 in 2024.

1.3. Stone

a. Stone production in 2025 was 16,081,048.10 cft against 26,933,125.19 cft in 2024, a decrease of 10,852,077.10 cft (40.29%). Sales achievement was 12,629,404.75 in 2025 against 27,884066.26 in 2024.

b. Total revenue of Nu.32.863 million was earned from sale of stone in 2025 against Nu. 85.08 million in 2024.

1.4. Stonechips

a. Stonechips production in 2025 was 2,024,765.48 cft against 1,910,066.51 cft in 2024, an increase of 114,698.97 cft (6%). Sales achievement was 1,736,918.93 cft in 2025 against 1,566,804.25 in 2024.

b. Total revenue of Nu. 32.719 million was earned from the sale of stone aggregates in 2025 against Nu. 21.83 in 2024.

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	2025			2024	2023
		Annual Target	Achievement (Quantity)	Achievement %	Achievement (Quantity)	Achievement (Quantity)
1	Joinery- Production (sq ft.)	237,000	239,094.79	101	339,394.97	412,610.43
2	Joinery- Sales (sq. ft.)	237,000	249,148.15	105	312,583.86	443,617.68
3	Bhutanese Craft/ Construction Joinery - Production and Sales in Nos.)	3,000	3,288	109.61	2,132.00	30,523.00
4	Firewood Production (m3)	30,719	34,034.51	110.79	38,981.61	47,048.08
5	Firewood Supply (m3)	30,719	31,192.68	101.54	36,330.76	44,102.01
6	Plantation Creation (Ha.)	32.63	20.18	61.8	28.74	25.43
7	Seedling- Production (Nos.)	50,000	52,054	104.1	68,000	166,284.00
8	Road Construction (km)	38.5 km	13.60. km	35.33	14.61 km	12.96

2

1.1. Joinery Products

- Produced 239,094.79sq. ft. of joineries against 339,394.97 sq. ft. in 2024 and sold 249,148.15 sq. ft against 312,583.86 in 2024 from the Joinery Unit.

1.2. Bhutanese Crafts/ Construction Joinery

- Produced and sold 3,288 no. of Bhutanese crafts/construction joinery against 2,132 no. in 2024.

1.3. Revenue

A revenue of Nu. 65.181 million for products of IWPP (furniture, construction materials and joinery products) against Nu. 47.23 million in 2024.

1.4. Plantation Creation

- A total of 32.63 hectares of plantation was carried out in 2025 against the target of 20.18 hectares.

1.5. Road Construction

- Roads are constructed for access to the operation sites and to facilitate timber-harvest which also benefits the local communities at large. NRDCL incurs huge expenditure in the construction and maintenance of road.
- During the year, 12.645 km of road construction were constructed and completed against the target of 38.5 km at a cost of Nu. 14.920 million. Approximately, Nu. 7.331 million was spent on maintenance.

Highlights of the Important Initiatives/ Achievements

1. The Company has achieved the milestone with overall revenue reaching **1 billion** for the first time.
2. During the year, NRDCL recorded a substantial increase in timber export sales. The volume rose from 533,627.71 cubic feet in 2024 to **1,957,347.38** cubic feet in 2025. Correspondingly, export revenues increased from INR 142.12 million in 2024 to **INR 457.866** million in 2025.
3. Initiated the export of kiln-dried sawn timber to third-country markets, starting with an initial volume of **8,419.14 cubic feet** exported to Dubai earning revenue equivalent to **USD 45,000**.
4. In collaboration with the Ministry of Infrastructure and Transport (MoIT) and with financial support from the Bjarke Ingels Group (BIG), Denmark, the Company facilitated a **three-month short-term training (April–June 2025) in Copenhagen, Denmark for two carvers**. The training significantly contributed to enhancing the technical capacity and skills of the staff. It is expected that the knowledge and experience gained through this program will enable us to make meaningful contributions to the Gelephu Mindfulness City (GMC) initiatives in the near future.
5. Developed 34 new value-added timber products, including furniture items featuring innovative designs, with a strategic focus on expanding into export markets.

6. Relocated Ramtokto Sawmills to Gidakom, creating space for the establishment of a Glulam and TMTM plant, thereby enhancing the Company's value addition capacity.

7. Established two seasoning kilns at Ramtokto to address the shortage of seasoned timber.

Other Activities

1. During the year, the Board and Management reviewed and endorsed the Corporate Strategic Plan (CSP) for the period of 2026-2035 aligning with the DHI 10X Roadmap.

2. In 2025, the Management initiated half-yearly 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 and Phuntsholing Regional Offices.

3. Successfully designed and executed a timber-structured project for Bhutan Telecom Limited, demonstrating the company's technical expertise and commitment to quality timber construction.

Key Challenges

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

1. **Natural Disaster-** During the year 2025, the Company suffered major losses due to natural disasters, particularly the unprecedented flash flood on 5 October 2025.

   - The entire export timber depot at Amochu was flooded, resulting in the loss of all stored stock, which totaled 391,179.51 cubic feet. Of this, 333,468.13 cubic feet were washed away, although 163,452.75 cubic feet were recovered. The total financial loss accounted is Nu. 24.48 million.

   - The depot remained inaccessible and non-operational for about a month, severely disrupting export operations.

   - The flood also damaged six loaders and the depot, resulting in additional expenditure of Nu. 1.478 million on repair and maintenance.

   - Several sections of forest roads, particularly in Haa Dzongkhag, were washed away, halting timber-harvesting operations for approximately one and a half months.

These disruption significantly affected production activities, supply chains and revenue generation.

2. **Price Regulations-** Timely review and revision of prices remains a persistent challenge for NRDCL.

   - The revision of timber prices in October 2025, which incorporated a simple average inflation rate of 5.14% for the period 2021-2025, did not adequately reflect actual increase in operational and extraction cost and deviated from the approved pricing guidelines.

   - Sand prices have not been revised since July 2020, despite increases in operational and extraction cost.

The delay in revising prices for timber and sand prices has had a detrimental effect on NRDCL's profitability and long-term financial sustainability, limiting the Company's ability to effectively deliver its services.

3. **Timber Export Bottlenecks**- NRDCL continues to face challenges in expanding timber exports.

   - The pending enlistment of additional timber species remains a barrier. Currently, only four timber species are enlisted under the Indian PPQ, limiting export opportunities for broad-leaved timber.

   - As Bhutan is a landlocked country, exports rely heavily on road transportation, which increase logistics costs and reduces the competitiveness of Bhutanese timber in international market.

4. **Boulder/Stone/Aggregates Export Challenges**- NRDCL has also experienced significant challenges in exporting boulders due to political instability in Bangladesh and disruption along the trade route to Bangladesh. These challenges have affected cross-border trade flows and export volumes.

5. **Small and Scattered Timber Extraction Sites**- NRDCL's timber operation sites are widely dispersed, and the volume extracted from each site has remained relatively low, resulting in limited economies of scale and higher production costs. With timber prices remaining constant, it has been challenging to sustain profitability without compromising margins.

2. Financial highlights

The highlights of the financial performance of the company in 2025 is presented below:

Revenue, OpEx, PAT and Dividend trend

Nu. in million

Particulars	2025	2024	I/(D) Nu	I/(D) %
Revenue				
Sales	1,085.96	816.55	269.41	32.99%
Other Income	38.78	43.79	(5.01)	-11.44%
Total	**1,124.74**	**860.34**	264.40	30.73%
Expense				
Cost of sales	912.73	696.75	215.98	31.00%
Operating expenses	166.33	133.68	32.65	24.42%
Total	**1,079.06**	**830.43**	248.63	29.94%
Profit before tax	**45.68**	**29.91**	15.77	52.72%
Tax (assessed)	13.81	14.80	(0.99)	
Deferred Tax (Income)/Exp	25.17	(2.31)	27.48	
Profit After Tax (PAT)	**6.70**	**17.42**	(10.72)	-61.54%

- The company has achieved a milestone with overall revenue reaching **Nu. 1.124 billion** for the first time.

- Overall revenue from sales has increased by Nu. 269.41 million (32.99%), and the expenses increased by Nu. 248.64 million (29.94%) compared to 2024.

5

- In compliance with the BAS, the net profit for the year is computed adjusting the deferred tax expense of **Nu. 25.17 million** in relation to PPE arising from temporary differences in the profit or loss.
- Net profit of Nu. 6.70 million is without the provision for Performance Based Variable Allowances (PBVA).
- The profitability of the company was affected because the company suffered an abnormal loss of inventory as a result of a flash flood on 5 October 2025, which is considered a natural disaster (Act of God) and was beyond the control of management. The loss recognized is **Nu. 24.484 million**.

Financial summary for five years

Nu in million

Year	2021	2022	2023	2024	2025	CAGR
Revenue	764.15	755.2	926.02	860.34	1,124.74	6.65%
Expenses excluding dep. and interest	653.01	683.93	795.77	666.83	877.96	7.68%
Tax	6.16	2.83	14.20	14.80	13.81	
Profit After Tax (PAT)	1.08	(25.37)	18.96	17.43	6.70	
Dividend	9.00					
Revenue per employee	1.44	1.59	2.00	1.68	2.13	
PAT per employee	-	(0.05)	0.04	0.03	0.01	
Number of employees	531	476	463	513	528	

Revenue composition trend in % - Product-wise

Particular	2021	2022	2023	2024	2025
Timber	41.25%	40.40%	42.01%	58.81%	72.42%
Sand	13.17%	15.48%	12.31%	12.52%	9.01%
Stone	16.74%	16.46%	25.51%	9.77%	2.92%
Stone chips	6.62%	6.70%	4.18%	2.54%	2.91%
Joinery	10.75%	9.56%	5.53%	5.49%	5.32%
Others	11.47%	11.40%	10.46%	10.87%	7.42%
	100.00%	100.00%	100.00%	100.00%	100.00%

- In the past five years (2021 to 2025), Compounded Annual Growth Rate (CAGR) for Revenue stands at 6.52% only.
- The major increase in revenue is seen in 2025 with 72.42% increase against the previous year. The increase is mainly on account of timber export sales.
- Timber constitutes a major contributor (72.42%) to the overall revenue.
- Revenue generation from mineral products particularly the stone has decreased by huge margin because most of the extraction sites are handed over to the Department of Geology and Mines.

Summary of expenditure for five years

Nu in million

Particular	2021	2022	2023	2024	2025	CAGR
OpEx	653.01	683.93	792.66	666.83	877.96	7.68%
Depreciation	97.68	87.50	83.69	113.90	122.92	5.91%
Finance cost	6.21	9.15	16.51	49.70	78.18	88.37%
CapEx	122.60	94.87	71.55	756.71	210.68	14.49%
Total	**879.50**	**875.45**	**964.41**	**1,587.14**	**1,289.74**	

- The Compounded Annual Growth Rate for OpEx in the past 5 years stands at 7.68%. CAGR % for expense was higher than the revenue growth drivers mainly because there has been no corresponding increase in the prices for timber and sand.
- There were significant increase in the finance cost in 2024 and 2025 attributed to external debts availed for investment in Organization capacity building.
- NRDCL is a capital intensive Company. Investment on road construction is a major and regular, and other Capital expenditure (CapEx) is made depending on the need.

Summary of Cash Flow for five years

Nu. in million

Particulars	2021	2022	2023	2024	2025
Cash inflow/(outflow) from Operating activities	54.76	32.75	(283.24)	382.81	394.50
Cash inflow/(outflow) from Investing Activities	(67.73)	(91.48)	(81.99)	(719.14)	(200.56)
Cash inflow/(outflow) from Financing Activities	31.89	45.78	556.77	235.36	(157.37)
Increase/(Decrease) in cash	18.92	(12.95)	191.54	(100.97)	36.57

- 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 net increase in cash by Nu.36.57 million in 2025 indicating improvement in the liquidity position of the company.

Key Financial Ratios

A. Ratio Assessing Profitability					
Sl. No	**Ratio**	**Numerator – 2025**	**Denominator - 2025**	**2025**	**2024**
1	Return on Investment	93,843,524.20	1,616,888,162.15	5.80	11.78
2	Operating Profit	72,991,571.99	1,085,961,204.92	6.72	9.51
3	Net Profit Ratio	21,282,432.65	1,085,961,204.92	1.96	3.66

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B. Ratio for Assessing Financial Health				Ratio	Ratio
Sl. No	Ratio	Numerator - 2025	Denominator - 2025	2025	2024
1	Capital Turnover Ratio	1,085,961,204.92	662,611,456.53	1.64	1.24
2	Fixed Assets Turnover Ratio	1,085,961,204.92	1,107,143,991.27	0.98	0.79
3	Stock Turnover Ratio	933,809,676.35	457,544,204.63	2.04	1.71
4	Current Ratio	681,474,416.29	347,629,037.06	1.96	0.94
5	Liquid Ratio	292,410,187.08	347,629,037.06	0.84	0.35

3. Audit Report

The Company's books of accounts for the financial year 2025 were audited by M/s Rinzing Financial Private Limited Thimphu. For the financial year, the Company did not have any material audit observation.

4. Dividend

Considering the financial challenges and low profitability of the Company, the Board decided not to declare dividend for the year 2025.

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 2025, the NRDCL Board comprised of seven Board Directors, including the Chairman and CEO. During the year, the company had seven Board meetings excluding one Extraordinary General Meeting (EGM) and Annual General Meeting (AGM).

The Board sub-committees such as the Board Audit Committee (BAC) and the Board Human Resources Committee (BHRC) are met as and when required, to provide recommendations to the full Board for decision-making. Four BAC meetings and two BHRC meetings were convened in 2025 maintaining quorum requirements in accordance with 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 2025. These endeavours were aligned with the principles of sustainable development and community welfare.

In 2025, NRDCL supported CSR initiatives amounting to Nu. 10.53 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 free NRDCL products/services to special projects at various occasion, sand valued at a total of **Nu. 35,786** was supplied to GMC for lawn development at Central Park and other areas, all offered free of cost.

- 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. 10.00 per cft, forgoing potential revenue of Nu. 3.023 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 2025, NRDCL invested Nu. 5.24 million to maintain approximately 71.25 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.

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:

- Refurbishment of old furniture and supply to RPB free of cost worth Nu. 6,780.00 only.

- Firewood supplied on Kidu from Hejo retail outlet located at Hejo cremation ground to 31 Kidu recipient in the year 2025 worth Nu. 1.409 million.

- Sponsoring for Global Peace Prayer Festival, 2025 worth Nu. 260,000.00 only for purchase of umbrella used by devotees throughout the festival.

In 2025, 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 74.75 kilometers of farm roads, NRDCL positively impacted over 600 rural households across the country. Furthermore, throughout its operational period, NRDCL has constructed 382.34 kilometers of forest roads, valued at Nu. 492.244 million, benefiting more than 27 Gewogs across 13 Dzongkhags.

- Between 2014 and 2025, the NRDCL constructed nine Bailey/log stringer bridges at a total cost of Nu. 21.10 million benefiting the local community. To address issues related to river course changes and road blockages on farm roads, the NRDCL also constructed 23 gabion walls from 2016 to 2025.

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

Human capital remains one of the most critical drivers of NRDCL's organizational growth and operational success. The Company continues to prioritize the development, strengthening, and optimal utilization of its human resources to enhance productivity and service delivery across all operational areas.

Employee strength: In 2025, the Company maintained an average staff strength of 503 employees, comprising 93% regular staff, 3% contract employees and 4% under the ESP category, reflecting a predominantly stable and permanent workforce structure.

Employee Separation: During the year, 33 employees voluntarily resigned, resulting in an attrition rate of 6.6 %. Additionally, 10 employees got separated from the Company as a result of superannuation and disciplinary issues.

Recruitment: To address the resulting vacancies and sustain operational efficiency, particularly in support of field activities, the Company recruited 19 new employees through open competitive selection during the year. These recruitments were undertaken in alignment with operational requirements to ensure continuity of services and strengthen workforce capacity across key functional areas.

Training: The Company continued its efforts to strengthen staff capacity and operational efficiency through targeted training and development initiatives during the year. Hands-on training programs were conducted for field personnel on the effective utilization of the ERP system, while technical training was provided to machine operators and helpers to enhance their competencies in the operation and maintenance of newly procured machinery.

In addition, the Company supported capacity enhancement and professional exposure of employees through the implementation of selected ex-country trainings and field visits in India during the year. However, the implementation of several planned training programs was constrained due to financial limitations in 2025, which impacted the full rollout of the Company's training and development plans.
In line with its long-term human resource development strategy, three officials completed their MBA and one completed Bachelor Degree from within the country. These initiatives reflect the company's continued investment in developing a skilled and capable workforce to meet future organizational needs.

Significant progress was also made in strengthening organizational processes and employee engagement. The Management team conducted frequent field visits to enhance coordination and communication with field offices, complemented by quarterly progress review meetings to monitor performance and operational challenges. The revised Performance Management System (PMS) was effectively implemented to strengthen accountability and performance culture across the organization. Furthermore, NRDCL continued its efforts to adequately recognize performers through annual reward system, marking a significant step in recognizing employee performance and enhancing staff morale.

8. Way Forward

For the year 2026, NRDCL envisions a strategic realignment focused on enhancing value addition and sales. The Company aims to achieve a 20% increase in export volume compared to the 2025 benchmarks, actively exploring new markets for Glulam products within GMC and for export purposes. Our priorities will include the initiation of Thermo Mechanical Timber Modification (TMTM) and the expansion of Glulam manufacturing capacity to improve operational efficiency. Emphasis will be placed on diversifying revenue streams through the development of premium and higher-value timber products, as well as commencing exports of kiln-dried sawn timber and other value-added items. Additionally, the company will pursue standardization and certification of these products.

Looking towards the long term, NRDCL intends to shift from volume-driven extraction to a focus on value addition and export growth, adopt digital technologies such as blockchain for enhanced traceability, and explore mechanization to improve operational efficiency and supply chain reliability.

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, 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

The NRDCL Board and Management continue to strive for good corporate governance standards. As a result, the company complies with the majority of the requirements of the Kingdom of Bhutan's Companies Act 2016, the DHI Corporate Governance (CG) Code, and other statutory requirements.

Board Composition

The Board of Directors are entrusted with the essential responsibilities of managing the general affairs, strategic direction and performance of NRDCL. To achieve this, it is vested with the requisite powers, authorities and duties. In 2025, the NRDCL Board consisted of seven Board Directors, including the Chairman and CEO. The information relating to each Board Director is 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
Ms. Dechen Eadon	Board Director	Lecturer, RIM	March 2024	1st Term
Ms. Yeshey Lhamo	Board Director	Senior Analyst, DHI	March 2025	1st Term
Mr. Jigme Thinley	CEO/Board Director	Chief Executive Officer, NRDCL	July 2023	1st Term

The size, composition, and appointment of Independent Directors to the Board were determined in accordance with Sections 2.2 and 2.3 of the Corporate Governance Code and the Board Charter. No Director held more than three directorships in DHI-owned companies. The CEO gave the Board regular updates on the Company's operations, management, and overall performance. Members of the management team were invited to attend Board meetings when necessary to provide relevant information and clarifications. The Board is assisted by a Company Secretary who is not a member of the Board. Meeting notices, agendas, and related reference materials were shared with Board Directors in advance, in compliance with the CG Code requirements. Additional meetings were scheduled on short notice in the case of exigencies.

Board Meetings

In all, NRDCL held seven Board meetings in 2025, adhering to the quorum requirements and the meetings intervals of not exceeding three months as required by the Companies Act 2016 and DHI CG Code. Details of Board meetings and Board Directors' attendance were as follows:

Sl. No.	Meeting No.	Date	Members Present	Apologies
1	119th Board Meeting	6th February 2025	Dasho Karma Galay Mr. Chencho Mr. Sonam Wangdi Mrs. Dechen Eadon Mr. Ugyen Wangdi Mr. Jigme Thinley	Mr. Sunil Rasaily
2	120th Board Meeting	13th March 2025	All Board members were present during the meeting.	None
3	121st Board Meeting	12th May 2025	Dasho Karma Galay Mrs. Dechen Eadon Ms. Yeshey Lhamo Mr. Sunil Rasaily Mr. Jigme Thinley	Mr. Chencho Mr. Sonam Wangdi
4	122nd Board Meeting	13th June 2025	Dasho Karma Galay Mr. Chencho Ms. Yeshey Lhamo Mr. Sunil Rasaily Mr. Jigme Thinley	Mr. Sonam Wangdi Mrs. Dechen Eadon
5	123rd Board Meeting	31st July 2025	All Board members were present during the meeting.	None
6	124th Board Meeting	31st October 2025	Dasho Karma Galay Mr. Sonam Wangdi Mrs. Dechen Eadon Ms. Yeshey Lhamo Mr. Sunil Rasaily Mr. Jigme Thinley	Mr. Chencho
7	125th Board Meeting	27th November 2025	Mr. Chencho Mr. Sonam Wangdi Ms. Yeshey Lhamo Mr. Sunil Rasaily Mr. Jigme Thinley	Dasho Karma Galay Mrs. Dechen Eadon

Board Sub-Committee Meetings

NRDCL has two Board sub-committees i.e. the Board Audit Committee and the Board Human Resources Committee. These committees assist the Board in fulfilling its responsibilities. The Board has approved the Committee Charter, which defines each committee's rights and responsibilities. The Charter establishes the committee's terms and responsibilities. Board committees have no legal standing or distinction from the Board; their primary purpose is to give suggestions that help the Board make decisions. The Board committees are:

1. Board Audit Committee

Its principal role is to oversee the financial reporting process, audit process, and internal control systems, as well as to ensure compliance with laws and regulations. The Board Audit Committee consisted of three independent non-executive Directors, and four meetings were held in 2025.

Meeting Nos.	Date	Members Present	Apologies
49th Board Audit Committee	5 March 2025	Mr. Chencho Mr. Ugyen Wangdi Mr. Sunil Rasaily	None
50th Board Audit Committee	24 April 2025	Mr. Chencho Mr. Sunil Rasaily Ms. Yeshey Lhamo	None
51st Board Audit Committee	23 July 2025	Mr. Sunil Rasaily Ms. Yeshey Lhamo	Mr. Chencho
52nd Board Audit Committee	28 October 2025	Mr. Chencho Mr. Sunil Rasaily Ms. Yeshey Lhamo	None

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, two BHRC meetings were held.

Meeting Nos.	Date	Members Present	Apologies
62nd Board Human Resources Committee	16 May 2025	Ms. Dechen Eadon Ms. Yeshey Lhamo Mr. Sonam Wangdi Mr. Jigme Thinley	
63rd Board Human Resources Committee	21 November 2025	Ms. Dechen Eadon Ms. Yeshey Lhamo	Mr. Sonam Wangdi

Meeting Nos.	Date	Members Present	Apologies
		Mr. Jigme Thinley	

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 2025 are as follows:

#	Particulars/Details	Remuneration & Other Benefits (Nu)	Sitting Fees (Nu)
1.	Board of Directors		Nu. 487,000
2.	Chief Executive Officer	Nu. 2,875,976	Nu. 104,000
	Total	**Nu. 2,875,976**	**Nu. 591,000**

Annual General Meeting

The 18th Annual General Meeting was held on 26 March 2025, which was attended by the Shareholder, Board Directors and the key members of the management team. The 18th Annual General Meeting transacted the following business items:

- 18.1. Adoption of the Agenda
- 18.2. Ratification of Minutes of 17th Annual General Meeting
- 18.3. Consideration of the Audited Accounts for the financial year ended 31st December 2024, Auditors' Report and Directors' Report
    - I. Directors Report
    - II. Consideration of Audited Accounts
    - III. Auditors Report
- 18.4. Dividend 2024, if any
- 18.5. Appointment of, and fixing the remuneration of Statutory Auditors
- 18.6. Declaration of remuneration paid to Chief Executive Officer and Directors
- 18.7. Consideration of the Annual Compact Evaluation Report and declaration of PBVA based on the outcome of the Annual Compact 2024
- 18.8. Consideration of appointment/retirement of Board Directors
- 18.9. Any other business

Extraordinary General Meeting

During the reporting year, the Company convened an Extraordinary General Meeting (EGM) on 2 April 2025 through a virtual platform to seek shareholder approval for the issuance of secured corporate bonds amounting to Nu. 500 million through public offering. The proposed bond issuance was intended to mobilize long-term financing to address the Company's existing inter-corporate loan obligations and strengthen its financial sustainability.

The EGM was convened in accordance with the applicable provisions of the Companies Act of Bhutan 2016, the Regulation for the Public Issue of Corporate Bond 2022, and the principles of shareholder rights and equitable treatment prescribed under the Corporate Governance Code of Bhutan. The shareholders deliberated on the proposal and accorded approval for the issuance of corporate bonds as recommended by the Board.

Business Code of Conduct

Natural Resources Development Corporation Limited 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, 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 2025 as per the existing policies and practices of DHI and DHI owned companies.

INDEPENDENT AUDITORS' REPORT

NRDCL
A dhi Company

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

PERIOD: JANUARY 1, 2025, to DECEMBER 31, 2025

APRIL 2026

TITLE SHEET

Title	:	Audit Report on the financial statements of Natural Resources Development Corporation Limited
AIN:		
Chairman		1. Karma Galay, Director General, Department of local Governance & Disaster Management, Ministry of Home affairs (from 20.03.24 till date), CID No: 10XXXXXXX87 Email: karmagalay@moha.gov.bt 2. Dasho Karma Tshiteem, (Till 20.03.24), CID: 10XXXXXXX95
Head of the Agency	:	Mr. Jigme Thinley, Chief Executive Officer CID No. 111XXXXXXX80 Email: ceo@nrdcl.bt
	:	Sonam Chophel, General Manager, CSD, CID No: 11XXXXXXX92 Email: gm.csd@nrdcl.bt
Period Audited	:	January 1, 2025 - December 31, 2025
Schedule of Audit	:	Planning: January 15- January 19,2026 Actual: January 20 - February 6, 2026 Reporting:
Composition of Audit Team	:	Team Leader: Kunzang Pasa Tenzin, Audit Partner CID No. 11XXXXXXX69 Team Members: 1. Ngwang Loday, Audit Manager CID No. 10XXXXXXX52 2. Pema Lhaden Topgay, Audit Associate CID No. 11XXXXXXX35 3. Kunzang Jime Tenzin, Audit Associate CID No. 11XXXXXXX71 4. Kinzang Gyeltshen, Audit Associate CID No. 11XXXXXXX09 5. Ugyen Chophyal, Audit Associate CID No. 10XXXXXXX24 6. Tila Devi, Audit Intern CID No. 11XXXXXXX92 7. Tashi Norbu, Audit Intern CID No. 10XXXXXXX06
Supervising Officer	:	Kunzang Pasa Tenzin, Audit Partner
Engagement Letter	:	RFPL/ENL/26/01
Focal Person	:	Ngawang Loday Email: Ngawang@rinzingfinancial.com Phone: +975 17339454
Date of Exit Conference	:	February 13, 2026

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Rinzing Financial Private Limited

Independent Auditor's Report on the Financial Statements for year ended 31 December 2025

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

Opinion

We have audited the financial statements of **Natural Resources Development Corporation Limited (the Company)**, which comprises the Statement of Financial Position as at December 31, 2025, 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 respect, the financial position of the Company as at December 31, 2025, and of its financial performance and its Cash Flows for the year then ended in accordance with Bhutanese Accounting Standards 2020(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.

Emphasis of Matter

We draw attention to Note 27(A) to the financial statements, which describes the loss of timber inventory amounting to Nu. 24.484 million arising from a flash flood that occurred on 5 October 2025. As disclosed in the note, the loss represents destruction of timber inventory due to a natural disaster and has been fully recognized in the Statement of Profit and Loss during the year.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the financial year ended December 31, 2024. 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 do not have any matters to report under this for the current audit.

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

Management is responsible for the other information. The other information comprises the information included in 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 management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered 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:

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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 a 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a Going concern; and

v. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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

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circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by Section 266 of the Companies Act of Bhutan 2016, we enclose the Minimum Audit Examination and Reporting Requirements as a separate section *"report on minimum audit examination requirements"*

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 by this report are in agreement with the books of accounts; and

Based on the information, explanations and management representations received during the course of our audit, the company has complied with other legal and regulatory requirements to the extent applicable to the company.

For Rinzing Financial Private Limited
Firm License No. 1036380

Kunzang Pasa Tenzin, CPA (Aust.)
Audit Partner
CPA License No. 10534147

Date: April 7, 2026
Place: Thimphu, Bhutan

REPORT ON MINIMUM AUDIT EXAMINATION REQUIREMENTS

Rinzing Financial Private Limited

REPORT ON MINIMUM AUDIT EXAMINATION REQUIREMENTS

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

The statutory audit report was prepared under the Companies Act of Bhutan, 2016 and other relevant Acts and regulatory norms in examining the accounts of the Company containing *inter alia*, the following:

General:

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

1. The Company has maintained Property, Plant & Equipment (PPE) Register showing full particulars including quantitative details and situation of PPE. As explained to us, the PPE were physically verified at the year-end; however, considering the size of the Company, the volume and nature of its assets, and the geographical dispersion of its operations, physical verification only at year end is not considered reasonable. More frequent periodic verification at regular intervals would be appropriate to ensure effective control over assets. *During the course of our verification of assets, certain discrepancies were observed, which have been reported in the "Management Appraisal Report 1" section of this report.*

2. None of the Fixed Assets have been revalued during the year.

3. Physical verification of inventories, including finished goods, stores, raw materials and spare parts, is carried out by the respective regions at the year end. Considering the size of the Company, the nature of its operations, and the geographical dispersion of its units, more frequent periodic verification would be appropriate.

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4. The procedures for physical verification of inventories followed by the management, including region-wise verification and documentation, are reasonable and adequate in relation to the size of the Company and the nature of its business.

5. During the course of physical verification of inventories, no material discrepancies were noticed between the physical stocks and the book records. Accordingly, no adjustments were required to be made in the books of accounts.

6. *During our audit, we noted that some consumable items that had already been consumed were still reflected as available in the system. This indicates a gap in the recording of issues and consumption of materials. The matter has been reported in the "Management Appraisal Report 1" section of this report.* Overall, the Company maintains a system for recording receipts, issues, and consumption of materials and stores and for allocating consumed materials to respective jobs; however, improvements in timely updating of records would further strengthen the system, commensurate with the size and nature of the business.

7. 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.

8. In our No obsolete, damaged, slow-moving, or surplus goods/inventories were identified during the year. Accordingly, no provisions were required to be made in the accounts.

9. As no obsolete or surplus inventories were identified during the year, disposal of such inventories did not arise.

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

11. The Company values its inventories using the weighted average method. Based on our examination of stocks and the accounting records, we are satisfied that the valuation of inventories is fair and proper in accordance with the applicable Accounting Standards issued by the Accounting and Auditing Standard Board of Bhutan (AASBB). The basis of valuation of inventories is consistent with that of the preceding year, and no deviation in the basis of valuation was noted.

12. The Company has a year-end total loan outstanding of Nu. 435.101 million comprising Nu. 335.101 million to NPPF and Nu. 100 million to DHI. In our opinion and on the basis of information and explanations given to us, the rate of interest and the other terms and conditions of these loans are *prima facie* not prejudicial to the interest of the Company.

13. The Company has not granted any loans to other parties which are Ultra Vires the Articles of Incorporation and other relevant Acts and Regulations.

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14. Loans and advances granted to officers and staff are in accordance with the provisions of the service rules. Based on our examination, no excessive or frequent advances have been granted, and accumulation of large advances against any particular individual has been avoided.

15. In our opinion and according to the information and explanations given to us in the course of this audit, the Company has generally established adequate system of internal controls to ensure completeness, accuracy and reliability of accounting records, carrying out the business in an orderly and efficient manner, to safeguard the assets of the Company as well as to ensure adherence to the rules/regulations and system and procedures.

16. In our opinion and according to the information and explanations given to us, there is a reasonable system of authorization at proper levels and an adequate system of internal control commensurate with the size of the Company and nature of its business, on issue of stores and allocation of Materials and labors to Jobs.

17. There is a proper system of competitive biddings, commensurate with the size of the Company and the nature of its business, for the purchase of goods and services including stores, raw materials, plant and machinery, equipment and other assets, and for the sale of goods and services.

18. (a) As explained to us, the Company has not entered into any transactions for purchases or sales of goods and services with directors, parties related to directors, or with companies/firms in which the directors are directly or indirectly interested during the year. Accordingly, no such transactions require disclosure in the financial statements.

    (b) The examination of records does not reveal any transaction entered into by the Company during the year in which the directors are directly or indirectly interested that are prejudicial to the interests of the other shareholders or the Company.

19. During the course of our examination of the books of account, we have neither come across any personal expenses (other than contractual and/or as per customary business practices), which have been charged to the Statement of Comprehensive Income nor have we been informed about such cases by the management.

20. No unserviceable or damaged stores, raw materials, or finished goods were determined during the year. Accordingly, no provisions for loss were required to be made in the accounts.

21. The Company has a reasonable system for ascertaining and identifying the point of occurrence of breakage or damage to raw materials, packaging materials, and finished products, whether in transit, during processing, loading/unloading, storage, or handling, so that responsibility can be fixed and compensation sought from those responsible.

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22. Each unit of the Company maintains records of the production of finished goods and by-products in their unit. Adequate physical safeguards, such as CCTV surveillance and entry gates, are in place at store locations as per their specific requirements, which help prevent unauthorized or irregular movement of goods from the Company.

23. The Company maintains reasonable records for sales and disposal of realizable by-products and scraps.

24. The Company is regular in depositing rates and taxes, duties, royalties, provident funds, and other statutory dues with the appropriate authorities. The provision for corporate tax was found to be adequate, and necessary adjustments have been made to compute the amount of tax in accordance with the prevailing tax laws, rules, and regulations of Bhutan.

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

Particulars	December 31, 2025	December 31, 2024
Liability for tax	1,304,189.53	1,004,354.78
Royalty Payable	5,699,056.04	990,666.36
Total	**7,003,245.57**	**1,995,021.14**

26. The Company has a reasonable system for allocating man-hours utilized to the respective jobs, which is commensurate with the size and nature of its business.

27. Removed

28. The Company has a reasonable system of price fixation. Prices for goods such as timber, sand, and stones are determined in accordance with the Natural Resources Pricing Guideline 2023 (NRPC), whereas prices for other goods, including furniture and forest residues, are determined by the management, taking into account the cost of production and prevailing market conditions.

29. The Company has a reasonable credit sales policy in place. For exports, the Company enters into Letters of Credit, and for domestic sales with key high-volume customers, Bank Guarantees are obtained, providing additional security over receivables. While formal credit assessment of customers is not carried out, considering the nature of the business, the policy is adequate for managing credit risk.

30. The Company does not engage any commission agents for sales. Accordingly, the questions regarding screening of agents, commission structure, and performance evaluation are not applicable.

RINZING FINANCIAL PRIVATE LIMITED

31. The Company has a reasonable system for continuous follow-up with debtors and other parties for the recovery of outstanding amounts. An age-wise analysis of receivables is carried out on a monthly basis, providing management with relevant information to facilitate timely follow-up and recovery actions. During the year, the Company recovered 91.06% of old outstanding debtors, amounting to Nu. 142.276 million out of Nu. 156.252 million outstanding as at December 31, 2024. The outstanding debtors as at December 31, 2025 stood at Nu. 98.383 million.

32. In our opinion and according to the information and explanations given to us, the management of liquid resources particularly cash/bank and short-term deposits etc. are adequate and no excessive amount are lying idle in non-interest-bearing accounts and withdrawals of loan amounts are made after assessing the requirement of fund from time to time and no excess amounts is withdrawn leading to avoidable interest burden on the Company.

33. In our opinion and according to the information and explanations given to us, the activities carried out by the Company are lawful and intra-vires the Articles of the Company.

34. On the basis of our test verification and according to the information and explanations given to us, 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.

35. In our opinion, the Company has established an effective budgetary control system.

36. The input-output relationship can be established; a standard costing system has been implemented. Variance analysis is carried out at periodic intervals, and appropriate corrective actions are taken wherever variances are identified and considered significant.

37. The details of remuneration, commission and other payments made in cash or in kind to the Board of Directors including the Chief Executive Officer or any of their relatives (including spouse(s) and child/children) if any, by the Company directly or indirectly are disclosed in the accounts. Please refer to the note 25 Related Party Transaction.

38. In our opinion and according to the information and explanations given to us, the management of the Company complies with the directives of the Board of Directors as we have not come across any such incidence where it is not complied.

39. In our opinion and according to the information and explanations given to us, the officials of the Company have not transmitted any price sensitive information which are not made publicly available, unauthorized to their relatives/friends/associates or close persons which would directly or indirectly benefit themselves. We have however relied on the management assertion on the same and cannot independently verify the same.

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40. In our opinion and according to the information and explanations given to us, proper records are kept for inter unit transactions/services and arrangements for services made with other agencies engaged in similar activities.

41. In our opinion and according to the information and explanations given to us, the Company has executed agreements properly and the terms and conditions of leases are reasonable and the same are applied for machinery/equipment acquired on lease or leased out to others.

Computerized Accounting Environment

1. The Company uses ERPNext and Microsoft Excel for maintaining its accounting and related records. Based on our examination, the organizational, system development controls, and other internal controls are considered adequate and commensurate with the size and nature of the Company's computer installations.

2. Adequate safeguard measures and back-up facilities are in place. The Company's ERP system is hosted on servers maintained by Bhutan Telecom, a sister company under Druk Holding and Investments (DHI), which provides centralized system security and data protection.

3. Back-up facilities and disaster recovery measures include maintaining system data on servers hosted with Bhutan Telecom, while original and hardcopy documents are maintained at the respective regions, units, and the headquarters. This ensures that records are preserved at different locations.

4. The Company's operational controls were found to be generally adequate to ensure the correctness and validity of input data and output information.

5. To prevent unauthorized access to the Company's data, the system of accounting is controlled and maintained by credential-based passwords. The IT team's access is separate from the accounting team's, ensuring the system is secure and protected.

6. There has been no data migration carried out during the year.

Other requirements:

1. **Going concern problems**

The Company has been earning profits and has adequate financial stability. There are no adverse indicators affecting its ability to continue operations. Accordingly, no going concern issues were identified, and the Company is considered financially healthy with no likelihood of becoming sick in the near future.

2. **Ratio Analysis**

RINZING FINANCIAL PRIVATE LIMITED

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Relevant ratio analysis has been carried out and the details are under Section **"Ratio Analysis."**

3. **Compliance with the Companies Act of Bhutan 2016**

The Company has complied with the various provisions of the Companies Act of Bhutan 2016, details are under section **"Compliance Calendar & Checklist."**

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

The audit of the Company is governed by the Companies Act of Bhutan 2016, Internal Service manual, and Bhutanese Accounting Standards. The scope of audit is limited to examination and review of the financial statements prepared by the management. During our audit, we have considered the compliance of the provisions of the said Act, rules and regulations as well as the Bhutanese Accounting Standards.

For Rinzing Financial Private Limited

Firm License No. 1036380

Kunzang Tenzin

Kunzang Pasa Tenzin
Audit Partner
CPA License No. 10534147
Date: April 7, 2025
Place: Thimphu, Bhutan

RINZING FINANCIAL PRIVATE LIMITED

FINANCIAL STATEMENTS

Rinzing Financial Private Limited

NATURAL RESOURCE DEVELOPMENT CORPORATION LIMITED
STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2025

(Amount in Nu.)

Particulars	Note	31-Dec-25	31-Dec-24
Assets			
Non current assets			
Property, plant and equipment	2	1,103,572,925	1,031,217,329
Intangible assets	3	3,571,066	223,459
Right of Use Asset	3a	5,206,842	1,234,966
Capital work-in-progress	4	2,696,773	1,179,760
Other non current assets	5	1,201,395	1,137,679
Net retirement benefit (Liabilities)/ Assets	5a	17,098,612	13,190,811
Deferred Tax Assets	6	-	3,926,649
Total non current asset		**1,133,347,613**	**1,052,110,653**
Current assets			
Other current assets	7	42,472,140	51,902,812
Cash and cash equivalent	8	161,643,128	125,067,265
Trade and other receivables	9	91,553,921	146,103,007
Inventories	10	385,805,228	529,283,182
Total current assets		**681,474,416**	**852,356,266**
Total assets		**1,814,822,029**	**1,904,466,918**
Equity and liabilities			
Equity			
Share capital	SOCE	152,808,852	152,808,852
Retained earnings	SOCE	327,524,922	336,833,954
Statutory and other restricted reserves	SOCE	34,584,297	34,584,297
Other reserves	SOCE	145,912,558	145,912,558
Total equity		**660,830,629**	**670,139,661**
Liabilities			
Noncurrent liabilities			
Non current borrowings	11	778,435,759	332,454,511
Government grant	12	880,932	2,133,530
Non Current Provision for employee benefits	13	9,507,799	9,199,483
Lease Liability	15	5,640,936	1,564,914
Deferred Tax Liabilities	6	25,167,705	-
Total noncurrent liabitities		**819,633,130**	**345,352,437**
Current liabilities			
Current borrowings	11	156,665,756	659,698,364
Government grant	12	1,226,712	1,200,826
Provision for employee benefits	13	3,486,531	3,129,830
Trade and other payables	14	110,299,304	171,103,093
Other current liabilities	15	51,089,887	47,797,556
Provision for corporate income tax	16	11,590,083	6,045,152
Total Current liabilities		**334,358,271**	**888,974,820**
Total liabilities		**1,153,991,401**	**1,234,327,257**
Total liabilities and equity		**1,814,822,029**	**1,904,466,918**

The above statement of Financial Position is to be read in conjunction with the accompanying notes

For Rinzing Financial Private Limited:

Mr. Kunzang Pasa Tenzin, CPA (Aust.)
Audit Partner
CPA License No. 10534147
Date: April 7, 2025
Place: Thimphu, Bhutan

RINZING FINANCIAL PRIVATE LIMITED

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For Natural Resource Development Corporation Limited:

Mr. Karma Galay
Chairman

Mr. Jigme Tinley
Chief Executive Officer

Mr. Sonam Chophel
General Manager

Rinzing Financial Private Limited

NATURAL RESOURCE DEVELOPMENT CORPORATION LIMITED
STATEMENT OF COMPREHENSIVE INCOME FOR THR YEAR ENDED DECEMBER 31, 2025

(Amount in Nu.)

Particular	Note	31-Dec-25	31-Dec-24
Continuing operations			
Revenue	17	1,085,961,205	816,553,500
Total revenue		**1,085,961,205**	**816,553,500**
Cost of Sales	18	924,118,424	696,747,414
Gross Profit		**161,842,781**	**119,806,086**
Other income	17	38,782,257	43,786,278
Operating Expenses:			
Administrative Expenses	19	89,804,051	82,719,127
Selling & Marketing Expenses	20	391,275	1,262,886
Finance cost	21	78,176,681	49,698,551
Total Operating expenses		**168,372,007**	**133,680,564**
Operating profit (loss)		**32,253,030**	**29,911,801**
Profit (loss) before income tax		**32,253,030**	**29,911,801**
Income tax expense	22	13,808,250	14,797,155
Deferred Tax (Income)/Expense	6	25,167,705	(2,313,435)
Profit (loss) for the year from continuing operations		**(6,722,924)**	**17,428,081**
(Profit) loss for the year from discontinued operations			
Profit (loss) for the year		**(6,722,924)**	**17,428,081**
Profit attributable to:			
Statement of Other comprehensive income			
Profit (loss) for the year from continuing operations		(6,722,924)	17,428,081
Actuarial gain(losses) on defined benefit plans	SOCE	1,332,058	(2,862,645)
Total comprehensive income for the year		**(5,390,866)**	**14,565,436**

The above Statement of Comprehensive Income is to be read in conjunction with the accompanying notes

For Rinzing Financial Private Limited:

Mr. Kunzang Pasa Tenzin, CPA (Aust)
Audit Partner
CPA License No. 10534147
Date: April 7, 2026
Place: Thimphu, Bhutan

RINZING FINANCIAL PRIVATE LIMITED

For Natural Resource Development Corporation Limited:

Mr. Karma Galay
Chairman

Mr. Jigme Thinley
Chief Executive Officer

Mr. Sonam Chophel
General Manager

Rinzing Financial Private Limited

NATURAL RESOURCE DEVELOPMENT CORPORATION LIMITED
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2025

(Amount in Nu.)

Particulars	Note	31-Dec-25	31-Dec-24
Cash flows from operating activities			
Profit before income tax	SCI	32,253,030	29,911,801
Adjustments for:			
- Depreciation and amortisation	2&3	122,924,557	113,902,002
- (Profit) loss on disposal of property, plant and equipment	17	(446,225)	(7,120,561)
- Release of Grant received to SCI	12	(1,226,712)	(1,200,826)
- Liabilities no more required written back	17	(4,828,964)	(1,458,075)
- Deferred Tax Income/(Expense)	SCI	(25,167,705)	2,313,435
- Prior year adjustment-Retained Earning	SOCE	(3,918,167)	7,365,504
- Actuarial gains/(losses) Employee Benefit	SOCE	1,332,058	(2,862,645)
Interest paid	20	72,561,092	47,745,756
Income tax paid	16	(8,263,320)	(19,313,857)
Interest received	17	(3,111,178)	(4,864,248)
Foreign Exchange (gain)/Loss	18	140,733	(4,075,948)
Cash flows from operating activities-Before Working Capital		**182,249,199**	**160,342,338**
- Changes in other current assets	7	9,430,673	331,649,127
- Changes in trade and other receivables	9	54,549,085	70,353,103
- Changes in inventories	10	143,477,954	(240,038,547)
- Changes in trade and other payables	14	(55,974,825)	51,296,630
- Changes in other current and non-current liabilities	15	7,368,352	28,540,400
- Changes in Deferred tax Asset/Liabilities		29,094,354	549,210
- Changes in provision for employee benefits	13	(3,242,784)	(13,632,746)
- Changes in current and non-current assets	5	(63,716)	563,031
Cash generated from operations		**366,888,293**	**389,622,546**
Net cash flows from operating activities		**366,888,293**	**389,622,546**
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(210,675,684)	(756,712,056)
Right of Use Asset	3a	-	-
Purchase of capital WIP	4	(1,517,013)	18,519,096
Proceeds from sale of property, plant and equipment		8,522,273	10,107,752
Interest Received	17	3,111,178	4,864,248
Foreign Exchange (gain)/Loss	18	(140,733)	4,075,948
Net cash used in investing activities		**(200,699,978)**	**(719,145,011)**
Cash flows from financing activities			
Proceeds from Borrowings		500,000,000	300,000,000
Repayment of Borrowings		(557,051,360)	(23,411,081)
Interest Paid	20	(72,561,092)	(47,745,756)
Tax Paid relating to earlier years	SOCE	-	(295,177)
Net cash used in financing activities		**(129,612,451)**	**228,547,985**
Net increase or (decrease) in cash and cash equivalents		36,575,863	(100,974,479)
Cash and cash equivalents at beginning of year		125,067,265	226,041,744
Cash and cash equivalents at end of the year	5	**161,643,128**	**125,067,265**

The above Statement of Cashflow is to be read in conjunction with the accompanying notes

For Rinzing Financial Private Limited:

Mr. Kunzang Pasa Tenzin, CPA (Aust.)
Audit Partner
CPA License No. 10534147
Date: April 7, 2026
Place: Thimphu, Bhutan

RINZING FINANCIAL PRIVATE LIMITED

For Natural Resource Development Corporation Limited:

Mr. Karma Galay
Chairman

Mr. Jigme Thinley
Chief Executive Officer

Mr. Sonam Chophel
General Manager

Rinzing Financial Private Limited

NATURAL RESOURCE DEVELOPMENT CORPORATION LIMITED
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2025

(Amount in Nu.)

	Particulars	Equity Share Capital			Reserves and Surplus		* Other Reserves		Total	Total Equity
		No. of Shares (issued and fully paid up)	Par value	Issued share value	General Reserves	Retained Earnings	Revaluation Reserves	Capital Reserves		
A	**Balance as at 1 January 2024**	1,528,089	100	152,808,852	145,912,558	315,198,192	-	34,584,297	648,503,899	648,503,899
	Profit for the year	-	-	-	-	15,114,646		-	15,114,646	15,114,646
	Deferred Tax					2,313,435			2,313,435	2,313,435
	Retirement benefit	-	-	-	-	7,365,504	-	-	7,365,504	7,365,504
	Deferred tax on actuarial	-	-	-	-	(2,862,645)	-	-	(2,862,645)	(2,862,645)
	Tax Paid relating to earlier	-	-	-	-	(295,177)	-	-	(295,177)	(295,177)
B	**Total comprehensive income**	1,528,089	100	152,808,852	145,912,558.35	336,833,954	-	34,584,297	670,139,661	670,139,661
	Dividends paid	-	-	-	-	-	-	-	-	-
	Proceeds from Shares issued	-	-	-	-	-	-	-	-	-
C	**Total Contributions by and Distributions to Owners**	-	-	-	-	-	-	-	-	-
D	**Total transactions with Non-Controlling Interests directly recognised in Equity**	-	-	-	-	-	-	-	-	-
E	**Balance as at 31 December 2024 (A+B+C+D)**	1,528,089	100	152,808,852	145,912,558	336,833,954	-	34,584,297	670,139,661	670,139,661
A	**Balance as at 1 January 2025**	1,528,089	100	152,808,852	145,912,558	336,833,954	-	34,584,297	670,139,661	670,139,661
	Profit for the year	-	-	-	-	(6,722,924)		-	(6,722,924)	(6,722,924)
	Deferred Tax					-			-	-
	Prior year adjustment-	-	-	-	-	(3,918,167)	-	-	(3,918,167)	(3,918,167)
	Actuarial gain(losses) on	-	-	-	-	1,332,058	-	-	1,332,058	1,332,058
B	**Total comprehensive income**	1,528,089	100	152,808,852	145,912,558	327,524,922	-	34,584,297	660,830,629	660,830,629
	Dividends paid	-	-	-	-	-	-	-	-	-
	Proceeds from Shares issued	-	-	-	-	-	-	-	-	-
C	**Total Contributions by and Distributions to Owners**	-	-	-	-	-	-	-		

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	Particulars	Equity Share Capital			Reserves and Surplus		Other Reserves		Total	Total Equity
		No. of Shares (issued and fully paid up)	Par value	Issued share value	General Reserves	Retained Earnings	Revaluation Reserves	Capital Reserves		
D	Total transactions with Non-Controlling Interests directly recognised in Equity	-	-	-	-	-	-	-	-	-
E	Balance as at 31 December' 2025 (A+B+C+D)	1,528,089	100	152,808,852	145,912,558	327,524,922	-	34,584,297	660,830,629	660,830,629

The above Statement of Change in Equity is to be read in conjunction with the accompanying notes

For Rinzing Financial Private Limited:

Mr. Kunzang Pasa Tenzin, CPA (Aust.)
Audit Partner
CPA License No. 10534147
Date: April 7, 2026
Place: Thimphu, Bhutan

RINZING FINANCIAL PRIVATE LIMITED

For Natural Resource Development Corporation Limited:

Mr. Karma Galay
Chairman

Mr. Jigme Thinley
Chief Executive Officer

Mr. Sonam Chophel
General Manager

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.

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RINZING FINANCIAL PRIVATE LIMITED

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

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

Reporting Entity (Company overview)

Natural Resources Development Corporation Ltd. (the 'Company') is a wholly-owned subsidiary of Druk Holdings and Investment Ltd (DHI). The Company was incorporated vide Registration of Incorporation No.U19901227TH105 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 and Pemagatshel
Sha Region	Timber, sand, stone	Wangdue, Punakha, Gasa, Dagana and Tsirang
Gelephu Region	Timber, sand, stone	Sarpang and Samdupjongkhar
Integrated Wood Processing Plant	Timber related value-added products, Wood Joinery Products, Sawn Timber Outlet	Operational from Langjuphakha & Ramtokto, Thimphu

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The consolidated financial statements for the year ended 31 December 2025 were authorized for issue in accordance with a resolution of the director on 13 March 2026.

1. Basis of preparation

1.1 Compliance with Bhutanese Accounting Standard (BAS)

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

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

Property, Plant and Equipment (PPE): Critical judgments are expected for period of use, condition of the asset, technological advances, regulation, and residual values.

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

Tax: The group is subject to taxes in Bhutan and other jurisdictions in which it operates. The application of tax law to specific circumstances and transactions requires the exercise of judgment by the management.

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

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

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

Use of Estimates and Judgment

In preparing the Financial Statements in conformity with BFRS/BAS requires management to make judgements, estimates and assumptions that affect the application of accounting policies

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and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

Functional and Presentation Currency

The functional currency of preparation is the Bhutanese Ngultrum.

1.2 Materiality and Aggregation

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

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

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

1.3 Historical cost convention

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

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

1.4 Current versus non-current classification

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

An asset is classified as current when it is:

i. Expected to be realized or intended to be sold or consumed in normal operating cycle;

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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:

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.

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3 Inventories (BAS 2)

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

The Group Accounting policy prescribes the weighted average method.

4 Cash Flows (BAS 7)

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

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

5 Property, Plant and Equipment (BAS 16)

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

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

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

The Standard allows different methods of depreciation as follows:

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

The Standard allows PPE to be stated as per:

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

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The Group Accounting Policy prescribes the following:

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

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

Decommissioning liability

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

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

6 Government Grants (BAS 20)

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

A grant related to income may be presented:

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

Grants related to assets may be presented as:

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

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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.

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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)

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11.1 Business combination other than under common control

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

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

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

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

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

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

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

11.2 Business combination under common control

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

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

12 Exploration and Evaluation of mineral resources (BFRS 6)

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

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

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

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

The Group Accounting Policy prescribes the following:

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

13 Segment Reporting (BFRS 8)

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

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

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

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

14 Financial Instruments (BFRS 9)

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

14.1 Financial Assets

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

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

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

14.2 Financial Asset at amortized cost

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

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

14.3 Financial Assets at Fair Value through OCI

The investment in equity shares where the shareholding is less than 20% will be required to be measured at fair value at each balance sheet date and the subsequent changes in the fair value to be designated through the Profit or Loss account or Other Comprehensive Income depending on

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the SPPI and business model test. The Standards allow one time option to elect the equity instruments to be classified at Fair Value through Other Comprehensive Income (without recycling).

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

14.4 Impairment

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

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

The Group Accounting Policy prescribes the following:

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

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

14.5 Financial Liabilities

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

Financial liabilities are subsequently measured at:

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

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

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15 Consolidation (BFRS 10)

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

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

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

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

Balance and Transaction Eliminated on Consolidation

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

16 Lease (BFRS 16)

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

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

Right-of-Use asset

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

The group Accounting Policy prescribes to:

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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.

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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.

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

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

b) Other benefits

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

Leave encashment, Bonus and the expected cost of Performance Based Variable Allowance (PBVA) is recognized as an 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.

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25. Financial Statements

25.1 Share Capital

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

25.2 Capital Management

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

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

a. **Presentation of expenses**

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

Employee Compensation and Benefit Expenses	Direct (Nu.)	Indirect (Nu.)	Total (Nu.)
Basic Salaries	109,731,435	19,622,202	129,353,637
PF - Employer's Contribution	14,142,904	4,074,972	18,217,876
Allowances	78,905,296	16,520,765	95,426,061
Master roll payment	154,880	-	154,880
Overtime allowance	489,313	-	489,313
Leave Encashment	7,881,820	1,519,385	9,401,205
Leave Travel Concession (LTC)	6,082,670	655,288	6,737,958
Performance based variable allowance	11,384,546	2,039,739	13,424,285
Transfer Grant	771,167	-	771,167
Carriage charges	564,661	-	564,661
Travel Allowance	133,798	-	133,798
Salary Arrear	184,286	1,827	186,113
Separation Allowances			
Gratuity Expenses	6,239,576	1,427,651	7,667,227
Transfer Grant	367,805	544,042	911,847

Travel Allowance	367,805	544,042	911,847
Carriage Charges	143,982	428,875	572,857
Depreciation and amortization			
Building	4,727,049	1,643,720	6,370,769
Road	31,700,488	-	31,700,488
Cable Crane	40,683,658	-	40,683,658
Machinery and Equipment	37,444,336	-	37,444,336
Tractors and Trucks	1,195,215	-	1,195,215
Vehicle	570,099	-	570,099
Furniture	252,155	273,993	526,148
Office Equipment	2,012,076	1,106,968	3,119,044
Tools & implements	78,549	-	78,549
ROU	2,387,675	-	2,387,675
Software	-	61,593	61,593
Total:	**358,597,244**	**50,465,062**	**409,062,306**

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 2025 is Nu. 75,853,704.55 (previous year Nu. 77,698,629.89).

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	2025	2024

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Defined benefit obligation (DBO)	123.268	117.941
Fair value of Plan Assets (FVA)	140.367	131.132
Funded Status (Surplus/(Deficit)	17.099	13.191
Effect of Asset ceiling	-	-
Net defined benefit asset (DBA)	17.099	13.191

ii. **Statement of Comprehensive Income**

Nu. in million

Particulars	2025	2024
Current Service Cost	9.157	8.949
Past Service cost	-	-
Loss/(Gain) on settlement	-	-
Interest on DBO	9.001	9.071
Less: Expected interest on plan asset	(10.491)	(9.802)
Expenses recognized in profit or loss	7.667	8.218

iii. **Other Comprehensive Income**

Nu. in million

Particulars	2025	2024
Actuarial (gain) or loss due to experience adjustments	(1.980)	(8.016)
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	1.256	1.202
Expenses recognized as OCI	(0.725)	(6.814)

- 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)

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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	2025	2024
Defined benefit obligation (DBO)	4.939	4.666
Fair value of Plan Assets (FVA)	-	-
Funded Status (Surplus/(Deficit)	(4.939)	(4.666)
Effect of Asset ceiling	-	-
Net defined benefit asset (DBA)	(4.939)	(4.666)

ii. Statement of Comprehensive Income

Nu. in million

Particulars	2025	2024
Current Service Cost	0.557	0.532
Past Service cost	-	-
Loss/(Gain) on settlement	-	-
Interest on DBO	0.355	0.349
Less: Expected interest on plan asset	-	-
Expenses recognized in profit or loss	0.912	0.881

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

iii. Statement of Financial Position

Nu. in million

Particulars	2025	2024
Defined benefit obligation (DBO)	4.939	4.666
Fair value of Plan Assets (FVA)	-	-
Funded Status (Surplus/(Deficit)	(4.939)	(4.666)
Effect of Asset ceiling	-	-
Net defined benefit asset (DBA)	(4.939)	(4.666)

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Statement of Comprehensive Income

Nu. in million

Particulars	2025	2024
Current Service Cost	0.557	0.532
Past Service cost	-	-
Loss/(Gain) on settlement	-	-
Interest on DBO	0.355	0.349
Less: Expected interest on plan asset	-	-
Expenses recognized in profit or loss	0.912	0.881

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

iv. Statement of Financial Position

Nu. in million

Particulars	2025	2024
Defined benefit obligation (DBO)	3.116	2.996
Fair value of Plan Assets (FVA)	-	-
Funded Status (Surplus/(Deficit)	(3.116)	(2.996)
Effect of Asset ceiling	-	-
Net defined benefit asset (DBA)	(3.116)	(2.996)

v. Statement of Comprehensive Income

Nu. in million

Particulars	2025	2024
Current Service Cost	0.329	0.379
Past Service cost	-	-
Loss/(Gain) on settlement	-	-
Interest on DBO	0.232	0.214
Less: Expected interest on plan asset	-	-
Expenses recognized in profit or loss	0.561	0.593

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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	6,446,127.63
		c. Intragroup - Non trade payables	1,701,247.07
		d. Intragroup - Sale of Energy, Power and Resources	178,535.00
		e. Interest of Inter Corporate Loan	11,382,191.78
		f. Inter Corporate Loan	100,000,000.00
		g. Intragroup - Purchase of Services	392,073.71
Bhutan Power Corporation Limited	Fellow Subsidiary	a. Intragroup - Purchase of Services	1,891,305.07
		b. Intragroup - Trade Payables	76,828.00
		c. Intragroup - Sale of Energy, Power and Resources	887,266.43
Bank of Bhutan Limited	Fellow Subsidiary	a. Intragroup - Purchase of Services	432,354.20
		b. Bank balance (Cash book)	54,119,439.74
		c. Intragroup - Trade Payables	5,649,134.47
		d. Bond	356,736,000.00
		e. Interest on Bond	20,810,414.47
Bhutan Telecom Limited	Fellow Subsidiary	a. Intragroup - Purchase of Services	1,484,178.26
		b. Intragroup - Trade Payables	84,285.50
		c. Performance deposits	95,548.16
		d. Intragroup - Sale of Energy, Power and Resources	955,481.58
State Trading Corporation Limited	Fellow Subsidiary	a. Intragroup - Purchase of Services	320,385.30
		b. Intragroup - Trade Payables	16,464.00
		c. Purchase of Office equipment	1,422,440.00

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Name of Related Party	Relationship	Nature of transaction	Nu.
Construction Development Corporation Limited	Fellow Subsidiary	a. Intragroup - Sale of Energy, Power and Resources	484,970.92
		b. Intragroup - Trade receivables	78,330.48
Druk Green Power Corporation Limited	Fellow Subsidiary	a. Intragroup - Sale of Energy, Power and Resources	776,624.73
		b. Intragroup - Revenue from Services	30,000.00
		c. Intragroup - Trade receivables	14,000.00
Thimphu Tech Park Limited*	Fellow Subsidiary	a. Intragroup - Purchase of Services	2,522,336.83
		b. Intragroup - Trade Payables	2,310,000.00
		c. Intragroup - Sale of Energy, Power and Resources	24,545.07
		d. Software-ERP	3,409,200.00
		e. Intragroup - Advances	144,719.17
State Mining Corporation Limited	Fellow Subsidiary	a. Intragroup - Sale of Energy, Power and Resources	22,644.72
Druk Air Corporation Limited	Fellow Subsidiary	a. Intragroup - Sale of Energy, Power and Resources	73,546.55
		b. Intragroup - Purchase of Services	234,387.00
Menjong Sorig Pharmaceuticals Corporation Limited	Fellow Subsidiary	a. Intragroup - Sale of Energy, Power and Resources	1,400,991.00
		b. Intragroup - Trade receivables	132,693.10
Bhutan Hydropower Services Limited	Fellow Subsidiary	a. Intragroup - Trade Payables	-
		b. Intragroup - Purchase of Services	-

Key Management Personnel

A) Managing Director's Remuneration and other benefits

Particulars	2025 (Nu)	2024 (Nu)
Salary	2,875,976.00	2,954,412
Other benefits	30,000.00	39,000
Provident Fund	172,680.00	181,488
Sitting fee	104,000.00	76,000
Sitting fee (Offtg. CEO)	-	12,000
Total	**3,182,656**	**3,262,900**

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B) Board Directors - Sitting fee

Position	Name	2025 (Nu)	2024 (Nu)	Remarks
Chairperson	Dasho Karma Tshiteem	-	24,000	Resigned
Chairperson	Karma Galay	69,5000	40,000	
Director	Karma Tenzin	-	8,000	Resigned
Director	Chencho	69,500	80,000	
Director	Rinzin Dorji	-	8,000	Resigned
Director	Ugyen Wangdi	30,000	96,000	Resigned
Director	Sonam Wangdi	69,000	48,000	
Director	Sunil Rasaily	84,000	72,000	
Director	Dechen Eadon	75,000	52,000	
Director	Yeshey Lhamo	90,000	-	New
	Total:	487,000	428,000	

C) Special Invitees - Sitting fee

Position	Name	2025 (Nu)	2024 (Nu)
Internal Auditor	Lobzang Thinley	6,500	8,000
Company Secretary	Sangay Choden	-	16,000
Company Secretary	Thinley Dema	36,500	24,000
	Total:	43,000	48,000

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 net loss of Nu. 140,732.55 (gain Nu. 4,075,948.18) through the foreign exchange translation.

Payment date	Currency	Foreign Currency	Functional currency (Nu)	Invoice/Receipt date	Functional currency (Nu)	Exchange Gain/(Loss)
12.12.2024	$	4,754.66	398,155.23	13.06.2025	408,853.21	- 10,697.98
21.01.2025	$	12,232.00	1,055,743.92	24.06.2025	1,051,828.68	3,914.24
25.03.2025	$	192.45	16,610.36	13.06.2025	16,646.93	- 36.57
23.01.2025	$	2,294.76	198,060.74	13.06.2025	197,326.41	734.33
09.06.2025	$	600	51,786.00	13.06.2025	51,594.00	192.00
20.11.2024	$	1,441.59	120,718.72	09.07.2025	124,149.70	- 3,430.98
04.07.2025	$	2,344.47	202,351.20	22.09.2025	207,415.26	- 5,064.06
21.03.2025	CHF	2'565.85	254,609.30	24.09.2025	266,309.57	- 11,700.27

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Payment date	Currency	Foreign Currency	Functional currency (Nu)	Invoice/Receipt date	Functional currency (Nu)	Exchange Gain/(Loss)
21.12.2023	$	6,872.63	572,421.00	26.09.2025	573,245.72	- 824.72
29.10.2025	$	2,941.82	253,908.48	29.12.2025	265,528.67	- 11,620.19
29.10.2025	$	25,873.00	2,233,098.63	29.12.2025	2,335,296.98	- 102,198.35
Total			**5,357,463.58**		**5,498,195.13**	**- 140,732.55**

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. 6,757,923.96 and the difference of Nu.3,391,503.81 (Nu.10,149,427.77 less Nu. 6,757,923.96) has been written back from the provision of 2024.

Particulars	31.12.2025	31.12.2024
ECL Allowances	6,757,923.96	10,149,427.77
Provision for doubtful Debts as per book	10,149,427.77	8,296,152.40
Net Impairment loss/(gain) of Financial Asset	**(3,391,503.81)**	1,853,275.37

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	8,500,000
Karuna Project - 2018	12,896,214
Total Grant received	**21,396,214**
Previous period adjustments	18,061,858
Balance as at 1 January 2025	**3,334,356**
Released to the Statement of Comprehensive Income	1,226,712
Balance as at 31 December 2025	**2,107,644**

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

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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.

vi. 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:

Particulars	Amount (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: 2025	**34,584,296.72**
Total: 2024	**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 31.12.2025 is Nu.335.102 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. Inter Company Loan balance from DHI as on 31.12.2024 is Nu.100 million.

In April' 2025, the company issue bond worth Nu.500 million to liquidate Inter Company Loan of Druk Holding and Investment at the interest rate of Nu.8.50%through public offering. The bond term is 10 years.
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 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	6,691,804	Lease Liability	6,691,804
Less: Depreciation	1,484,962	Less: Lease expense	1,050,868
Net Assets	5,206,842	Net Liability	5,640,936

Interest on lease is worked out at Nu. 536,326.10

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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
Intangible Asset	3 years

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NOTE 2: Property, plant and equipment

Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Balance as on 1.1.2025	Addition during '25	On Sales & Other Adjt.	Balance as on 31.12.2025	Up to 1.1.2025	For the Period	On sale & Other Adjt.	Up to 31.12.2025	As at 31.12.2025	As at 31.12.2024
Building	156,257,966	2,586,039	-	158,844,005	98,936,927	6,370,769	-	105,307,696	53,536,309	57,321,039
Road*	451,565,573	14,920,117	-	466,485,690	310,261,643	31,700,488	-	341,962,131	124,523,559	141,303,930
Cable Crane	692,323,181	166,959,301	-	859,282,482	128,457,830	40,683,658	-	169,141,488	690,140,994	563,865,351
Plant and Machineries	557,018,732	12,918,038	(22,550,273)	547,386,496	304,659,014	37,444,336	(14,541,105)	327,562,245	219,824,251	252,359,718
Tractor & Truck	13,764,715	-	-	13,764,715	10,097,702	1,195,215	-	11,292,916	2,471,798	3,667,013
Vehicle	27,523,452	812,922	(175,250)	28,161,124	26,493,790	570,099	(175,247)	26,888,642	1,272,482	1,029,662
Furniture	12,714,413	327,903	(21,556)	13,020,760	10,675,873	526,148	(21,522)	11,180,499	1,840,261	2,038,540
Office Equipment	38,546,392	3,595,630	(145,743)	41,996,279	29,137,163	3,119,044	(115,526)	32,140,681	9,855,598	9,409,230
Tools & Implements	2,059,883		(553,853)	1,506,030	1,837,037	78,549	(517,228)	1,398,357	107,673	222,846
Total:	1,951,774,307	202,119,949	(23,446,675)	2,130,447,580	920,556,978	121,688,305	(15,370,627)	1,026,874,655	1,103,572,925	1,031,217,329

**Road is Constructed on Government land*

NOTE 3(a): Intangible assets

Current Year	14,471,567	3,409,200		17,880,767	14,248,108	61,593		14,309,701	3,571,066	1,933,590
Previous Year	14,234,067	237,500		14,471,567	14,068,881	179,227		14,248,108	223,459	1,933,590

NOTE 3(b): Right of Use Asset

Current Year	2,656,517	5,146,535	(1,111,249)	6,691,804	1,421,551	1,174,659	(1,111,249)	1,484,962	5,206,842	1,234,966
Previous Year	2,656,517	-		2,656,517	871,700	549,851	-	1,421,551	1,234,966	1,784,817

NOTE 4: Capital Work in Progress

Particulars	Opening 1.1.2025	Addition	Adjustment	Closing 31.12.2025
Road-W.I.P	1,179,760	-	-	1,179,760
Machine-W.I.P	-	-	-	-
Building-W.I.P	-	2,593,166	1,076,153.50	1,517,012.76
Intangible assets-W.I.P	-	-	-	-
Total: CWIP	**1,179,760**	**2,593,166**	**1,076,154**	**2,696,773**
Previous Year	**19,698,856**	**27,702,744**	**9,642,586**	**19,698,856**

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NOTE 5: Other non-current assets

(Amount in Nu.)

Particulars	31-Dec-25	31-Dec-24
Environmental Restoration Bond	1,224,825	1,224,825
Unamortised Mine Cost	(23,430)	(87,146)
Total Other non current assets	**1,201,395**	**1,137,679**

NOTE 5a: Net retirement benefit Liabilities - gratuity

(Amount in Nu.)

Particulars	31-Dec-25	31-Dec-24
Fair Value of Plan Assets(FVA)	140,366,701	131,131,790
Defined Benefit Obligation(DBO)	123,268,089	117,940,979
Net retirement benefit Liabilities - gratuity	**17,098,612**	**13,190,811**

NOTE 6: Deferred Tax Liabilities

(Amount in Nu.)

Particulars	Nature (Asset / Liability)	Carrying Amount (Books)	Tax Base	Temporary Difference	Type (DTA / DTL)	Deferred Tax @ 22%
Provision for Transfer Grant	Liability	4,939,064.05	-	4,939,064.05	DTA	1,086,594.09
Provision for Carriage Charges	Liability	3,116,201.49	-	3,116,201.49	DTA	685,564.33
Provision for Travel Allowance	Liability	4,939,064.05	-	4,939,064.05	DTA	1,086,594.09
Bond Interest Payable	Liability	7,218,285.18	-	7,218,285.18	DTA	1,588,022.74
NPPF Loan Interest Payable	Liability	4,216,416.83	-	4,216,416.83	DTA	927,611.70
Total Deferred Tax Assets (DTA)				**24,429,031.60**		**5,374,386.95**
Property, Plant & Equipment and Intangibles	Asset	1,107,143,991.28	985,414,914.74	121,729,076.54	DTL	26,780,396.84
Net retirement benefit asset - Gratuity	Asset	17,098,611.94	-	17,098,611.94	DTL	3,761,694.63
Total Deferred Tax Liabilities (DTL)				**121,729,076.54**		**30,542,091.47**
Net Deferred Tax Position					Net DTL	**25,167,704.51**

NOTE 7: Other current assets

(Amount in Nu.)

Particulars	31-Dec-25	31-Dec-24
Advance to Contractor	21,845,421	20,563,428
Advance to Suppliers	3,432,934	6,692,173
Advance for POL	3,433,757	3,587,879
Advance to Other	2,282,157	8,967,926
Advance to Staff-Other	2,617,674	945,633
Prepaid Expense	3,259,002	2,504,510
Other Receivable-GFPMO Cost	-	282,229
Security deposit to others	1,817,440	363,361
Advance to Staff-Salary	3,126,830	3,675,781
Advance to Staff-Travel	86,000	222,050
Retention Money Receivable	570,925	342,684
Margin Money	-	3,755,159
Total	**42,472,140**	**51,902,812**

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NOTE 8: Cash and cash equivalent

(Amount in Nu.)

Particulars	31-Dec-25	31-Dec-24
Cash in hand	15,991	4,414
Bank Balances		
Local Banks-Others	71,045,135	73,248,069
Balances with BOBL	90,582,002	51,814,783
Total	**161,643,128**	**125,067,265**

NOTE 9: Trade and other receivables

(Amount in Nu.)

Particulars	31-Dec-25	31-Dec-24
Sundry debtors	98,311,845	156,252,434
Impairment on trade receivables	(6,757,924)	(10,149,428)
Total	**91,553,921**	**146,103,007**

NOTE 10: Inventories

(Amount in Nu.)

Particulars	31-Dec-25	31-Dec-24
Stock of raw material	7,557,325	17,248,409
Stock of finished goods	302,394,198	285,961,880
Stock of store/spare parts/Stock Assets	75,853,705	226,072,893
Total	**385,805,228**	**529,283,182**

NOTE 11(a): Non-Current Borrowings

(Amount in Nu.)

Particulars	31-Dec-25	31-Dec-24
Noncurrent Maturities of Long term Borrowings	278,435,759	332,454,511
Bond	500,000,000	-
Total	**778,435,759**	**332,454,511**

NOTE 11(b): Current Borrowings

(Amount in Nu.)

Particulars	31-Dec-25	31-Dec-24
Current maturities of long term borrowings	56,665,756	59,698,364
Inter Company Loan	100,000,000	600,000,000
Total	**156,665,756**	**659,698,364**

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NOTE 12: Government grant

(Amount in Nu.)

Particulars	31-Dec-25	31-Dec-24
Balance as at 1st January 2025	3,334,356	4,535,182
Released to the statement of comprehensive income	1,226,712	1,200,826
Balance as at 31st December 2025	**2,107,644**	**3,334,356**
Current Portion of Grant	1,226,712	1,200,826
Noncurrent Portion of Grant	880,932	2,133,530

NOTE 13: Provision for employee benefits

(Amount in Nu.)

Particulars	31-Dec-25	31-Dec-24
Non Current Provision for Transfer Grant	3,671,060	3,562,480
Non Current Provision for Carriage charges	2,165,678	2,074,523
Non Current Provision for Travel Allowance	3,671,060	3,562,480
Total	9,507,799	9,199,483

(Amount in Nu.)

Particulars	31-Dec-25	31-Dec-24
Current Provision for Transfer Grant	1,268,004	1,103,996
Current Provision for Carriage charges	950,523	921,838
Current Provision for Travel Allowance	1,268,004	1,103,996
Current Provision for Leave Encashment	-	-
Total	3,486,531	3,129,830

NOTE 14: Trade and other payables

(Amount in Nu.)

Particulars	31-Dec-25	31-Dec-24
Creditors	89,762,342	155,113,958
Stock Liabilities	14,402	50,320
Other payables	3,790,340	3,454,900
Security deposit	5,901,186	7,205,041
EMD Received	1,899,016	1,072,116
Retention Money Payable	2,970,240	2,913,065
Advance from others	256,142	226,158
Royalty on Firewood collection	6,581	76,869
Royalty payable	5,699,056	990,666
Total	110,299,304	171,103,093

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NOTE 15: Other Liabilities

(Amount in Nu.)

Particulars	31-Dec-25	31-Dec-24
Other Non Current Liabilities		
Lease Liability	5,640,936	1,564,914
Total	5,640,936	1,564,914

(Amount in Nu.)

Particulars	31-Dec-25	31-Dec-24
Other Current Liabilities		
Advance from Customer	35,923,721	46,573,487
Liability for Tax	1,304,190	1,004,355
Staff Welfare Fund	-	3,000
PBVA Payable	13,424,285	-
TA/DA payable	437,291	206,876
Group insurance Scheme - NRDCL	400	-
Salary Saving Scheme - NRDCL	-	6,893
Staff Welfare Loan - NRDCL	-	2,945
Total	51,089,887	47,797,556

NOTE 16: Provision for Corporate Income Tax

(Amount in Nu.)

Particulars	31-Dec-25	31-Dec-24
Provision for corporate tax-Current Year	14,094,227	14,839,915
TDS withheld by customer	(2,504,144)	(2,417,162)
Advance for Corporate tax	-	(6,377,601)
Total	11,590,083	6,045,152

NOTE 17: Revenue

(Amount in Nu.)

Particulars	31-Dec-25	31-Dec-24
i. Sale of Timber and By-products		
Sale of Timber	814,510,801	505,965,776
Sale of firewood	39,341,001	41,418,372
Sale of Forest Residues	5,381,071	8,321,367
Sale of Glulam Timber	7,057,055	558,023
Sale of Joinery Products	21,498,446	24,963,199
Sale of WCM Products	31,244,633	21,707,423
Sub-Total of Sale of Timber and By-products	919,033,006	602,934,159
ii. Sale of Sand and Stone Chips		
Sales Sand	101,346,122	107,703,260
Sales Stone	32,863,252	84,083,746
Sales Stone Chips	32,718,824	21,832,335
Sub-Total of Sale of Sand and Stone Chips	166,928,199	213,619,341
Total (i+ii)	1,085,961,205	816,553,500

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Other Income

(Amount in Nu.)

Particulars	31-Dec-25	31-Dec-24
Hire charge	19,978,813	15,792,570
Other Misc. Income	7,688,527	7,767,125
House Rent Income	1,357,604	1,206,280
Release of Grant received to SCI	1,226,712	1,200,826
Profit from sale of Fixed Assets	446,225	7,120,561
Discounts Received	-	5,533
Liabilities no more required written back	4,828,964	1,458,075
Audit recovery	-	32,984
Foreign Exchange Gain	-	4,075,948
Interest on others	3,111,178	4,864,248
Unwinding of environment restoration fund	144,233	262,128
Total	38,782,257	43,786,278

NOTE 18: Cost of Sales

(Amount in Nu.)

Particular	31-Dec-25	31-Dec-24
Production Expenses		
Marking cost	1,405,505	928,908
Felling & cross-cutting	17,097,212	14,742,255
Debarking	1,169,005	508,669
Production Expenses - Cable craning	16,268,761	12,019,144
Production Expenses - Transportation	151,722,644	92,430,193
Production Expenses - Hire charges Expenses	162,650	99,067
Production Expenses - Production Incentives	5,462,531	3,070,898
Production Expenses - Sawing charges	6,767,879	746,499
Production Expenses - Other Production expenses	23,634,773	4,788,161
Electricity	455,030	644,068
Production Expenses - Sanitation & protection	-	-
Mine cost	80,517	139,276
Production Expenses - FMU expenses/Inventory	1,487,200	1,207,193
Timber handling & Stacking	2,880,667	3,489,979
Production Expenses - Royalty	45,113,684	41,920,436
Production Expenses - Ration	-	3,966
Production Expenses - Mitigation cost	-	283,200
Production Expenses - Toll Fee	-	-
Production Expenses - Extraction	182,616,597	195,092,101
Reforestation Expenses		
Nursery Expenses	458,762	454,707
Creation of Plantation	1,615,808	1,373,320
Plantation maintenance	2,481,277	2,474,202
Nursery creation	374,773	400,555
Stock Expenses	-	-
Cost of Goods Manufacture	(24,392,558)	(100,893,712)
Loss of Inventory	24,484,087	-

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Particular	31-Dec-25	31-Dec-24
Employee Compensation and Benefit Expenses		
Basic Salaries	109,731,435	102,380,286
PF - Employer's Contribution	14,142,904	14,245,816
Allowances	78,905,296	74,682,488
Master roll payment	154,880	153,516
Overtime allowance	489,313	213,352
Leave Encashment	7,881,820	8,134,844
Leave Travel Concession (LTC)	6,082,670	5,415,200
Performance based variable allowance	11,384,546	-
Transfer Grant	771,167	672,211
Carriage charges	564,661	362,104
Travel Allowance	133,798	71,806
Salary Arrear	184,286	114,602
Indexation	-	-
Separation Allowances - NRDCL		
Separation - Gratuity Expenses	6,239,576	7,148,587
Separation - Transfer Grant	367,805	518,806
Separation - Travel Allowance	367,805	518,806
Separation - Carriage Charges	143,982	322,530
Depreciation and amortisation		
Depreciation-Building	4,727,049	4,464,671
Depreciation-Road	31,700,488	30,003,697
Depreciation-Cable Crane	40,683,658	37,017,904
Depreciation-Machinery and Equipment	37,444,336	33,722,827
Depreciation-Tractors and Trucks	1,195,215	1,209,441
Depreciation-Vehicle	570,099	701,740
Depreciation-Furniture	252,155	281,104
Depreciation-Office Equipment	2,012,076	1,980,348
Tools & Implements	78,549	202,573
Depreciation-ROU	1,174,659	549,851
Repair & Maintenance Costs		
Repair & Maintenance Costs - Depot	755,802	1,434,582
Security Services Costs - NRDCL	-	-
Running & Maintenance Costs - Plant and machinery	95,826,013	85,341,295
Running & Maintenance Costs- Tractor and Truck	613,433	501,755
Repair & Maintenance Costs - Road	7,331,049	7,336,952
Repair & Maintenance Costs - Electrical Equipment	3,996	9,595
Running & Maintenance Costs - Office Building	857,101	1,111,037
Total	**924,118,424**	**696,747,414**

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NOTE 19: Administrative Expenses

(Amount in Nu.)

Particular	31-Dec-25	31-Dec-24
Other General & Admin Expenses		
Admin - Postage and delivery charges	15,235	42,010
Admin - Publications	15,000	15,000
Admin - Telecommunication Expenses (Telephone/Fax)	441,639	765,948
Admin - Internet Charges	1,061,470	821,500
Admin - Advertisement	15,456	77,456
Admin - Water and Sewerage	275,236	236,983
Admin - Lease Expenses	2,866,796	1,749,543
Admin - Electricity & Lightings	1,437,814	1,459,418
Admin - Subscription Charges	32,400	32,400
Insurance of structures	98,892	292,881
Admin - Legal & Professional Fees	11,423	5,310
Net Impairment loss of Financial Asset	-	-
Admin - Uniforms & Liveries	4,533,696	1,794,864
Admin - Consumable Stores	1,988,473	1,740,850
Admin - Bank Charges	170,533	284,942
Mining Cost	-	-
Foreign Exchange Loss	140,733	-
Human Resources Development		
HRD - Short term Training In Country	230,102	115,482
HRD - Long term Training/ Scholarships - In country	-	-
HRD - Short term Training Out-Country	205,717	-
Premises Expense		
Premises - Repair & Maintenance	26,599	3,520
Premises Cost - Rental	1,559,583	1,447,967
Motor Vehicle Costs		
Motor Vehicle - Fuel	2,831,674	2,705,247
Motor Vehicle - Repair & Maintenance	2,695,435	2,154,146
Motor Vehicle - Hire of vehicle	22,000	-
Motor Vehicle - tyres	213,148	51,200
Motor Vehicle - Insurance	99,478	144,659
Motor Vehicle - Registration & Blue Book Renewal	42,483	52,739
Motor Vehicle - Emission	867	2,149
Information Technology Costs		
IT Costs - Annual Maintenance Costs	2,598,609	2,377,393
IT Costs - Repairs & Maintenance Costs for hardware	145,882	755,521
IT Costs - Subscription/License	383,324	405,855
IT Costs - One time costs (low Value items)	14,675	8,760
Travel Expenses		
Travelling Expenses - In Country	6,086,707	4,898,059
Travel Expenses - Ex Country	1,943,019	1,950,860
Meeting Expenses	967,929	799,329
Security Services Costs	-	89,994
Staff Welfare and Engagement Costs		
SW- Staff Engagement Costs	1,540	18,520
SW - Tendrel Ceremony	375,933	736,123

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Particular	31-Dec-25	31-Dec-24
SW - Funeral Expenses (Semso)	40,795	135,330
SW - Prayer/Ritual Expense (Rimdro)	589,070	553,726
SW - Tea Expenses/pantry	535,995	354,124
SW - Medical Expenses	-	-
SW - Staff Farewell/gifts	24,215	50,614
SW - Compensation	35,000	-
Audit Engagement Expenses		
Audit Fees	301,000	118,850
Audit - Expenses	16,130	14,560
Printing & Stationery Costs		
Printing & Stationery Costs - Printer Cartridge	308,746	296,881
Printing & Stationery Costs - Photocopy paper	186,437	275,337
Printing & Stationery Costs- Stationery cost	208,345	177,938
Board Expenses		
Board Expenses - Meeting Expenses	85,714	135,466
Board Expenses - Sub-Committee meeting expenses	-	-
Board Expenses - Sub-Committee meeting fees	-	44,000
Board expenses - Farewell and Gifts	-	12,000
Board Expenses - Directors' Fees	633,500	520,000
Donations and Corporate Social Responsibility (CSR)	260,000	40,000
Consultancy Charges	-	-
Consultancy Charges Recurring	337,654	313,700
Hospitality and entertainment - NRDCL		
H&E - Business meeting - NRDCL	7,170	-
Provisions - NRDCL		
Provisions-Write offs - NRDCL	-	6,184,073
Statutory Fees - NRDCL		
Statutory Fees - Business License / Registration Fees	63,900	56,500
Statutory Fees - Rates and taxes	212,268	115,984
Statutory Fees - BST	61,124	-
Brand Management Fees	1,894,364	1,325,027
Employee Compensation and Benefit Expenses -HO		
Basic Salaries	19,622,202	18,025,574
PF - Employer's Contribution	4,074,972	2,569,432
Allowances	16,520,765	15,378,421
Master roll payment		
Overtime allowance		
Performance based variable allowance(PBVA)	2,039,739	-
Leave Encashment	1,519,385	1,477,702
Leave Travel Concession (LTC)	655,288	580,058
Transfer Grant	-	48,373
Carriage charges	-	43,456
Travel Allowance	-	2,368
Salary Arrear	1,827	1,146
Indexation		
Separation Allowances		
Separation - Gratuity Expenses	1,427,651	1,069,509
Separation - Transfer Grant	544,042	361,806
Separation - Travel Allowance	544,042	361,806

Particular	31-Dec-25	31-Dec-24
Separation - Carriage Charges	416,938	270,895
Depreciation and amortisation-HO		
Depreciation-Building	1,643,720	1,525,136
Depreciation-Vehicle	-	650,105
Depreciation-Furniture	273,993	267,096
Depreciation-Office Equipment	1,106,968	1,146,281
Depreciation-Software	61,593	179,227
Total	89,804,051	82,719,127

NOTE 20: Selling & Marketing Expenses

(Amount in Nu.)

Particulars	31-Dec-25	31-Dec-24
Selling & Distribution - Advertisement	186,576	224,750
Selling & Distribution - Marketing	61,917	76,728
Selling & Distribution - Auction expenditure	114,882	221,592
Selling & Distribution - Auction Sitting Fees	-	-
Selling & Distribution - Discount	27,900	739,816
Total	391,275	1,262,886

NOTE 21: Financing Costs

(Amount in Nu.)

Particulars	31-Dec-25	31-Dec-24
Financing Costs - Corporate Guarantee Fees	4,551,764	1,786,248
Financing Costs - Bank Fees and Commission	527,500	-
Financing Costs - Interest Expenses		
Financing Costs - Interest expenses (BoBL)	20,851,952	-
Financing Costs - Interest Expenses(others)	51,709,139	47,745,756
Financing Cost - Interest Expense(Lease)	536,326	166,547
Total	78,176,681	49,698,551

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NOTE 22: Income Tax Expense

(Amount in Nu.)

Particular	31-Dec-25	31-Dec-24
PROFIT BEFORE TAX	32,253,030	**29,911,800.91**
Less: Provision for doubtful Debts/write off	(3,276,853.95)	6,184,072.62
Less: Profit /Loss on sale of assets	(443,062.25)	-
ADD: Gift & Donation	-	40,000.00
ADD: Depreciation on sale of assets	636,114.01	-
ADD: Interest on Loan	1,049,374.14	5,181,355.27
ADD: Provision for Slow moving stock/writeback	-	-
ADD: Provision for Gratuity	-	8,218,095.86
ADD: Provision for Leave	-	-
ADD: Provision for Transfer Grant	911,846.52	880,611.91
ADD: Provision for Carriage charges	560,920.49	593,424.72
ADD: Provision for Travel Allowance	911,846.52	880,611.91
ADD: Performance based variable allowance(PBVA)	13,424,285	(2,566,124.00)
less: Doubtful Debts Recovered	-	-
Less : Carry Forward and Offset of Losses	-	-
NET TAXABLE AMOUNT	46,027,501.17	**49,323,849.20**
30% CIT	13,808,250.35	14,797,154.76
Assessed tax for previous years	-	-
Total Tax Expense	13,808,250.35	14,797,154.76
Deferred Tax		
Deferred Tax Expenses	(30,542,091.47)	(6,164,222.55)
Deferred Tax Income	5,374,386.95	8,477,657.19
Deferred Tax Income/(Expense)	(25,167,704.51)	2,313,434.64

NOTE 23: Fair Value Measurement

(i) Fair value hierarchy

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

(a) recognised and measured at fair value and

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

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

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

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

(ii) Valuation technique used to determine fair value

Specific valuation techniques used to value financial instruments include: the fair value of the financial instruments is determined using discounted cash flow analysis.

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

Particulars	31-Dec-25		31-Dec-24	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Environment restoration bond	1,201,395	1,201,395	1,137,679	1,137,679
Security deposit	-	-	-	-
Total financial assets	**1,201,395**	**1,201,395**	**1,137,679**	**1,137,679**
Financial liabilities				
Borrowing	935,101,514	935,101,514	992,152,874	992,152,874
Total financial liabilities	**935,101,514**	**935,101,514**	**992,152,874**	**992,152,874**

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

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

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

Significant estimates

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

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NOTE 24: Capital management

(a) Risk management

The Company is formed as an wholly owned subsidiary of Druk Holding & Investments Limited (DHI). The Company manages its capital so as to ensure funds are available to meet future commitments. As well as commitments to outside parties, the Company has requirement to meet dividend and tax expectations as contained to the annual compact, the parent company and RGOB. Capital expenditure is mostly met from operating cash flows. Fixed term borrowings are made mainly for specific capital projects. Such borrowings are repaid based on applicable terms and conditions. The amount mentioned under total equity in balance sheet is considered as Capital.

NOTE 25: Financial Risk Management

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

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

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

(A) Market risk

(i) Foreign currency risk

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

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

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(ii) Interest rate risk

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

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

(iii) Price Risk

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

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

(B) Liquidity risk

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

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

Maturities of financial liabilities

The tables below analyse 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.

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Contractual maturities of financial liabilities 31 December 2025	Less than 1 year	More than 1 years	Total
Trade and other payables	110,299,304	-	110,299,304
Borrowings	156,665,756	778,435,759	935,101,514
Interest on borrowing	54,203,541	-	54,203,541
Total financial liabilities	**321,168,601**	**778,435,759**	**1,099,604,359**

Contractual maturities of financial liabilities 31 December 2024	Less than 1 year	More than 1 years	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 1 January 2024	Less than 1 year	More than 1 years	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**

(C) Credit risk

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

i) Trade receivables

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

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Particulars	Less than six months	More than six months less than 3 years	More than 3 years	Total
Trade receivable as on 31 December 2025	51,468,451	37,892,602	8,950,793	98,311,845
Trade receivable as on 31 December 2025	**51,468,451**	**37,892,602**	**8,950,793**	**98,311,845**

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

The requirement for impairment is analysed at each reporting date. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 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: Earnings per Share

Particulars	2025	2024
Profit (loss) for the year	(6,722,924)	17,428,081
No. of Shares (issued and fully paid up)	1,528,088.52	1,528,088.52
EPS	(4.40)	11.41

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Note 27: ADDITIONAL DISCLOSURE:

A. During the financial year, the Company suffered an abnormal loss of inventory as a result of a flash flood on 5 October 2025, which is considered a natural disaster (Act of God) and was beyond the control of management. The flash flood resulted in the complete destruction of timber inventories as detailed below:

- **170,015.35 cubic feet (cft)** of timber at Toorsa Depot, Phuntsholing Regional Office, and
- **3,832.64 cubic feet (cft)** of timber at Paro Depot, under the Rinpung Regional Office.

The loss of **Nu.** 24.484 million has been measured at **cost of production** and recognised in the **Statement of Profit or Loss accounts**. The financial impact of the loss, measured at cost of production (CoP), is as follows:

- Toorsa Depot, Phuntsholing: Nu. **23.841 million**
- Paro Depot, Rinpung: Nu. **0.643 million**

B. Deferred tax assets and liabilities as at 31 December 2025 have been measured using the substantively enacted corporate income tax rate of 22%, which is effective from 1 January 2026, as approved by the Parliament of Bhutan and notified by the Department of Revenue and Customs. This measurement is in accordance with BAS 12, paragraph 47, which requires deferred tax to be measured using tax rates enacted or substantively enacted at the reporting date and expected to apply when the related temporary differences reverse. The impact arising from the remeasurement of deferred tax balances due to the change in tax rate has been recognised in the Statement of Profit or Loss for the year, in accordance with BAS 12, paragraph 58.

C. Comparative figures for the year ended 31 December 2024 have been regrouped and reclassified, wherever necessary, to conform to the presentation adopted in the current year. In particular, the net defined benefit asset/liability has been presented separately in the statement of financial position, and deferred tax expense has been presented within income tax expense in the statement of profit or loss instead of under other comprehensive income. These reclassifications are presentation changes only and have no impact on the profit for the year, total comprehensive income, or total equity as previously reported.

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Note 28: Events After Balance Sheet Date

No Events after Balance Sheet date.

RATIO ANALYSIS

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Ratio Analysis

A. Ratio Assessing Profitability

Sl. No	Ratio	Profitability	31.12.2025	31.12.2024
1	Return on Investment	(EBIT/Net Assets or Net worth) * 100	4.94	11.78
2	Operating Profit	(Operating Profit excluding financial charges)/Net Sales *100	7.73	9.51
3	Net Profit Ratio	Net Profit before Tax/Net Sales*100	2.97	3.66

B. Ratio for Assessing Financial Health

Sl. No	Ratio	Financial Health	31.12.2025	31.12.2024
1	Capital Turnover Ratio	Net Sales/(Average Capital employed (Less Capital Reserve))	1.63	1.24
2	Fixed Assets Turnover Ratio	Net Sales/Net Fixed Assets	0.98	0.79
3	Stock Turnover Ratio	Cost of Goods sold including selling expenses/Average Inventory	2.02	1.71
4	Current Ratio	Current Asset/Current Liabilities	2.04	0.94
5	Liquid Ratio	(Current Assets Less Inventory less Pre-paid Expenses)/(Current Liabilities Less Bank Overdraft)	0.87	0.35

For Rinzing Financial Private Limited:

Mr. Kunzang Pasa Tenzin, CPA (Aust.)
Audit Partner
CPA License No. 10534147
Date: April 7, 2026
Place: Thimphu, Bhutan

RINZING FINANCIAL PRIVATE LIMITED

For Natural Resource Development Corporation Limited:

Mr. Karma Galay
Chairman

Mr. Ngme Thinley
Chief Executive Officer

Mr. Sonam Chophel
General Manager

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NRDCL