

# Annual REPORT 2021



BHUTAN BOARD  
PRODUCTS LIMITED



1.1

## From the Desk of **MANAGING DIRECTOR**

**O**n behalf of the board, management and employees of BBPL, I would like to pay tribute to His Majesty the King for the unparalleled leadership and benevolence, and for keeping us all safe from the pandemic. I would also like to thank the government and front liners for their tireless efforts in serving the country during the pandemic. At BBPL, we have always abided by the protocols and notifications issued by the government from time to time.

In terms of business, the year was not as bad as we perceived and projected, given the ongoing pandemic. The company managed to increase the exports and overall sales in 2021 as compared to the preceding year thereby turning around the performance of the company that has been incurring losses since 2017. Although the net profit is not as much as desired by the shareholders, the fact that we managed to



Bhutan Board Products Limited



We also streamlined most of the marketing and sales operations both in the domestic and export market through appointment of new distributors. We revised the price of furniture and particle board in the domestic market and the export market after due consideration of cost of production and prices charged by the competitors of similar products. However, we never lost sight of the need to offer attractive discounts to attract and retain the customers through intelligent pricing and discount policies.

I am happy to report that management has implemented performance management system in the company that aims to reward the performers and punish the non-performers. The management signs performance compact with the board and the achievements of targets forms the basis for various performance incentives. The compact targets are further cascaded to functional heads down the line to ensure alignment across the chain. Although there was some initial discomfort while implementing such systems, the employees welcomed the idea and adapted well. Such system based on meritocracy is expected to help the company achieve its desired commercial and social goals going forward.

Overall, the company performed remarkably well and we expect to surpass the results in the coming years. If the attitude and fortitude of the employees are anything to go by, it will not be long before BBPL returns to its former glory as one of the performing companies in the country.

I look forward to the support of everyone in our endeavor to be a profitable company once again.

sail through the tough times by ensuring the livelihood of all employees is an achievement.

The employees of the company have worked tirelessly in streamlining the systems and processes in the company that has resulted in significant improvement in the quality of outcome in various areas. The board factory in Darla witnessed significant changes such as the development and implementation of maintenance plans that gave confidence to the management to rule out the need to revamp the 34-year-old factory. The board factory also came up with various initiatives to cut cost and improve quality, and significantly contributed in achieving desired financial outcome. Similar initiatives have been undertaken in RTA Furniture Factory in Pasakha and forestry operations.

**Sherab Namgay**  
**Managing Director**

# Contents

About the Company	5
Board of Directors	8
Management Team	10
Director's Report	11
Corporate Governance Report	19
Independent Auditors' Report	23
Minimum Audit Examination and Reporting Requirements	27
Audited Financial Statements	33





# 1.2

## ABOUT the Company

### 1. Background

The company was incorporated under the Companies Act in 1983 as one of the largest manufacturing units in Bhutan. The Tala factory was operationalized in 1988 and the Pasakha Furniture Factory was operationalized in 1991.

Bhutan Board Products Limited (BBPL) is a DHI linked Company. It was established with primary mandate of value addition to scarce forest resources, as a Joint Venture Undertaking between Royal Government of Bhutan and private promoter Company, M/s H& K Co., on the basis of 80:20 ownership.

### 2. Share Capital

Sl.#	Particulars	No. of Shares	Value (in Nu.)	%
	<b>Authorized Capital</b>	-	<b>150,000,000.00</b>	-
	Face Value of each share	-	10.00	-
<b>3</b>	<b>Total No. of Shares issued</b>	<b>1,400,0140</b>	<b>140,001,400.00</b>	
4	Shares of Druk Holding and Investments (DHI)	668,3340	66,833,400.00	47.74
<b>5</b>	<b>Shares of Financial Institutions:</b>			
(a)	Bank of Bhutan (BOB)	1,724,000	17,240,000.00	12.31
(b)	Royal Insurance Corporation of Bhutan (RICB)	118,300	1,183,000.00	0.84
(c)	Bhutan National Bank (BNB)	14,000	140,000.00	0.10
6	Shares of Zhung Dratshang	829,500	8,295,000.00	5.92
7	Shares owned by Hing & Kong Company (H&K Co)	480,000	4,800,000.00	3.43
<b>8</b>	<b>Shares owned by others</b>			
(a)	Royal Bhutan Army	294,000	2,940,000.00	2.10
(b)	Shares owned by the BBPL Employees.	11,500	115,000.00	0.08
(c)	Shares owned by the private individuals.	3,845,500	38,455,000.00	27.47
		<b>14,000,140</b>	<b>140,001,400.00</b>	<b>100.00</b>



### **3. Factories**

The Particle Board Factory in Darla is equipped with sophisticated machineries imported from SIEMPELKAMP, Germany. The Plant consumes raw wood extracted from forest land leased to the Company as the primary raw material to produce medium density (graded) plain particleboards and pre-laminated particleboards conforming to German DIN and Indian BIS standards. The products are also certified by Bhutan Standards Bureau.

BBPL's Furniture Factory is located at Balujhora, Pasakha about 15 Kms away from Phuentsholing. The Unit produces two ranges of furniture prefabricated from particleboards- Home and Office range with knockdown features and hardware imported from Malaysia and Singapore. The furniture is designed on machinery and equipment from BIESSE, Italy.

### **4. Human Resources**

The company currently employs 263 people with bulk of the employees being skilled but primary and secondary education. Except for two employees in the export market, rest of the employees are Bhutanese.

The company currently engages about 24 logging contractors to extract firewood from the plantation areas managed by the company.

### **5. Key Markets**

The two primary finished products- Particleboards and Furniture- are marketed mostly in India (about 85%) and the balance 15% in the local market of Bhutan.

### **6. New projects**

The company has set up an organic manure plant based on wood mulch to cater to the needs of consumers engaged in organic farming and floriculture in Bhutan. In addition, the company maintains a large plant nursery to raise tree sapling for commercial sale and plantation in our leased areas.



## 1.3

# BOARD Directors

**Dasho Chencho Dorji**  
Chairman



**D**asho Chencho Dorji has a Bachelor's Degree in Science from the North Eastern Hill University in India and a Master in Science from the University of Wales in the United Kingdom. He started his career in the Ministry of Agriculture as Trainee Officer in 1985. Prior to his current post, he was the Director of Youth and Sports under Ministry of Education and was later promoted as the Director General. In 2015, he was transferred as the Director General of Bhutan Infocom and Media Authority. In February 2019, Dasho became the Secretary, Ministry of Works and Human Settlement.

**L**opon Rinzin graduated from Tango Buddhist College in 2007. He served as Accountant of the Central Monastic Body from 2008 for three years before his appointment as the Cultural Officer in 2012. Currently, he is the Assistant Administrative Officer in Central Monastic Body.

Lopon Rinzin serves as the non-independent director on BBPL Board.

**Lopon Rinzin**  
Director



**Dasho Sonam Jamtsho**  
Director



**D**asho Sonam Jamtsho has a Master Degree in Taxation and Business Laws from NALSAR University, Hyderabad. He joined civil service in 1993 as Senior Tax Officer and served as Senior Tax Officer, Assistant Director, Joint Commissioner and Regional Director in Phuentsholing, Samtse and Gelephu till 2013. Prior to his current position, he served as the Director, Department of Medical Supplies and Health Infrastructure under Ministry of Health. Currently, he is the Dzongda of Wangdue Phodrang Dzongkhag.

Dasho serves as the non-independent director on BBPL Board.

**S**onam Tobgay is currently serving as Senior Analyst in the Department of Finance, Druk Holding & Investment (DHI). He has a Master of Business Administration (MBA) from the Hague University of Applied Sciences, Netherland in 2012 and Bachelor of Degree in Commerce (Hons) Delhi University from Sherubtse College in 2006. He worked in Bhutan Power Corporation as Finance Officer from 2007 till 2014. In the past, he served on the board of Wood Craft Centre.

He serves as the non-independent director on BBPL Board.

**Mr. Sonam Tobgay**  
Director





**D**r. Damber S Kharka has a PhD in Financial Economics and currently works as Managing Director of Ugyen Trading House. Prior to starting his consultancy business, he served for 13 years at DHI as the Director of Corporate Performance Department, and Royal Institute of Management (RIM) for 19 years as a faculty member. He is an economist by profession and a certified trainer in Corporate Governance and several other management disciplines. He has long years of experience as board director in several companies across industries in Bhutan and has significantly contributed to the growth of the companies. At present, also serves on the board of NRDCL.

He serves as the Independent Director on BBPL Board.

**Dr. Damber S Kharka**  
Director



**Mr. Druyang Dorji**  
Director



**D**ruyang Dorji works in a family business, M/S Shangrila Enterprise, which is one of the biggest cold stores set ups in the country, from 2006. He also serves as a director on board of M/S Shangri-La Enterprise Private Limited and now heads a new FDI Project, M/s Thai Bhutan Biotech Project for production of medicinal mushrooms and manufacture of medicinal mushroom products.

He serves as the non-independent director on BBPL Board

**S**herab Namgay is the Managing Director of the Company. He obtained his Master of Business Administration (MBA) from Curtin University, Australia and Bachelor's Degree in Economics from PSG College of Arts and Science, India. He is a Certified Balanced Scorecard Professional focused in strategy formulation and execution from Balanced Scorecard Institute, USA.

Prior to joining BBPL, Mr. Namgay worked as the Associate Director at Druk Holding and Investments. In the past, he served on the board of multiple companies like BPC, CDCL, DCCL, DPL, ABHL and DML and participated extensively in various Board Committees. He also served in the Office of Performance Management, His Majesty's Secretariat for three years from 2015-2017.

He serves as the Executive Director on the board of BBPL.

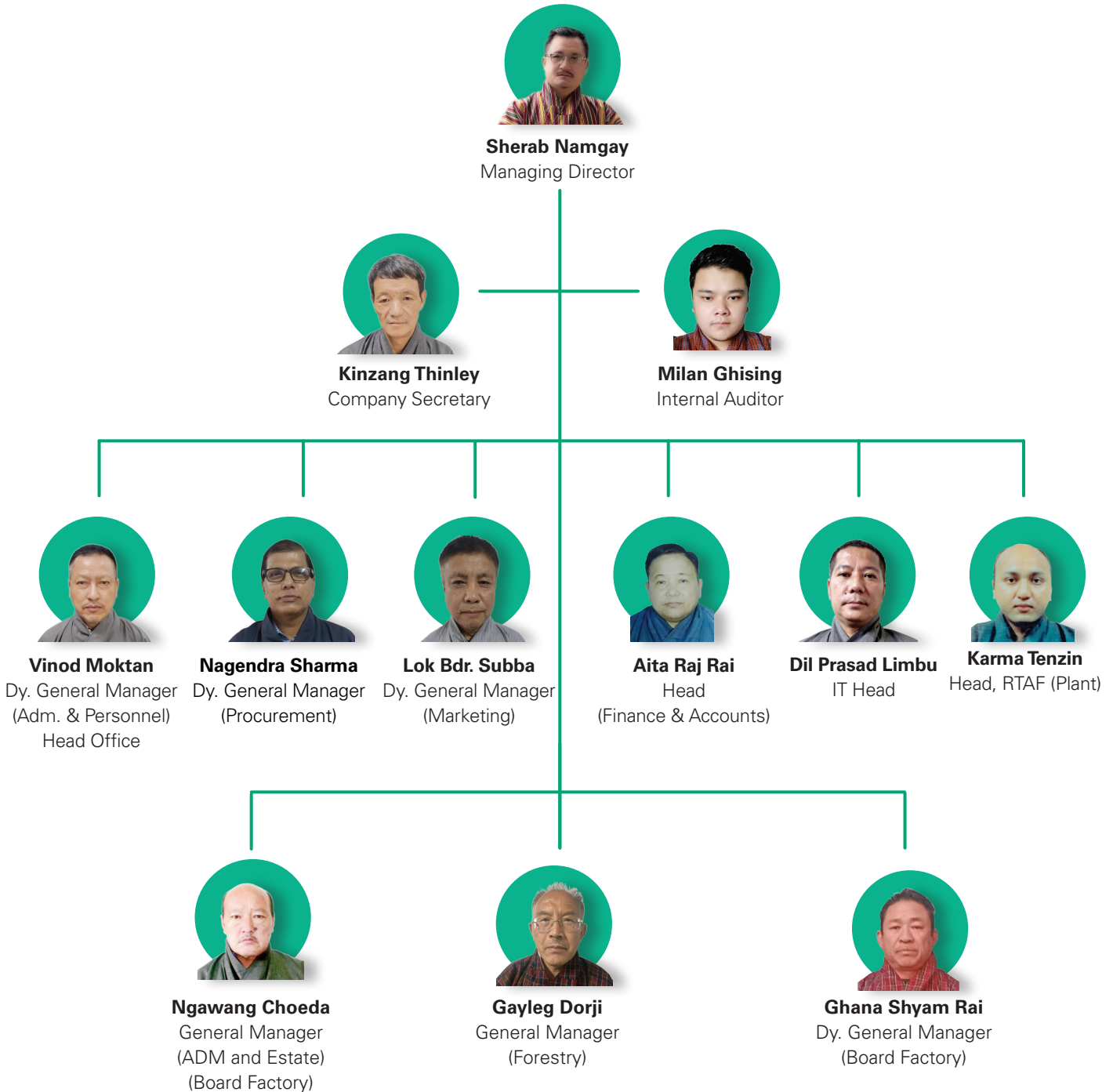
**Mr. Sherab Namgay**  
Executive Director





# 1.4

## MANAGEMENT Team





## 2

## DIRECTOR'S Report

On behalf of the Board of Directors and the management, I take this privilege to present the Directors' Report for the Financial Year 2021.

### Operational & Performance Highlights

The performance of the company has drastically improved comparing to the previous years despite the aging plants with old and outdated machineries. Although not quite well out of financial doldrums, the company has managed to enhance revenue, cut cost and improve profitability through various initiatives. The company continues to face financial difficulties mainly due to snags of dispatching finished goods to external market and efficiency issues, as a result of the pandemic. In the external market, competition has intensified with entry of particleboard and MDF board manufacturers offering better options of lower price and better services. The pandemic affected the company due to supply chain disruptions of indispensable raw materials and spares.

With the new management taking over the company in March 2021, major reforms have been carried out in all areas of operation including Darla Board Factory, Forestry, RTA Factory, Marketing and Corporate Services. Several cost cutting measures like substitution of third country import of decorative papers/ spares with alternatives from the Indian market, streamlining supply chain, inventory management and production systems are some of the reforms which has saved significant costs to the company. Similarly, the management overhauled the system defects across the company resulting in significant positive outcome for the company in a short span of time.

### Key Financial Performance

The revenue from operation for the year 2021 was Nu.232.88 million compared to the budget of Nu.312.62million. The revenue from board sales was Nu.197.84 million against the budget of Nu.270.33 million, which is 26.82% less than the budget. The revenue from furniture sales was Nu.31.41 million against the budget of Nu.41.59 million. The revenue from furniture sale fell short by 24.48% as compared to the budget.

The other revenue from log sales generated Nu. 3.63million against the budget of Nu. 0.70m. The cost of sale was Nu.156.82 million against the budget of Nu.204.50 million, which is a decrease of 23.32%. The employee cost is Nu.54.43 million against the budget of Nu.69.39 million. The employee cost decreased by 21.55% as compared to the budget. The Selling and Distribution expenses were Nu.12.71 million against the budget of Nu.18.72 million. The administrative expense was Nu.7.71 million against the budget of Nu.7.63 million, which is a marginal increase of 1.01%. The other expenses were Nu. 0.41 million.

The profit from continuing operation was Nu.6.79million compared to budgeted profit after tax of Nu.5.79 million.



The asset size of the company currently stands at Nu.766.43 million that is financed by Nu.661.57 million equity and Nu.104.86 million debt. The net worth of the company increased by Nu.7.18 million during the current year.

Despite the challenges in the operating environment, the company surpassed the sales and profitability figures of 2020 by huge margin mainly due to extra hard work and dedication of the employees. The improved financial performance of the company has also revitalized the mood of investors as indicative from the massive increase in the share price.

## Production Highlights

### 1. Production of Particle Boards

Despite Phuntsholing being under lockdown for almost four months in 2021, its performance is noteworthy compared to the previous year. This achievement has been possible due to operation of the factories and exports business even during the lockdowns.

**The actual production figures for the Board Factory in Darla are as follows:**

SL.#	Particulars	2021	2020	Remarks
1	Raw Boards (in pcs)	184,053	115,070	59.94%
2	Laminated Boards (in pcs)	170,423	128,541	32.58%
3	Plant Capacity Utilization (%)	35.53	21.89	13.64%
4	Total Down-Time (in hours)	4,811.2	7,304	51.81%

As can be seen from the above table, the board factory saw a drastic increase of raw board production by 59.94% as compared to 2020. The production of laminated board also saw sharp increase of 32.58%. The plant capacity utilization improved by 13.64% despite the ground challenges due to the pandemic. On the other hand, the downtime hours for the board factory decreased from 7,304 hours in 2020 to 4,811.20 hours in 2021, a decrease by 51.81%. All these factors contributed towards the performance and profitability of the company.

It is worth highlighting that despite the board factory being an old one, the performance has drastically improved after introducing various kinds of maintenance plans such as electrical, mechanical and lubrication. The plant availability factor in 2021 improved drastically to 80.16% due to various initiatives. The reason for low-capacity utilization was mainly due to shortage of key raw materials as a result of supply chain disruptions, or deliberate shutdown due to inability of the company to push the finished goods to various market owing to protracted lockdowns. During the year, the factory also appreciably reduced the production of factory grade 'AA' board and wastage, and improved production cycle time significantly, beating the results of all past years.

### 2. Furniture Production

The Ready to Assemble Furniture (RTAF) Factory in Pasakha produced 5,227 sets of standard furniture and 560 sets of customized furniture during 2021. Overall, the furniture production



increased by 42%, with increase of 10.39% increase in the production of standard and 32.08% increase in production of customized furniture.

**The production figure for the RTAF Factory is as follows:**

SL.#	Furniture Type	2021	2020	Remarks
1	Standard	5,227	4,735	10.39%
2	Customized	560	424	32.08%
	<b>Total</b>	<b>5,787</b>	<b>5,159</b>	

The production of furniture continues to be affected by breakdown of CNC Router Machine which could not be repaired due to lack of expertise in the country. However, production and sale of furniture is expected to improve from 2022 with the replacement of three new machineries at RTAF factory, i.e. CNC, Edge Banding and Panel Saw.

Considering a huge opportunity in the furniture industry in Bhutan and India, it is only prudent for the board and management to focus in this area to improve profitability margins. In the coming year, we intend to dedicate much of our time in revamping the furniture factory to make it a leading furniture house in the country.

### 3. Inventory Management

The inventory management system across the company witnessed sweeping changes from raw materials to finished goods to spare parts. Unlike in the past, the productions at the board factory and RTA factory are closely linked to market demand thereby ensuring that whatever is produced is sold. This has greatly improved the inventory turnover and reduced the deadstock on the factory floor and in the warehouses. Further, the company cleared almost all the deadstock from the earlier years through clearance sales and recycling. The company will continue to focus on managing the inventories professionally so that wastages are minimized and working capital management is enhanced.

### Sales and Collection Performance

BBPL has placed great importance on the marketing and sales of particleboards and furniture to ensure healthy revenue and profitability of the company. While most of the particleboards are sold in India, in the recent years, demand for particleboards from customers in the domestic market have also picked up who use the product for interior designs and furniture. Customarily, the company sold more of Ready to Assemble Furniture (RTAF) in the domestic market since export sale of furniture is limited due to issues related to designs and other factors. In terms of main revenue streams, sale of particleboards constitutes 87% of the revenue and 13% from the RTAF. Market segment wise, the revenue contribution from the export market is 80% and the remaining 20% from the domestic market. The company also earned appreciable revenues from the sale of timber, tree saplings and organic manure during the year.

In order to ensure proper cash flow in the company and avoid bad debts, the company conducts business on cash and carry basis, with some flexibility in some cases based on the credit



history of channel partners. The sales and collection data are as follows:

SL.#	Particulars	Description	2021	2020
1	Sale	Board	201,432,229.13	160,839,190.60
		Furniture	31,157,542.90	21,843,764.10
		<b>Total</b>	<b>232,589,772.03</b>	<b>182,682,954.70</b>
2	Collection	Board	193,872,684.36	153,228,658.52
		Furniture	29,803,640.21	18,053,755.49
		<b>Total</b>	<b>223,676,324.57</b>	<b>171,282,414.01</b>

As can be seen from the above table, the overall sales have increased by 27% in 2021 mainly because of the increased exports and improvement of sale in the domestic market. Unlike the previous year when the factories were shut down and export suspended, the management kept the factories operational and performed dispatches to export market, whenever permitted by the COVID Taskforce despite challenges of getting expatriate workers for loading and unloading. A group of employees from the board factory/forestry, RTAF and Head office were deployed for loading of finished goods and unloading of incoming raw materials and spares in containment facility during the lockdowns.

During the year, the company revised the credit policy, sales policy and discount policy to attune to the market requirements. The cash and carry policy and friendly discount policy are expected to help the company manage cashflows better and avoid resorting to working capital loans from the banks. In terms of collection efficiency, the company managed to collect 96% of the sales made in the financial year 2021. The company is on track to recover remaining balance of 4% both from the export and domestic market.

It is very encouraging to note that our products continue to receive good response from the markets owing to better compactness and high density that is widely used in construction and by furniture manufacturers.

## Forestry Operations

The company has a full-fledged team of forestry professional who carries out the plantation and manages the forest in the leased lands to ensure uninterrupted flow of raw materials for production of particleboard. To complement raw materials from its own plantation areas, the company sourced firewood from NRDCL FMUs and private forests to ensure that the production is not hampered. Following are the details of the sources of raw materials of the company during 2021:

Sl.#	Sources of Wood Raw Material	2021 (in MT)	2020 (in MT)
1	Leased State Reserve Forests	11,235.16	5,915.445
2	NRDCL Area	-	112.985
3	Off-cuts	710.25	112.985
4	Private land	4,672.38	2,426.225
5	Billet collection (Sanitization)	623.26	113.250
	<b>Total</b>	<b>17,241.05</b>	<b>8,592.465</b>



As can be seen from the above table, the wood inflow has increased in 2021 by more than 100% (8,648.46 MT) which was due to increase in production of particleboards and more dispatches of finished goods to market. In addition, the forestry team carried out Plantation Creation of 14.19 hectares in various leased area of the company. Such creation of plantation is expected to insulate the company from rising cost of firewood from other sources in the future.

## Human Resources & Administration

The company considers human resource as critical resource for success of the company for all times to come. The company has a team of technically qualified and experienced people in various areas of operations. Except for one non-national operating as marketing manager in export market, rests of the employees are all Bhutanese. The company takes pride in mentioning that the Bhutanese team carries out the repair and maintenance of old Darla Factory including modification and fabrication of critical components at site, which were sourced from manufacturers in the past.

**The details of the manpower in the company are as follows:**

Sl#	Locations	Employees as on 31.12.2021	Employees as on 31.12.2020
1	Board Factory, Darla	164	175
2	Furniture factory, Pasakha	22	23
3	Forestry, Darla and Samtse	32	32
4	Head Office, Phuentsholing	37	43
5	Furniture Showroom, Thimphu	05	05
6	Zones (Kolkata & Bengaluru)	03	03
	<b>Total</b>	<b>263</b>	<b>281</b>

The manpower strength of the company saw a decrease from 281 to 263 employees in 2021. Out of the 18 employees who resigned, most of the employees resigned for better job opportunities, some have superannuated on attaining superannuation age, while some separated from the company on expiry of contract period. Despite the need to recruit additional manpower for the aging plant and machinery, the company has not fully replaced the employees due to the financial position of the company.

The average age of the company is 42 years signifying the depth of experience of employees and some amount of youthful energy. Considering that most of the employees occupying key and critical positions are reaching the superannuation age, it is only proper for the company to carryout succession planning so that there is no skill gap when the experienced hands leave the company. The company is fully aware of the situation and exercises are underway to train the younger hands in key and critical areas of operation.

In the coming year, the company intends to revise the Internal Service Rules to consider changing dynamics of the labour market so that BBPL can attract and retain talents to achieve broader commercial and social goals. The employees of BBPL draws comparatively low salaries and allowances in the corporate sector, and the board and management are devising plans to improve the conditions, if financial situation permits.



## Corporate Social Responsibility (CSR)

The company aims at making CSR an important part of its business processes for sustainable development. Following are some of CSR activities carried out the company during the year:

1. The company maintains the national highway from Gedu Zero to Dungna Zero since 2019 by installation of garbage bins and conducting of cleaning within above perimeters. The company's employees of board factory and forestry at Darla have been entrusted with the work on the highway at regular intervals.
2. The company engages a fleet of private transporters for transportation of wood raw materials from its source to the board factory which is benefitting the truckers and families of surrounding areas.
3. Currently, the company have 24 contractors for extraction and supply of wood raw material from company's plantations and private forest who depend on BBPL for their livelihood.
4. In order to keep the employees and their dependent's children engaged in meaningful activities and prevent straying away from the mainstream of society, the management has opened a library for the children at Darla which is also benefitting children of surrounding areas. Similarly, to upgrade the IT knowledge and skills of the employee's children, the company opened IT Lab and initiated coding classes with assistance from Bhutan Toilet Organization and Little Coders which would help in development of IT skills of the children.
5. The company continues to contribute and donate particle boards and furniture to needy institutions in the locality that do not have budget to purchase such items in performance of their social activity. Such donations have generated enormous goodwill in the community.

## Challenges

The Board factory at Darla has been in operation for over 34 years now. Today, the factory is operating at low capacity with its aging machines breaking down frequently. The increasing raw material cost, extended delivery time of spares from third countries, high transportation charges for the consignments, severe competition in the external particleboard market and competition from imported furniture remains some of the challenges of the company. The non-availability of the critical spares at short notice from the suppliers of the machineries has greatly affected production, sale and income of the company.

The major challenges encountered by the company during the year are highlighted below:

1. The company's business in both domestic and external market was affected by the lock down of about four months in 2021. The operation of the board and furniture business were suspended to contain the spread of virus in the community. As a result, sale performance of the company was badly affected.
2. The factories in Darla and Pasakha have outlived its life and now beginning to breakdown more frequently thereby contributing to high down-time. Sourcing of critical spares for the machineries has become a challenge since the Original Equipment Manufacturers (OEM) Siempelkamp of Germany for Darla and Coimal of Italy for Pasakha, have moved on with the technology. The design and fabrication of spares from India is also proving to be expensive, less durable and difficult.
3. The export of finished goods to the Indian market continues to be a problem since the company's transporters in most of the cases, fail to place trucks for the required destination





within 24 hours of registration due to transit delay. As a result, loading of consignment for external market and exiting gate on same day to comply with covid protocol is difficult and affecting dispatches. Since export truck drivers are not permitted to enter the company's warehouse, engagement of drivers approved by the Covid-19 Taskforce for ferrying trucks from the Mini Dry Port to warehouse and vice-versa is an additional cost.

4. New competitors with modern technology have set up particleboard manufacturing units in various parts of India. This has intensified the competition and significantly affected the particleboard business. The manufacturers offered better alternatives in terms of shades, sizes, price and density depending on the tastes and preference of the customers, for example the introduction of Medium Density Fiberboard (MDF). On the other hand, BBPL has remained with the same products although with the reputation of providing superior quality of boards.
5. The sudden increase of prices of Urea in the month of October 2021 has affected the production cost. In order to absorb increase in price of the input, the prices of particleboards are revised which is not well received by regular customers in the external market due to competitive pressure of other brands of boards. With the support of the Ministry of Economic Affairs and Ministry of Foreign Affairs, the company managed to secure allocation from the Government of India to purchase Urea from Brahmaputra Valley Fertilizer Corporation Limited, Namrup, Assam.

## Way Forward

1. While BBPL encountered many operational challenges, there are immense opportunities for the company to adapt and grow, considering the market prospects and available infrastructure. The board and the management are optimistic that things would smoothen in the coming year and the company rebound to the former glory again with intelligence, fortitude and hard work. In realizing the desired business goals, following are some strategic moves that the company would be making in 2022.
2. In order to meet the increasing demand for furniture in domestic market, the board approved the revamping of furniture plant at Pasakha through replacement of three critical machines, i.e Edge Banding, Beam Saw, CNC machine. The enhanced productivity of RTAF factory after the commissioning of the machines would generate more income through production of defect free furniture and increase in the sales revenue. The company will continue to explore and exploit the market potential on this front.
3. While the pandemic has affected infrastructure development for the time being, the company foresees growing demand in interior designs and furnishings from the corporate offices, hotel industry and townships. To exploit this increasing opportunity, the company would be strengthening the existing Research and Development Unit to carryout necessary ground works for the future projects.
4. The company has procured and installed three machines for producing organic manure from wood mulch with financial assistance of Nu.1.20 million from National Organic Flagship Program under the Ministry of Agriculture and Forests. The sale of organic manure is expected to generate good income to the company considering its substantial reserve/ deposit of the wood waste currently available in the factory premises. The company will



work towards creating markets for the commercial benefit of the company and making organic manure accessible and affordable to farmers across the country.

5. Recognizing the potential of nursery unit under the forestry department, the company has expanded the operations to raise and engage in commercial operation of various species including ornamental and fodder plants. This is expected to expand the revenue base of the company and contribute to the top and bottom line of the company.
6. The company will continue to streamline the systems and processes through adoption of appropriate technology such as ERPNext in 2022. Further, the company will also develop Corporate Strategic Plan for the company to strengthen the current business portfolios and exploit business opportunities in pursuance of the mission and vision of the company.

## COVID Protocols

The Company has complied with all the Government's directives in observing the required protocols in the offices, factories, go-downs, showrooms and containment zones considering the danger posed by COVID pandemic. The company has put in place Standard Operating Procedures (SOPs) at work places and Business Continuity Plans until such time full relaxation is provided by the government. The management has fully taken care of the employees infected with virus and provided all forms of support. The company also cooperated and provided support to the taskforce and dutifully participated in the Regional Inspection Team. We reaffirm our commitment to support the Royal Government on any services that the company can provide.

## Acknowledgements

On behalf of the Board of Directors, the Shareholders and the Management of BBPL, I would like to express my gratitude to all the Ministries and Organizations who has helped us in carrying out our commercial mandate seamlessly. In particular, I would like to extend my deep appreciation to officials of Chhukha Dzongkhag, Forestry Range Office, Gedu and the local governments for their continued support. The company is indebted to the channel partners in Bhutan and India who represents the company in meeting the customers' demands, and our suppliers located around the world. We are also obliged to the financiers particularly Druk PNB Limited for financing our operations. I would also like to thank the Southern COVID-19 Task Force based in Phuntsholing for facilitating export/import and supporting the company during the lockdowns. My deep appreciation to Bhutan Toilet Organization and Little Coders for donating computers and teaching employees' children to code. I am hopeful that such support and cooperation from all agencies would continue to help BBPL achieve the broader business goals in the larger interest of the nation.

In conclusion, I would like to assure you that the Board of Directors and the Management will continue to manage your company in a professional and ethical manner. I extend my good wishes for a successful and fruitful year ahead.

**(Dasho Chencho Dorji)**  
**CHAIRMAN**



## 3

# CORPORATE GOVERNANCE

## Report

Bhutan Board Products Limited has complied with the requirements of the Companies Act of Bhutan 2016, Corporate Governance Code and Ownership Policy of Druk Holding & Investments Limited (DHI) and other statutory requirements.

### A. Board

#### 1. Board Charter

The Board charter sets out the principles for the operations of the Board of director's roles and responsibilities, describes the functions and powers of the board to ensure all the Board members are aware of their duties and responsibilities Board Directors play an active role in the Board Meetings through contributions of their professional opinions and active participation in discussion.

**Table 1: Board Members, 2021**

**The details of the Board Directors and their date of appointment are:**

Name	Designation	Date of appointment	Status	Term	Board on other Companies
Dasho Chencho Dorji	Hon'ble Secretary MoWHS Thimphu	09.03.2021	Non-Independent	Reappointed	None
Lopen Rinzin	Central Monastic Body Thimphu/Punakha	21.04.2021	Non-independent	First Term	None
Dasho Sonam Jamtsho	Dzongda, Dzongkhag Administration Wangduephodrang	27.03.2020	Non-Independent	First term	Punatsangchu Hydro Electric Project
Dr. Damber S Kharka	CEO, M/s Ugen Trading Thimphu	21.04.2020	Independent	First term	NRDCL
Mr. Druyang Dorji	M/s: Shangrila Enterprise Phuentsholing	21.04.2021	Non-Independent	Reappointed	M/s Shangrila Private Limited



Mr. Sonam Tobgay	Senior Analyst DHI Thimphu	21.04.2021	Non-Independent	First Term	None
Mr. Sherab Namgay	Managing Director BBPL Phuentsholing	16.03.2021	Executive	First term	None

## 2. Board Composition

The Board constitutes of seven members, including the Managing Director. Three of the members of the Board are identified and appointed by DHI, two are the members are the nominees of the minority Shareholders and one independent director. The appointment of the directors is endorsed in the general meetings.

## 3. Board Meetings

In 2021, a total of six Board Meetings were conducted. The quorum requirements and the gaps between the meetings were maintained in accordance with the Companies Act of Bhutan 2016. The dates of the meetings and attendance of the Directors are set below:

### Dates of Board Meetings held in 2021

SL.#	Board Meeting Dates	Board Meeting Nos
1	4 February,2021	149th Board Meeting
2	9 February,2021	150th Board Meeting
3	20 April,2021	151st Board Meeting
4	21 July,2021	152nd Board Meeting
5	21-Oct-21	153rd Board Meeting
6	15-Dec-21	154th Board Meeting

### Attendance of Board Directors from 4th February 2021 till 15th December 2021

SL.#	Board Directors	149 <sup>th</sup>	150 <sup>th</sup>	151 <sup>st</sup>	152 <sup>nd</sup>	153 <sup>rd</sup>	154 <sup>th</sup>	Remarks
1	Dasho Chencho Dorji	Y	Y	Y	Y	Y	Y	6/6
2	Lopon Rinzin	-	-	-	Y	N	Y	2/3
3	Dasho Sonam. Jamtsho	Y	Y	Y	Y	Y	Y	6/6
4	Dr Damber S Kharka	Y	Y	Y	Y	Y	Y	6/6
5	Mr. Sonam Tobgay	-	-	-	Y	Y	Y	3/3
6	Mr. Druyang Dorji	Y	Y	Y	N	Y	Y	5/6
7	Mr. Sherab Namgay	-	-	Y	Y	Y	Y	4/4

The Directors receive notices of meeting, typically at least five working days prior to the date of the meeting along with the agenda complete with full set of board papers to provide sufficient details of matters to be deliberated during the meeting. The Company Secretary ensures to duly record and properly keep all the minutes of the Board meetings together with the decisions made by way of circular passed resolutions.

## B. Board Audit Committee

The Audit Committee of the company comprises of one independent and four non-independent Directors. As per the best corporate governance practices, the independent director Chairs the Board Audit Committee, and to maintain independence of the committee, the Managing Director of the company doesn't sit on BAC as member.

### Attendance of Board Audit Committee Members

The Board Audit Committee consists of 5 (five) members. In 2021, the Board Audit Committee met 4 times.

SL.#	BAC Members	5th BAC	6th BAC	7th BAC	8th BAC	Remarks
1	Dr. Damber S Kharka	Y	Y	Y	Y	4/4
2	Dasho Sonam Jamtsho	Y	Y	Y	Y	4/4
3	Lopen Rinzin	-	N	N	N	0/3
4	Mr. Sonam Tobgay	-	Y	Y	Y	3/3
5	Mr. Druyang Dorji	N	N	Y	Y	2/4

## C. Director's Remuneration

The Sitting Fees of Board Directors for the year 2021 is as follows:

SL.#	Directors	Fees
1	Full Board	288,000.00
2	Board Audit Committee	60,000.00
3	Annual General Meeting	48,000.00

## D. Annual General Meeting

The 36<sup>th</sup> Annual General of the company was held on 27<sup>th</sup> April, 2022 in Norkhil Boutique Hotel and Spa Conference Hall, Thimphu at 2.30pm.



### Key highlights of the meeting:

The AGM endorsed the appointment of following Directors-

- a. Dasho Chencho Dorji**  
Hon'ble Secretary, MoWHS would continue as non-independent director
- b. Dasho Sonam Jamtsho**  
was reappointed as non-independent director.
- c. Director Sonam Tobgay**  
would continue as DHI nominee director.
- d. Lopen Rinzin**  
Representative of Monk Body would continue as non-independent director
- e. Dr. Damber S Kharka**  
would continue as the independent director
- f. Druyang Dorji**  
would continue as non-independent director

No dividend was declared for the year.

### E. Risk Management and Internal Control

The Board, through its sub-committee Board Audit Committee (BAC) continues to play an instrumental role in the institutionalization and mainstreaming of Risk Management functions and activities within the company. While the BAC assumes the overall ownership, the implementation of risk management activities and initiatives is sponsored by the Management.

The Internal Audit Unit provides the quarterly report on the status of risk mitigation activities to BAC as a part of risk governance, communication and reporting measures. The company also has fulltime internal auditor that is functionally reporting to Board Audit Committee.



## 4

# INDEPENDENT AUDITORS’ Report

The Share holders  
Bhutan Board Product Limited  
Phuentsholing, Bhutan.

## Report on the Audit of Financial Statements

### Opinion

We have audited the Consolidated financial statements of Bhutan Board Product Limited (“the Company”) and its subsidiary, which comprise the Consolidated Statement of Financial Position as at December 31, 2021, the Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and the Consolidated 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 consolidated financial statements presents fairly, in all material respects, the financial position of the Company as at December 31, 2021, and of its financial performance and its cash flows for the year then ended in accordance with applicable Bhutanese Accounting Standards for (BAS)

### Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our Report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) together 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 and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of Matters

We draw attention to Note of the consolidated financial statements, which describes the effects of restatement of consolidated financial statements. In accordance with Para 23 and 42 of BAS 8 “Accounting Policies, changes in Accounting Estimates and Errors, financial statements have been restated and material errors being incorporated to the extent practical for the prior period.



## **Our opinion is not modified in respect of these matters**

### **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 of current period. 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.

### **Other matter**

The financial statements of BBPL for the year ended 31st December 2021, we have checked the documents virtually and verified the stock physically due to the pandemic in the country and also following the protocols of the government.

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

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

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

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

### **Auditor's Responsibility**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Auditing Standards and the General Terms of Reference in Bhutan 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 consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing and terms of reference for audit, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:





Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

Obtain sufficient appropriate audit evidence regarding the financial information of the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

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

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

## **Report on other Legal and Regulatory Requirements**

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



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

- a) We have obtained all the 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 in so far as it appears from our examination of those books.
- c) The Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Cash Flows and the Statement of Changes in Equity dealt with by this report are in agreement with the books of account.
- d) In our opinion, the Company has complied with other legal and regulatory requirements.

**For Dilli Yok & Associates  
(Chartered Accountants)**

**CA Dilli Ram Bista**

31/5/22

Thimphu



---

## Minimum Audit Examination and Reporting Requirements(To the Extent Applicable)

---

All audits have been carried out applying the International Standards on Auditing (ISA) as adopted and issued by the Accounting and Auditing Standards Board of Bhutan (AASBB).

General:

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

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

1. The Company is maintaining separate fixed Assets Register showing full particulars of respective items showing locations. Reference numbers and location of the assets are indicated appropriately in the asset's items and even the bin cards are maintained. Therefore, discrepancies as such could not be identified on our examination.
2. As examined by us none of the assets were revalued during the year.
3. Yes, Physical verifications were conducted at reasonable intervals in respect of finished goods, stores, spares parts and raw materials. On examination, the management of the units had taken the responsibility to verify for the same. The management had issued the new compact from 2021, the units should reconcile and verify all the stocks and should send the reconciliation reports to the head office every month.
4. The procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business. No, such inadequacies in such procedures were found during the audit.
5. No material discrepancies were noticed on physical verification of stocks as compared to the book records, and, same have been properly dealt with in the books of accounts.
6. The company has a reasonable system of recording receipts, issues and consumption of materials and stores and allocating materials consumed to the respective jobs, commensurate with its size and nature of its business.



7. Quantitative reconciliation is carried out at the end of accounting year in respect of all major items of inventories i.e., finished goods and raw materials.
8. The obsolete, damaged, slow moving and surplus inventories (Spare Parts) has been determined during the internal verification and all the items are been recorded and it's been sent to the management for further discussions and approval. The provision for the same is not been made as the managements had not verified for the same. Other inventories which are damaged is been resized where every necessary and it's been sold. Old stocks are been cleared, resizes and it's been sold in the market.
9. Damaged and obsolete inventories are disposed of and some of the inventory which is damaged is reused for the productions of another finished goods. In every stage of production, there is the damage goods some of which are reused in productions of the secondary goods, fixing the damaged in the process. They have maintained the appropriated record for the same while doing the productions. The productions stages have different stage of productions. Whereas in case of the spare parts, the damaged and obsolete inventories is been determined and had send for the approval from the managements.
10. Yes, the 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. As per the examination and information provided by the management about the inventories, including the finished goods, raw materials, work in progress and stores and consumables is appropriate in accordance with generally accounting principal. Same as previous method was followed during the year.
12. On the examination, 20 million loans are availed by the company from which 7.58 million is been used during the audited period and also the company is facilitated with the overdraft facility of Nu. 35 million from Druk Punjab National Bank and 10 million from Bank of Bhutan. The rate of interest and the other terms and conditions are not prejudicial to the interest of the company.
13. On the examination, no loan was granted to others party.
14. The loans/advances granted to officers/staff are in keeping with the provisions of service rules and no excessive/frequent advances are granted and accumulation of large advances against particular individual are avoided.
15. The company has adequate internal control systems commensurate with the size of the company and nature of its business.
16. There is appropriate and 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, there is systematic procedure on issue of stores and allocation of materials and Labor to jobs.
17. On the examination, there is a 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 except for frequent office and administrative expenses.
18. a) On the examination, the procurement and sales division have their own procedure to



be followed. No such involvement of directors is been recorded nor found any other party/parties related to the director(s) or with company or firms in which the director(s) are directly or indirectly interested have been made at prices, which are unreasonable having regard to the prevailing market prices for such goods or services or at prices at which the transactions for similar goods or services have been made with other parties are recorded.

b) Our examination reveals that, no transactions entered into by the company wherein the directors are directly or indirectly interested are prejudicial to the interest of the other shareholders and the company.

19. The expenses charged to the company accounts represent legitimate business expenses and no personal expenses are charged to the company.
20. On the examination, the company had identified the dead stock or slow-moving spare parts. Provision for the loss is not been made because the approval from management is not been received. For other raw material and the finished goods, the treatments are given in the financial statements where ever necessary.
21. There is a reasonable system of ascertaining and identifying point of occurrence of breakage/damages raw materials, packaging materials and finished products i.e., while in transit, during processing, during loading/ unloading, in storage and during handling etc. so that responsibility could be fixed and compensation sought from those responsible.
22. The company is maintaining reasonable records for production of finished goods, by-products and they have maintained the adequate physical safeguards exist to prevent unauthorized or irregular movement of goods from the company.
23. The company is maintaining reasonable records for sales and disposal of realizable by-products and scraps
24. The company is regular in depositing rates and taxes, duties, royalties, provident funds, and other statutory dues with the appropriate authority. The provision for corporate tax is adequate and that necessary adjustments have been made to compute amount of tax as per the prevailing tax laws, rules and regulations of Bhutan.
25. Undisputed amounts payable in respect of rates, taxes, duties, royalties, provident funds and other statutory deductions were outstanding, as per the last day of the financial year concerned as below:

Sl.#	Nature of due	Amount
1	Health contribution	4,563.00
2	TDS payable	1,000.00
3	GIS Contributions	272,326.30
4	PF Settlements	2,596,613.98
	Total	2,874,503.28

26. The company has a reasonable system of allocating man-hours utilized to the respective jobs, commensurate with the size and nature of its business.
27. There is no adequate reasonable system of price fixation taking into account the cost of production and market conditions.
28. The credit sales policy is reasonable and proper credit rating of customers are carried out.



The management had come with the new compact for the year 2021 onwards and have credit sales policy.

29. No commission agent has been engaged by the Company except distributors
30. The company had come up with the reasonable system for continuous follow-up with debtors and other parties for recovery of outstanding amounts. Also, age-wise analysis of outstanding amounts is carried out for management information and follow-up action.
31. The management of liquid resources particularly cash/bank and short-term deposits etc. are adequate and that excessive amount are not lying idle in non-interest-bearing accounts, and the withdrawals of loan amounts are made after assessing the requirements of funds from time to time and no excess amounts are withdrawn leading to avoidable interest burden on the company.
32. The activities carried out by the company are lawful and intra-vires to the Articles of Incorporation of the company.
33. The investment decisions are made subject to prior approval of the Board and investment in new projects are made only after ascertaining the technical and economic feasibility of such new ventures.
34. The company has established an effective budgetary control system and company calculate the variance as per our examination. The variance is discussed in the board meeting and the internal meeting on periodically manner.
35. As per the explanation provided to us no input output ratio can be established hence no Standard costing system is established and the variance analysis are not carried out on periodic intervals.
36. The details of remuneration, commission and other payments made in cash or in kind to the Board of Directors including the Chief Executive Officer or any of their relatives (including spouse(s) and child/children) by the company directly or indirectly are disclosed in notes to accounts.
37. The directives of the Boards have been complied with appropriate manner. The directive of previous board is promptly discussed in succeeding board meeting for verification of the compliance.
38. The officials of the company have not transmitted any price sensitive information, which are not made publicly available, to their relatives/friends/associates or close persons.
39. Proper records are kept for inter unit transactions/services and arrangements for services made with other agencies engaged in similar activities.
40. Proper agreements are executed and that the terms and conditions of leases are reasonable and the same are applied if machinery/equipment are acquired on lease or leased out to others.



## Computerized Accounting Environment

The Company is using software Tally 9.0 multiuser ready-made package for general Financial Accounting.

Adequate safeguard measures and back up facilities exist (the data are maintained in the server). Though the company had maintained the back up in server, the company had not maintained other back up in different locations.

The operational controls are adequate and automatic to ensure correctness and validity of input data and output information.

The Measures taken by the Company to prevent unauthorized access over the Computer Installations and Files are adequate providing the different accessing facility to different level of the managements according to role assigned.

At the time of data migration during change over to new system are not effectively managed to ensure completeness of data as well as smooth operation of the system. Now company is soon changing to new system called ERP.

## Other requirements:

### 1. Going concern problem

The Company's present operational and financial data indicated that the Company is financially improving compared to the last year's performance. As such, we have no reason to believe that the Company is not a going concern entity. Accordingly, the financial statements have been prepared on the going concern assumption.

### 2. Ratio analysis

Financial and Operational Resume including Ratio Analysis in respect of the Company has been worked out in Exhibit-1.

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

During the course of audit, we have verified compliance with the Companies' 'Act of the Kingdom of Bhutan, 2016 by the company and we have not come across any instance of non-compliance of the said provisions.

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

The audit of the Company is governed by the Companies Act of Bhutan 2016 and the scope of audit is limited to examination and review of the financial statement as produced to us by the management. In the course of Audit, we have considered the compliance of provisions of the said Companies Act, Income Tax Laws and its Articles of Incorporation only.



<b>Bhutan Board Products Limited</b>				
Consolidated Statement of Financial Position (Amount in Nu.)				
Particulars	Note	31/12/2021	31/12/2020 Restated	1.1.2020 Restated
Property, Plants & Equipment's	1	31,466,233.97	31,419,009.08	38,585,384.94
Trade & Other Receivables	2	3,605,461.86	2,490,272.20	2,449,620,620.70
Other bank balances	4	568,429.00	568,429.00	568,429.00
Deferred Tax Assets	5	128,584.00	(486,981.00)	-
Biological Asset	31	560,790,000.00	560,790,000.00	560,790,000.00
Other non-current assets	6	-	150,687.00	150,688.00
<b>Total Non-Current Assets -</b>		<b>596,558,708.83</b>	<b>594,931,416.28</b>	<b>602,544,121.64</b>
Inventories	14	105,578,415.61	95,663,133.58	168,754,403.98
Trade & Other Receivables	2	6,429,306.27	16,736,693.26	12,913,034.73
Prepayments	7	50,325,683.20	34,486,400.22	30,739,044.07
Cash & Cash Equivalents	8	7,531,059.02	7,410,761.27	2,538,592.77
Current Tax Assets	9	5,801.57	2,127,736.94	1,264,319.24
<b>Total Current Assets -</b>		<b>169,870,265.67</b>	<b>156,424,725.27</b>	<b>216,209,394.79</b>
<b>TOTAL ASSETS</b>		<b>766,428,974.50</b>	<b>751,356,144.45</b>	<b>818,753,516.43</b>
<b>Equity:</b>				
Share Capital	15	140,001,400.00	140,001,400.00	140,001,400.00
General Reserve		29,149,212.00	29,149,212.00	29,149,212.00
Dividend Equalization Reserve		12,000,000.00	12,000,000.00	12,000,000.00
Replacement & Maintenance Reserve		27,986,451.00	27,986,451.00	27,986,451.00
Retained Earnings		452,435,565.55	445,250,835.61	513,443,580.19
<b>Total Equities -</b>		<b>661,572,628.55</b>	<b>654,387,898.61</b>	<b>722,580,643.19</b>
<b>Liabilities:</b>				
Employee Benefit Liabilities	10	3,350,938.00	2,878,884.00	8,531,506.00
Trade & Other Payables	11	4,742,225.00	1,436,363.00	2,172,664.00
Total Non-Current Liabilities-		8,093,163.00	4,315,247.00	10,704,170.00
Trade & Other Payables	11	15,300,629.80	22,218,198.57	44,854,689.10
Borrowings	12	61,543,394.30	52,803,149.98	34,075,754.25
Other current liabilities	13	19,919,158.85	17,631,650.29	6,538,259.89
<b>Total Current Liabilities -</b>		<b>96,763,182.95</b>	<b>92,652,998.84</b>	<b>85,468,703.24</b>
<b>Total Liabilities -</b>		<b>104,856,345.95</b>	<b>96,968,245.84</b>	<b>96,172,873.24</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>766,428,974.50</b>	<b>751,356,144.45</b>	<b>818,753,516.43</b>

For Dilli & YOK ASSOCIATES  
Chartered Accountants  
FRN: CRG 125

CA Dilli Ram Bista  
Membership No.: 542831

Place: **THIMPHU**  
Date: *Thimphu*

Annual Report 2021



Chencho Dorji  
Chairman

Director

Sherab Namgay  
Managing Director

Aita Raj Rai  
Head Finance





## Statement of Comprehensive Income

As at 31.12.2021 (Amount in Nu.)

Particulars	Note	31/12/2021	31/12/2020
Continuing Operations:			
Revenue	16	232,884,358.14	183,797,148.83
Cost of Sales	17	(210,827,427.48)	(244,229,291.77)
Gross Profit/(Loss)-		22,056,930.66	(60,432,142.94)
Other Incomes	18	4,950,442.07	7,120,220.97
Selling & Distribution Expenses	19	(12,711,790.00)	(8,587,509.27)
Administrative Expenses	20	(7,710,034.23)	(7,994,320.42)
Other Expenses	21	(406,267.46)	(192,993.59)
Results from Operating Activities-		6,179,281.04	(70,086,745.25)
Finance Cost	22	-	(2,079,456.33)
Net Finance (Costs)/Income-		-	(2,079,456.33)
Profit Before Tax-		6,179,281.04	(72,166,201.58)
Tax Expenses	23	-	(486,981.00)
Current Tax			
Deferred Tax		615,565.00	-
Profit from Continuing Operations-		6,794,846.04	(72,653,182.58)
Profit/(Loss) For the Year-		6,794,846.04	(72,653,182.58)
Other Comprehensive Income: Actuarial gain/(losses) on re-measurement of employee benefits	24	556,977.00	4,460,438.00
Tax on Other Comprehensive Income		(167,093.10)	
Net Other Comprehensive Income		389,883.90	4,460,438.00
Total Comprehensive Income for the Year		7,184,729.94	(68,192,744.58)
Earnings per Share:			
Basic Earnings per Share-	1	0.51	(4.20)
Diluted Earnings per Share-	1	0.51	(4.20)

For Dilli & YOK ASSOCIATES

**Chartered Accountants**  
**FRN: CRC2625**

CA Dilli Raj Bista  
Membership No.:54283

**Place: THIMPHU**

**Date: 31/5/22**

*Thimphu*



Chencho Dorji  
Chairman

Sherab Namgay  
Managing Director

Director

Aita Raj Rai  
Head- Finance

**Statement of Changes in Equity**

for the Year Ended December 31, 2021

(Amount in Nu.)

Description	Equity share Capital	Reserves	Reserves	Reserves	Retained Earnings	Total equity
		General Reserve	Dividend Equilisation Reserve	Replacement & Maintenance Reserve	Retained earnings	
Balance at 01 January 2020	140,001,400.00	29,149,212.00	12,000,000.00	27,986,451.00	513,443,580.19	722,580,643.19
Profit for the year		-			(72,653,182.58)	(72,653,182.58)
OCI: Gain/(losses) on re-measurement of employee benefits					4,460,438.00	4,460,438.00
<b>Balance at 31 December 2020</b>	<b>140,001,400.00</b>	<b>29,149,212.00</b>	<b>12,000,000.00</b>	<b>27,986,451.00</b>	<b>445,250,835.61</b>	<b>654,387,898.61</b>
Description	Equity share Capital	Reserves	Reserves	Reserves	Reserve and surplus	Total equity
		General Reserve	Dividend Equilisation Reserve	Replacement & Maintenance Reserve	Retained earnings	
<b>Balance at 01 January 2021</b>	<b>140,001,400.00</b>	<b>29,149,212.00</b>	<b>12,000,000.00</b>	<b>27,986,451.00</b>	<b>445,250,835.61</b>	<b>654,387,898.61</b>
Profit for the year		-			6,794,846.04	6,794,846.04
OCI: Gain/(losses) on re-measurement of employee benefits					389,883.90	389,883.90
<b>Balance as at 31 December 2021</b>	<b>140,001,400.00</b>	<b>29,149,212.00</b>	<b>12,000,000.00</b>	<b>27,986,451.00</b>	<b>452,435,565.55</b>	<b>661,572,628.55</b>

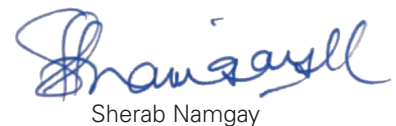
For Dilli &amp; YOK ASSOCIATES

**Chartered Accountants****FRN: CRC2625**CA Dilli Ram Bista  
Membership No.:54283**Place: THIMPHU****Date: 31/5/22**

Thimphu

  
Chencho Dorji

Chairman

  
Director  
Sherab Namgay

Managing Director

  
Aita Raj Rai  
Head- Finance



## Consolidated Statement of Cash flow

For the Year Ended 31.12.2021

Particulars	Note	Audited 31/12/2021	Restated 31/12/2020
<b>Cash Flows from Operating Activities:</b>			
<b>Profit/(Loss) for the Year</b>	30	7,184,729.94	(68,192,744.58)
Adjustment for:			
- Depreciation	28	3,763,112.16	8,923,944.96
- Net Finance Costs	90	-	2,079,456.33
- Provision for Leave Encashment	2	(660,807.00)	1,495,086.00
		<b>10,287,035.10</b>	<b>(55,694,257.29)</b>
Changes in:			
- Inventories	7	(9,915,282.03)	73,091,270.09
- Trade & Other Receivables	2	9,192,197.33	(3,864,310.03)
- Other non-current assets	10	464,878.00	486,981.00
- Prepayments	16	(15,839,282.98)	(3,747,358.64)
- Current Tax Assets	18	2,121,935.37	(863,417.70)
- Employee Benefits (Excluding Actuarial Gain/Loss)	2	846,592.84	(7,147,708.00)
- Trade & Other Payables		(3,611,706.77)	(23,372,791.53)
- Other current liabilities		2,287,508.56	11,093,390.40
<b>Cash Generated from Operating Activities -</b>		<b>(4,166,124.58)</b>	<b>(10,018,201.70)</b>
Income Tax Paid		-	-
<b>Net Cash from Operating Activities -</b>		<b>(4,166,124.58)</b>	<b>(10,018,201.70)</b>
Cash Flows from Investing Activities:			
Proceeds from Sale of Property, Plant & Equipment		-	-
Development Expenditure		(3,810,338.29)	(1,757,569.20)
<b>Net Cash from/(used) in Investing Activities -</b>		<b>(3,810,338.29)</b>	<b>(1,757,569.20)</b>
Cash Flows from Financing Activities:			
Interest Paid		-	(2,079,456.33)
Proceeds from Loans & Borrowings		8,096,760.62	18,727,395.73
<b>Net Cash from/(used) in Financing Activities -</b>		<b>8,096,760.62</b>	<b>16,647,939.40</b>
Net Increase/(Decrease) in Cash & Cash Equivalent-		120,297.75	4,872,168.50
Opening Balance of Cash & Cash Equivalent		7,410,761.27	2,538,592.77
<b>CLOSING BALANCE OF CASH &amp; CASH EQUIVALENT</b>		<b>7,531,059.02</b>	<b>7,410,761.27</b>

For Dilli & YOK ASSOCIATES

**Chartered Accountants**

**FRN: CRC2625**

CA Dilli Ram Bista

Membership No.:54283

**Place: THIMPHU**

**Date: 31/5/22**

Thimphu



Chencho Dorji  
Chairman

Director

Sherab Namgay  
Managing Director

Aita Raj Rai  
Head- Finance

















