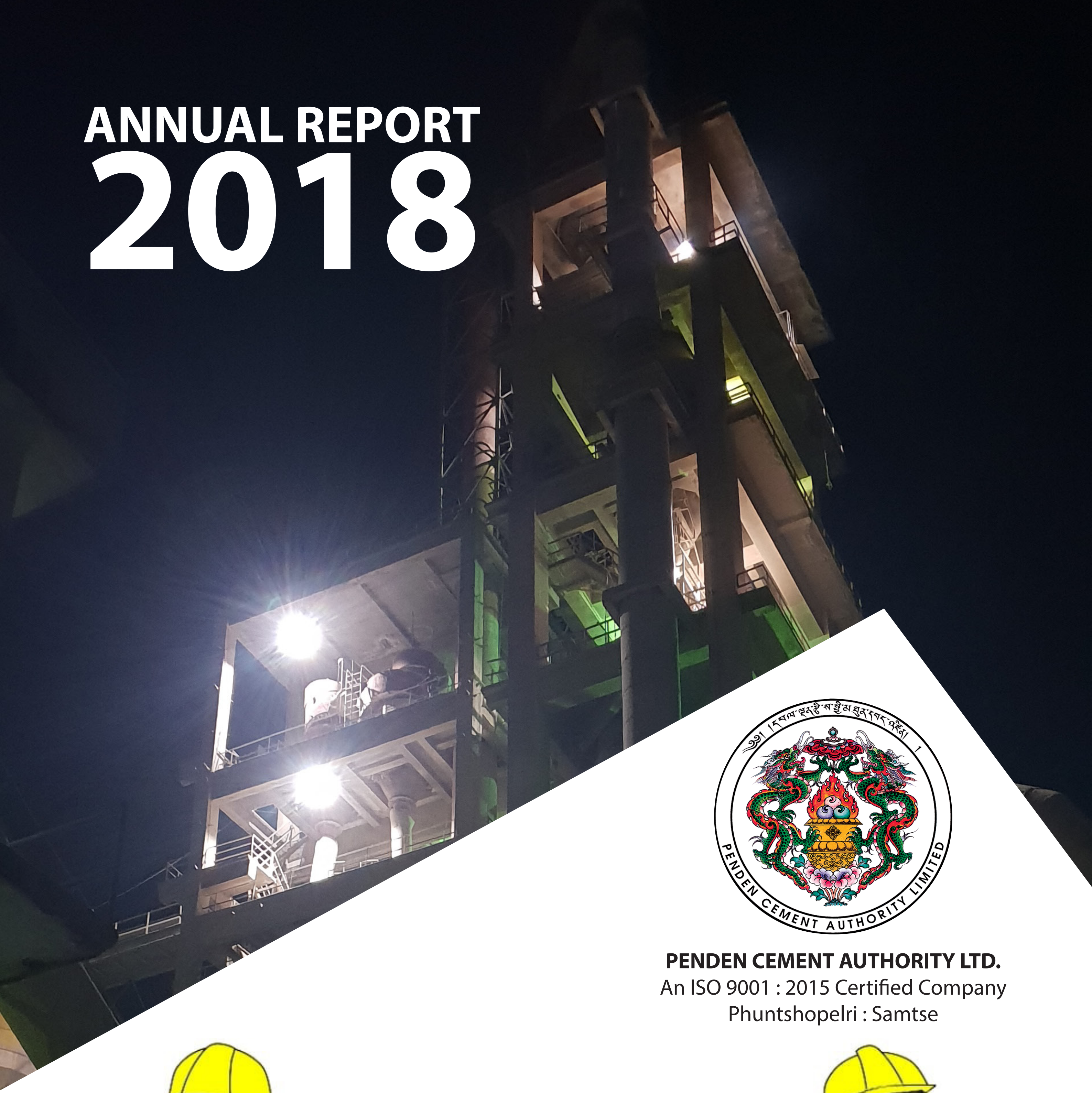
ANNUAL REPORT 2018



PENDEN CEMENT AUTHORITY LTD.
An ISO 9001 : 2015 Certified Company
Phuntshopelri : Samtse

" Construct with Confidence "

CONTENT

Our Vision

"To be a leading organization reputed for quality products, services and business practices."

Our Mission

To strive to be the most resource-efficient manufacturer of cement in Bhutan by adopting appropriate technologies and best practices, while being conscious of customer and employee expectations.

COMPANY PROFILE

Penden Cement Authority Limited (PCAL) is a Joint Sector Company incorporated under the Companies Act of the Kingdom of Bhutan 2016. For a period spanning over 37 years, PCAL has served as the foundation in steering the country during the crucial industrialization and developmental phase.

Since its inception, PCAL has embarked on a journey to continuously move from strength to strength with constant impetus in research and development, focus on new mining opportunities and other diverse enterprising avenues for the betterment of the company.

PCAL was constituted as an undertaking of the Royal Government of Bhutan under the Royal Charter, in 1974. In 1977, the process of setting-up of a 300 TPD plant began at Gomtu and commercial production started in 1981.

The plant was optimized to a clinker production capacity of 1000 TPD in the year 2002 by adopting the improved technology and control system with minimum investment. In 2004, with the concept of the introduction of blended cement by using industrial wastes such as slag and fly-ash, the capacity of cement production was further enhanced to 1650 TPD.

The main Quality Policy of the company is to comply with the requirements of customers to their satisfaction and continually improve the effectiveness of Quality Management System. The Quality Objectives of PCAL are to enhance customers' satisfaction by supplying consistent quality of cement and affecting deliveries just-in-time.

Since its establishment, PCAL had been primarily in the business of manufacturing and selling cement. With the emergence of new challenges, particularly in the form of gradual depletion of limestone deposits, aging machinery and ever increasing market competition, both external and domestic, PCAL is constantly reviewing both the internal and external environments to re-position itself for growth and sustenance.

>> Glimpse of our Plant, our Pride

Since 1982

COMPANY'S MILESTONE

1965

Prospecting of Limestone initiated through Geological Survey of India.

1970

Feasibility Study of a 300 TPD cement plant at Pugli commenced.

1974

Constitution of Penden Cement Authority.

1980

Setting up of 300 TPD cement plant commenced.

1981

Commercial production commenced.

Entered Indian Cement Market as levied (controlled) item controlled under essential commodities by Cement Control.

1982

HRH Ashi Kesang Wangmo Wangchuck inaugurated Penden Cement Plant on February 5, 1982.

1983

Penden Cement achieves 107.9% capacity utilization in Clinker production.

1985

Penden Cement takes over the management of Penden Collieries.

2 Virtual Shaft Kilns(VSKs) of 50MTPD capacity each installed. Thus enhancing the installed clinker production to 400MT.

1986

Penden Cement takes over Shumar Gypsum Mines from Department of Industry.

GOI declared Cement as a non-levied commodity under free sale.

1987

Penden Cement was connected to the National Power Grid - Department of Power (DoP) supply in March 29, 1987.

1988

Penden Cement initiated the project of planting trees within and the adjoining areas of its factory premises and mined out areas.

1989

Penden Cement incorporated under the Companies Act of the Kingdom of Bhutan as a Joint Sector Corporate Body, Penden Cement Authority Limited.

1991

Received DANIDA's assistance on reduction in air pollution, Occupational Health and Safety Management (OHSM) started.

Since 1982

1992

Penden Collieries and Shumar Gypsum Mines were privatized.

Established an Environment Cell to address the environmental issues and conduct monitoring of stack emission, ambient air quality, work environment air quality, and occupational safety and health aspects.

1993

Optimized plant capacity to 400 TPD with a reduction in air pollution under DANIDA's funding.

1994

Approval accorded by the board for capacity augmentation of the plant to 800 TPD.

Penden Rock Project at Setikhare started.

Penden Dolomite Project at Sunargaon initiated.

1995

Work on capacity augmentation started.

1996

Plant Capacity Augmented to 800 TPD.

Clinker Storage Silo was set up, having a capacity of 10000 MT.

Adoption of the new concept of Programmable Logic Control (PLC) philosophy.

Installation of glass fabric Bag House for Pollution Control.

1998

PCAL conferred with "ARCH OF EUROPE AWARD" for Excellence and Quality.

First PSC was ground in July 20, 1998.

1999

Launched the production of Portland Slag Cement (PSC). Bureau of Indian Standard Product Certification Awarded for OPC43, OPC33 grades, and PSC.

2001

Project Work on Optimization from 800 TPD to 1000 TPD of Clinker production started.

2002

The optimized Clinker production of 1000 TPD was achieved in May, 2002.

Upgradation of Programmable Logic Control (PLC) platform to next higher operating platform i.e. from CORAS to WINCC Operating System.

Installation of new Gas Analyzers and better raw meal and coal feed control system.

Penden Cement started operating Uttare Limestone Mines.

2003

PCAL awarded with ISO 9001: 2000 certifications by Bureau of Indian Standard.

2004

Cement production augmented to 1650 TPD with the launching of Portland Pozzolana Cement (PPC) in the market.

Cement Mill III was set up with a capacity of 22.5 TPH PSC and 30TPH OPC.

Fly Ash Storage Silo was set up with a capacity of 750MT.

New Packing Plant with 6 Spout Rotary Packer Machine was set up.

2005

Product Certification for PPC (Portland Pozzolana Cement) was awarded by the Bureau of Indian Standard.

Old Packing Plant upgraded from stationary Spout Packer Machine to 6 Spout Rotary Packer Machine.

2006

Completed 25 years of commercial production and Celebrated the Silver Jubilee of the company on February 5, 2006.

2007

Recognized as the first firm in obtaining "Private Forest Ownership Certificate" in the district toward protection and conservation of the environment.

Circular Stacker Reclaimer having a storage capacity of 21,000MT was set up for blending and homogenization of limestone of varying quality.

2008

Initiated additional limestone deposit prospecting through the expertise of DGM in and around Samtse district and Gelephu.

2009

Separate Fly Ash dosing line introduced for Cement Mill III for production of PPC from this Mill.

2010

PCAL awarded "THE PLATINUM TECHNOLOGY AWARD FOR QUALITY & BEST TRADE NAME" by OTHERWAYS INT'L RESEARCH & CONSULTANTS in Geneva, Switzerland.

2011

PCAL has also led and constructed the Clock Tower in the middle of Gomtu Town to commemorate the Royal Wedding during 2011 with joint funding from the Lhaki Group of Companies.

2012

High-quality limestone is being investigated in Dorokha and Denchukha areas located about 22-km crow fly distance north of Gomtu in an effort to prolong the life of your plant.

2013

In bringing growth and diversification through new product development, the company has developed a new type of cement based on mineral dolomite and is branded as DoloCem. Strength, workability, and durability related tests of this product are found positive and in conformity to Bureau of Indian Standards (BIS).

2014

A 9 feet brass make Jampayang (Manjushree) statue was constructed and successfully installed, in dedication to the 60th birth anniversary of HM the Fourth Druk Gyalpo, in collaboration with other industries and manufacturing companies, mining industries and local government authorities at the Queen's Park, Gomtu. The total expenditure incurred toward installation of the statue was Nu. 4,150,000.00.

2016

Penden cement Authority limited received the ESQR's (European Society for Quality Research) Award for best practices 2016 at ESQR's Convention in Brussels, on June 4, 2016.

PPC Plus, Penden Premium brand cement was launched in the Export market in the month of February, 2016.

2017

Adopted and implemented all phases of Bhutanese Financial Reporting Standards (BFRS).

2018

PCAL upgraded to ISO 9001:2015 Quality Management Systems in the month of September 2018.

Start of Restoration of Uttare Mines and Beema Bamboo plantation

PPC Plus, Penden Premium brand cement was launched in the domestic market in the month of November 2018.

Organizational development exercise was carried out. Technical audit of the plant was carried out by Siam Cement Group, Thailand. Detailed Project Report for the AAC blocks project carried out. Predictive maintenance programme was introduced.

>> Penden Cement Plant by night

BOARD OF DIRECTORS

1.	**Mr. Sonam Wangchuk**	Secretary/PCAL Board Chairman Ministry of Labour & Human Resources, Thimphu
2.	**Brigadier Thinley Tobgay**	Commandant, Royal BodyGuards, Thimphu
3.	**Mr. Phuntsho Tobgay**	Director General, Department of Geology & Mines, Ministry of Economic Affairs, Thimphu
4.	**Mr. Sonam Wangyel**	Dzongdag, Samtse Dzongkhag Administration, Samtse
5.	**Lopen Passang**	Secretary General, Central Monastic Body, Thimphu
6.	**Mr. Kinga Lotey**	Head – HR & Adm. Unit, DHI, Thimphu
7.	**Mrs. Leki Wangmo**	Investment Director, National Pension & Provident Fund, Thimphu
8.	**Mr. Phub Dorji**	Post Box No. 403, Thimphu
9.	**Mr. Tenzin**	Chief Executive Officer, PCAL, Phuntsho Pelri, Samtse

SHAREHOLDERS

SN	Name of Shareholders	% of Shares
1	Central Monk Body	7.81%
2	Other Monasteries	7.20%
3	Yum Rani Choning Wangmo's Trust Fund	5.38%
4	Royal Family Members	0.91%
5	His Majesty's Kidu Fund & Sunchob Fund	11.03%
6	Druk Holding & Investments	40.33%
7	Bank Of Bhutan Limited	0.11%
8	National Pension & Provident Fund	6.34%
9	Bhutan National Bank Limited	1.79%
10	Royal Insurance Corporation Of Bhutan	0.54%
11	Education Staff Welfare Scheme	0.26%
12	Bhutan Development Bank Limited	0.11%
13	Bhutan Trust Fund For Environmental Conservation	0.52%
14	Army Welfare Project	0.13%
15	Gokha Kidu Soelra Fund (RBG)	0.88%
16	Royal Golf Club	0.03%
17	Royal Bhutan Army	0.36%
18	Royal BodyGuards	0.22%
19	Royal Bhutan Police	0.15%
20	Other Individual Shareholders	15.90%
	TOTAL NO. OF SHARES	**100.00%**

SHAREHOLDERS AND BOARD MEETINGS HELD IN 2018

Meetings	No. of Meetings Held
Annual General Meeting	*1*
Extraordinary General Meeting	*1*
Board Meeting	*9*
Board Audit Committee Meeting	*3*
Board HR Committee Meeting	*2*

DIRECTORS' REPORT

To,

The Shareholders,

Penden Cement Authority Limited

I, on behalf of the Board of Directors of Penden Cement Authority Limited, take pleasure to present the 33rd Annual Performance Report on the business and operations of the Company along with the audited financial statements for the year ended 31st December 2018.

The Year 2018 has been a challenging yet good year for PCAL. The depleting limestone reserves and the aging plant continues to impact production. The series of unforeseen breakdown of the plant and machineries in the month of June 2018 led to huge production loss and thereby the revenue. However, the Board and the employees have managed to achieve satisfactory performance.

In 2018, the total revenue generated from the sale of cement and other income amounts to Nu. 1,619.27 million and the PAT is Nu. 117.053 million. The overall Compact achievement is 91.60%. The comparative production and dispatch figures with the financial achievements are presented below to highlight the performance for the financial year 2018:

Particulars	2018	2017	2016
Clinker Production (MT)	185,102.00	167,480.00	249,465.00
Cement Production (MT)	307,828.00	323,810.00	357,177.00
Cement Dispatched (MT)	312,683.93	322,594.64	352,149.25
Sale of Products and Other Income (MBTN)	1,619.271	1,631.09	1,687.83
Profit before Depreciation, Interest, and Tax (MBTN)	260.608	288.96	288.62
Less: Depreciation (MBTN)	93.891	78.22	77.66
Less: Interest (MBTN)	1.135	1.06	1.07
Profit Before Tax (MBTN)	157.704	206.74	210.96
Corporate Income Tax (MBTN)	48.527	64.60	81.17
Profit After Tax (MBTN)	117.053	151.06	145.90
Book Value of Shares (BTN)	37.96	41.51	34.91
Earnings Per Share (BTN)	3.44	4.44	5.39

The PAT for FY 2018 has been impacted due to the increase in depreciation amounting to Nu.15.671 million. PCAL has followed standard prescribes of accounting treatment for Property, Plant and Equipment (PPE) as per DHI Group accounting policies. The PPE is measured at its cost initially and depreciated using the useful life of the asset under the straight-line method.

Non-Financial Achievements

The Company is continuously exploring new opportunities through diversification projects and other value addition to the core product cement. The following are the diversification projects under consideration:

Autoclaved Aerated Concrete (AAC) Blocks: The detailed project report (DPR) to set up a 300 cubic meter AAC Blocks manufacturing unit in Gomtu was completed. The DPR was also endorsed by the Board, in its 184th Board Meeting and subsequently by the Shareholders in the EGM convened on January 15, 2019. The AAC Blocks manufacturing unit will be implemented adjacent to the cement plant for efficient integration and sharing of resources. The project implementation clearance from the Dzongkhag and NEC is also under the advanced stage. The project shall be implemented within a period of 15 months under a turnkey model to save on time and for the technology transfer. The total project cost is estimated at Nu.292.60 million, which shall be financed through a debt to equity ratio of 60:40.

Beema Bamboo Plantation at Uttare Mines: A total of 10,500 Beema bamboo saplings were procured from Growmore Bio-Tech, India to pilot bamboo plantation as restoration of Uttare Mines. The saplings will be transferred from the nursery to Uttare Mines in the month of June-July 2019. Based on the outcomes of the pilot project, further investment shall be examined.

Other Non-Financial Achievements

Technical Audit of the Plant: The Company hired the consultancy services from SCG, Thailand to carry out the technical assessment of the plant. The main objective of the audit is to improve the efficiency of the plant and to optimize production. The consultancy report has recommended several corrective measures, which are being implemented through in-house resources and hiring of experts wherever necessary.

Limestone Exploration: The Company has hired the services from the Department of Geology and Mines, MoEA to carry out exploration of limestone and to reassess the deposits at the Penden Limestone Mines, Pugli and Calc-Tufa at Kalapani. Explorations have also been carried out. A preliminary walking survey was also carried out in Bomchang and Danleng area in Zhemgang, where potential deposits are envisaged. In order to carry out detailed exploration, a geologist is being engaged and the exploration is under progress.

Corporate Governance

The Company is adopting the best corporate governance practices complying to all Acts, Laws, Rules, and Regulations of the Royal Stock Exchange of Bhutan Limited, the Company Registry Division, MoEA, and DHI. While upholding the shareholder's values, the Company remains true to its vision, mission, and goals for which it was conceived.

In brief, PCAL Board comprises of nine Board Directors including the Chief Executive Officer. The Board Directors represent an array of institutions and minority shareholders providing the balance and wisdom for the Board to swiftly come to resolutions. In 2018, following an open selection process, the Board recruited the 9th CEO of the Company, which was also endorsed by the Shareholders in the EGM. A total of nine Board meetings were conducted during the FY 2018. In order to review and recommend to the Board on resolving the audit issues of the Company, the Board Audit Committee was also constituted. The Committee met for four meetings until the finalization of the accounts for FY 2018. Similarly, the Board also constituted a Board HR Committee which was convened twice in 2018 and Board Ad hoc Committee to review the systems and process manuals during the year. A Nomination & Governance Committee (NGC) was constituted by the Board to conduct due diligence for the appointment of the new CEO. The NGC meeting was convened twice during 2018. An Extraordinary General Meeting was convened on July 25, 2018 to endorse the appointment of the incumbent CEO.

I am also pleased to inform that the management has also initiated several reforms such as the conduct of the organizational development exercise, regular management meetings, employee's feedback system, employees' welfare scheme, etc. to improve business processes and employees wellbeing. One of the major changes we have introduced is the detailed performance management system, which is based on the blue book issued by Druk Holding and Investments Ltd. It is our expectation that the new performance management system will enable the Board and the management to achieve higher goals and also better recognize the contributions made by the employees.

Corporate Social Responsibility

The Company continues to accord top priority to fulfilling its Corporate Social Responsibility both towards its employees and the communities at large. The Company continues to provide quality accommodation with modern amenities at reasonable charges to its employees.

The Company has contributed to various charities and religious institutions around the Country and the neighboring places through cash and goods. Few prominent contributions made are Nu. 200,000 and 1,000 bags (50 MT) cement to Samtse Dzongkhag for the 111th National Day celebrations, contributions towards the purchase of land for choekhang at Thimphu, Blind Music Training Center, the silver jubilee celebrations of Royal Securities Exchange of Bhutan Ltd, Royal Bhutan Army, Taa Dzong (Paro), Kadam Chorten, and Tsirang Namgyel Choeling Rabdey Dratshang among others.

PCAL also manages the activities of Bhutan India Friendship Association for Samtse Chapter, where the CEO is the Vice-President. As part of the ongoing efforts to promote Bhutan and India friendship ties, a health walk and free medical checkup including distribution of mosquito nets to the lower income brackets were organized with the support from the Ministry of Health (Bhutan), and the local industries.

The Company has also reinstated the regular cleaning campaign within and outside the Company's premises. A care and maintenance scheme is also implemented to reduce dust in the plant which is also the main source of failures of the machinery. The Company also continues to support the local community through the arrangements of garbage disposal and water sprinklers. With the support of the Samtse Dzongkhag and the Phuntshopelri Gewog, the Company has been able to establish Bhutanese vendors in the weekend market that was erstwhile operated by Indian vendors only. Regular games and sports activities were organized to engage the employees and to promote a healthy lifestyle.

Key Challenges

The Company is confronted with several challenges today. The biggest challenge is the depleting limestone reserves. The Company has already closed Uttare Mines, and the Pagli Mines is also depleting. Nevertheless, there is continued effort to explore new mines for the limestone. The Board and the management are also carrying out several exercises to determine the residual life of the existing limestone mines and also explore new mines within the vicinity and other places within Bhutan. At the present juncture, the consumption of the limestone is optimized by procuring high-quality Clinker as sweeteners and through the production of cement that requires low limestone.

Another challenge is the aging plant that has impacted production on multiple occasions. Several efforts are underway to minimize breakdowns and maintain plant efficiency. In 2018, the Board and the management engaged SCG consultant from Thailand to conduct a detailed technical audit of the plant to revive the plant efficiency and ensure reliability for production. Important standard operating procedures (SoPs) have been introduced to improve the process and production. Condition monitoring and predictive maintenance tools were also introduced to reduce plant breakdown and improve reliability. Care and maintenance schemes were also introduced to reduce dust which is seen as a major cause of plant and machinery failure. It is our vision to create a dust free plant in the coming years that should help the environment and also enhance production.

The other challenges are the increasing cost of raw material such as Clinker, and coal used as fuel. The cost of transportation of raw materials and cement to various locations is also on the rise. Cost optimization exercises are carried out wherever possible. The sale of cement in Bhutan (domestic market) is also impacted due to competition from other cement manufacturers. In India (export market), the sale of cement is partially impacted due to the introduction of the Indian Goods & Service Tax (IGST) and stiff competitions from other cement manufacturers. The market is being closely monitored while ensuring quality cement, which is our unique selling point so far.

Tashi Delek!

Wangchuk

(Sonam Wangchuk)

Chairman of the Board of PCAL

>> 111th National Day celebration in Samtse Dzongkhag

>> Management team visits Penden Limestone Mines in Pugli

>> Care and maintenance of the plant on every Saturdays

>> Annual maintenance of the Kiln - laying of the refractory bricks

AUDITOR'S REPORT

T. K. Ghose & Co.
Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF
PENDEN CEMENT AUTHORIY LIMITED

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of Penden Cement Authority Limited (the Company), which comprise the statement of financial position as at December 31, 2018, The statement of comprehensive income, Statement of changes in equity and 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, except for the effects of matter described in the Basis of Qualified Opinion paragraph, the accompanying financial statements present fairly, in all material respects performance and its cash flows for the year then ended in accordance with BAS.

Basis for Qualified Opinion

(i) In accordance with BAS-16 "Property, Plant and Equipment" significant parts/components of assets are required to be identified and depreciated over their estimated useful life. The Company has not identified any significant parts/components of property, plant and equipment and the impact of same has neither been assessed nor disclosed.

(ii) Not availability of Balance Confirmations for various receivable and payables, which may have financial impact on the profitability and certain disclosures.

(iii) Computation of Corporate Income Tax could not be ascertained accurately as depreciation expense as per the Income Tax Act of the Kingdom of Bhutan, 2001 could not be determined.

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 our 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 the attention of the shareholders in respect of the following observations

(i) Accounting of Tax Deducted at Source is being mostly done at the time of making payment to suppliers and contractors in contradiction of the guidelines issued by Department of Revenue & Customs, that Tax deducted at source should be

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accounted for at the time of making payment or crediting in the books of accounts, whichever is earlier.

Our opinion is not modified in respect of these matters.

Key Audit Matters

In addition to the matter described in the Basis for Qualified Opinion section of our report, we have determined the matters described below to be the key audit matters

(i) The company's IT infrastructure allows the use of USB/Pen drives/ personal email ids and access to social media sites. Consequently unauthorised access and transfer of data cannot be ruled out.

Responsibilities of Management and Those Charged with Governance for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSand 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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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.

Report on Other Legal and Regulatory Requirements

As required by Section 266 of the Companies Act of Bhutan, 2016 (the Minimum Audit 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 purposes of our audit.

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

c) The statement of Financial Position, The statement of Comprehensive Income, The statement of Changes in Equity and The Statement of Cash Flows dealt with by this report are in agreement with the books of accounts and returns.

d) In our opinion, the company has complied with other legal and regulatory requirements.

For T.K. Ghose& Co.
Chartered Accountants

(Gaurab Basu)
Partner
M. No. 060518
Firm Registration No. 302002E

T.K. GHOSE & CO. Regn No.- 302002E Chartered Accountants

Date: 21/02/2019
Place: Kolkata

ANNEXURE REFERRED UNDER REPORTING ON OTHER LEGAL AND REGULATORY REQUIREMENTS OF OUR REPORT OF EVEN DATE

MINIMUM AUDIT REPORTING REQUIREMENTS (TO THE EXTENT APPLICABLE)

1. The Company has generally maintained Property, Plant & Equipment (PPE) Register showing full particulars including quantitative details and situation of PPE. *However, the company has not reconciled the quantitative and situation details of physical verification results with the records maintained. There are a number of assets whose location could not be ascertained at the time of physical verification but are included in the Asset Register. The useful life of the assets has not been accurately determined by the management.*

2. None of the fixed assets of the Company have been revalued during the year under audit.

3. The stock of inventories has been physically verified by the management once during the year.

   Considering the value of the inventory we feel once a year verification is not reasonable and the frequency should increase to once a quarter.

   The management has followed adequate procedures for the physical verification of stocks in relation to the size of the Company and nature of its business.

   The company has identified discrepancies during the course of physical verifications and passed necessary entries in the books of accounts.

4. The method of valuation of inventory for the company is adequate and commensurate with the size and nature of business. **The basis of valuation is the same as in the preceding year.**

5. The Company has not taken secured / unsecured loans from companies, firms or other parties and /or from the companies under the same management.

6. The Company has not granted any loans secured or unsecured, to companies, firms and other parties and/or to the companies under the same management.

7. Interest free advances given by the Company to outside parties and the employees have been generally adjusted / recovered as per stipulation. Reasonable steps have been taken by the company for recovery of the principal amounts, interest thereon (wherever applicable).

8. Advances have been granted to officers/staff generally in keeping with the provisions of service rules *subject to our observations in Management Audit Report.* Excessive/frequent advances are granted and/or accumulation of large advances against any particular individual are generally *avoided subject to our observations in Management Audit Report.*

9. In our opinion and according to the information and explanations given to us in course of the audit, the Company has generally established reasonably adequate system of internal controls to ensure completeness, accuracy and reliability of accounting records, to carry out the business in an orderly and efficient manner, to safeguard the assets of the Company as well as to ensure adherence to the applicable rules / regulations and systems and procedures. However further steps may be taken to improve the internal control processes.

10. In course of our audit we have observed that the Company, in general, has a system of obtaining competitive biddings/quotations from more than one party in respect of purchase of property, plant and equipment and other assets.

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11. As explained to us, the Company has not entered into any transactions for purchase of goods, property, plant and equipment and sale of services with parties in which one or more directors / any other parties in which such directors are interested.

12. According to the information and explanations given to us and also as examined by us, there was no cases, where any items of inventory, which are unserviceable or damaged / obsolete.

13. As informed to us, the Company, has a reasonable system of ascertaining and identifying point of occurrence of breakage and damages of raw material, packing material and finished goods.

14. As explained to us, the Company has reasonable record for production of finished goods and adequate safeguards exist to prevent unauthorized or irregular movement of goods from the Company.

15. According to the records maintained by the company and produced to us, the Company has generally been regular in depositing rates and taxes, provident fund and other statutory dues with the appropriate authorities *subject to the deduction and deposit of TDS where the company has deducted and deposited the TDS based on the date of payment and not on the date of booking of liability.*

16. According to the information and explanations given to us and so far it appears from the examination of the books, there were no undisputed amounts payable in respect of rates and taxes, provident fund, and other statutory dues as at date of the Statement of Financial Position.

17. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices, 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.

18. The Company has, in generally, has a system of recording movement of stores / spares and allocation of consumption thereof in connection with the repairs and maintenance of equipment / and has carried out quantitative reconciliation in respect of such major items.

19. We are given to understand that the Company, in general, has a system of obtaining Board approval for writing off amounts in respect of unserviceable stores and spares / dead stocks above Nu. 1 Million.

20. The Company has a reasonable system of allocation of man-hours to jobs / contracts to commensurate with the size and nature of business of the Company.

21. The company has a reasonable system of authorization at proper levels and generally adequate system of internal control to commensurate with the size and nature of its business, on issue of stores and allocation of materials and labour to contracts / jobs.

22. In our opinion, there is a reasonable system of price fixation taking into account the cost of production and the market conditionsas decided by the Sales Committee of the Company from time to time.

23. The Company does not have a policy of credit rating of customers. As per the information given to us, credit sales are restricted to Institutional Customers only

24. In our opinion, the Company, in generally, has a system of following up with debtors and other parties for recovery of outstanding dues. As explained to us, age wise

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analysis of debtors is regularly carried out and follow up actions undertaken, however the system needs to be further strengthened and improved.

25. In our opinion, and on the basis of information and explanations given to us, the management of liquid resources, particularly cash/bank etc. are, in generally, reasonably adequate and excessive amounts are not lying idle in non-interest-bearing accounts.

26. According to the information and explanations given to us, and on the basis of available records and information, we are of the opinion that the financial activities carried out by the Company during the year are prima facie lawful and intra-vires to the Articles of Association of the Company.

27. We are given to understand that Capital investment decisions are made with prior approval of the Board and investments in new projects are made only after ascertaining the technical and economic feasibility of such new projects.

28. The present system of budgeting, in our opinion, is generally reasonable.

29. The Directors have not been paid any remuneration other than sitting fees. The details of remuneration and other payments to the Managing Director/ CEO are disclosed in the accounts, is stated in Note 41. Based on the review of the records relating to the performance of the Board meetings, we have not come across any cases of disclosure of interest where payments have been made in cash or in kind to any of the directors and their relatives (including spouse(s) and child/children) by Company directly or indirectly, other than those mentioned above, nor have we been informed any of such case by the management.

30. As represented to us, the directives of the Board have generally been complied with.

31. We are given to understand by the management that the officials of the Company are refrained from transmitting any sensitive information which are not publicly available, unauthorized to their relatives/friends/associates or close persons which will directly or indirectly benefit themselves.

32. According to the information and explanations given to us, the Company has a reasonable system of ascertaining cost of its goods to enable it to make proper pricing decisions. However, pricing of its goods is largely market driven.

33. On the basis of checking of relevant records, we are of the opinion that the Company has not entered any agreements in respect of machinery / equipments etc. taken on lease by it from others, other than those acquired in normal course of the business.

COMPUTERISED ACCOUNTING ENVIRONMENT

1. The Company has implemented "AXPERT", which in our opinion is fully stabilized to ensure effective internal control over operations.

2. According to the information and explanation given to us, the Company has adequate safeguard measures of its data and back up facilities for its data.

3. The operational controls are found to be adequate to ensure correctness and validity of input data and output information subject to our Management Report.

4. The company's IT infrastructure allows the use of USB/Pen drives/ personal email ids/ access to social media sites. Consequently unauthorised access and transfer of data cannot be ruled out. As explained to us, measures taken by the Company to prevent unauthorized access over the computer installation and files are not adequate.

T.K. GHOSE & CO. Regn No.-

PENDEN CEMENT AUTHORITY

GENERAL

1. **Going Concern Issues:**
On review of the state of affairs as reflected by the Company's Statement of Financial Position as at 31st December, 2018 audited by us in accordance with the generally accepted auditing standards, we have no reason to believe that the Company is not a going concern on the date of the Statement of Financial Position (i.e. 31 December 2018).

2. **Ratio Analysis:**
Included in a separate Annexure.

3. **Compliances with the Companies Act of Bhutan, 2016**

We have verified compliance with the Companies Act of Bhutan, 2016 by the Company during the course of our audit and our observations in this regard are given below:-

i) The Company has filed annual return as required by Section 267 of the Act.
ii) The Company has held annual general meeting as required by Section 177 of the Act.
iii) The Company is following the accrual basis of accounting as required under Section 235(b) of the Act.
iv) Following statutory registers have been maintained by the Company depicting certain prescribed particulars as required to be disclosed under the Act.

a) Register of Directors

b) Register of charges [Section 228(c)]

c) Register of Intercorporate Loans/Investments

d) Register of Buy Back of Shares

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 statements, as produced to us by the management.

In the course of audit, we have reviewed compliance to the Companies Act and its Articles of Association and as explained to us, the Company has been complying with appropriate laws, rules and regulations, systems, procedures and practices.

For T.K. Ghose& Co.

Chartered Accountants

Gaurav Basu

(Gaurab Basu)

Partner

M. No. 060518

Firm Registration No. 302002E

T.K. GHOSE & CO.
Regn No.-
302002E
Chartered Accountants

Date: 21/02/2019

Place: Kolkata

COMPREHENSIVE INCOME STATEMENT

Since 1982

PENDEN CEMENT AUTHORITY LIMITED

COMPREHENSIVE INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

(Amount in Nu.)

Particulars	Notes	31-Dec-18	31-Dec-17
Income			
Revenue from operations	26	1,565,477,114	1,607,755,176
Other income	27	18,623,181	23,338,925
Total Revenue		**1,584,100,294**	**1,631,094,101**
Expenditure			
Decrease /(Increase) of stock	28	(24,646,526)	43,903,714
Raw materials consumed	29	306,510,123	283,131,054
Cost of clinker purchased		274,036,827	234,105,170
Packing materials consumed		66,576,414	67,381,667
Stores and spares consumed		52,305,426	53,663,960
Consumption of coal		279,082,688	274,137,959
Power		90,979,205	89,826,716
Repairs and maintenance	30	28,735,015	29,974,046
Employee cost	31	201,955,129	193,724,169
Depreciation	4	93,891,912	78,220,697
Other expenses	32	91,005,744	113,264,012
Total expenses		**1,460,431,957**	**1,461,333,164**
Profit from operations		**123,668,337**	**169,760,937**
Finance costs	33	1,135,599	1,055,300
Finance income	34	35,171,895	38,038,513
Profit before tax		**157,704,633**	**206,744,150**
Income tax Expense:			
Current tax		48,527,507	64,601,782
Deferred tax(Asset/Liability)		(7,876,027)	(8,922,496)
Profit after tax		**117,053,153**	**151,064,864**
Other cmprehensive income			
Remeasurements of post-employment benefit obligations		-	5,254,550
Income tax relating to above items		-	(1,576,365)
Net other comprehensive income		-	3,678,185
Total comprehensive income		**117,053,153**	**154,743,049**
Eaning per share			
- Basic and Diluted earnings per share		3.44	4.55

The above statement of financial position should be read in conjunction with the accompanying notes

For T. K. Ghose & Co
Chartered Accountants
(FRN No. 302002E)

T.K. GHOSE & CO. Regn No.- 302002E Chartered Accountants

Gaurab Basu
Partner
Membership No: 060518

Place : Kolkata
Date : 21/02/2019

For and on behalf of the Board of Directors

Chairman

Chief Executive Officer

Director

Manager (FID)

Place : Thimphu
Date :

PENDEN CEMENT AUTHORITY LIMITED
STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

(Amount in Nu.)

Particulars	Notes	31-Dec-18	31-Dec-17
ASSETS			
Non-current assets-			
Property, plant and equipment	4	640,703,040	702,906,117
Intangible assets	5	2,684,299	3,325,571
Investment property	6	1	1
Capital work in progress	4	6,936,002	
Investments	7	287,261,424	327,216,774
Loans	8	16,521,792	18,803,180
Other receivables	9	14,655,446	12,330,818
Other non current assets	10	4,769,666	7,454,516
Total non-current assets		**973,531,670**	**1,072,036,976**
Current assets-			
Inventories	11	431,631,448	437,952,670
Investments	12(a)	244,109,281	250,495,959
Current tax assets	12(b)	41,584,043	-
Trade and other receivables	13	1,258,622	2,674,932
Loans	14	14,153,225	15,029,339
Cash & cash equivalents	15	63,097,267	80,046,620
Other current assets	16	6,768,731	29,278,989
Total current assets		**802,602,617**	**815,478,509**
Total assets		**1,776,134,287**	**1,887,515,485**
EQUITY & LIABILITIES			
Equity share capital	17	340,000,700	340,000,700
Retained earnings	18	950,485,984	1,071,433,321
Total equity		**1,290,486,684**	**1,411,434,021**
Non-current liabilities			
Long term provisions	19	5,721,618	5,044,444
Deferred tax liability	20	107,384,293	115,260,320
Employee benefit obligation	21(a)	124,315,368	120,530,880
Other liabilities non current	21(b)	4,578,173	-
Total non-current liabilities		**241,999,452**	**240,835,644**
Current liabilities			
Trade and other payables	22	165,814,193	178,805,650
Other curent liabilities	23	16,594,817	18,795,817
Current tax liabilities	24	48,527,507	20,425,816
Employee benefit obligation	25	12,711,634	17,218,537
Total current liabilities		**243,648,151**	**235,245,820**
Total		**1,776,134,287**	**1,887,515,485**

The above statement of financial position should be read in conjunction with the accompanying notes

For T.K Ghose & Co.
Chartered Accountants
(FRN No 302002E)

T.K. GHOSE & CO. Regn No.- 302002E Chartered Accountants

Gaurab Basu
Partner
Membership No: 060518

Place : Kolkata
Date : 21/02/2019

For and on behalf of the Board of Directors

Chairman | **Chief Executive Officer**

Director | **Manager (FID)**

Place : Thimphu
Date :

STATEMENT OF CASH FLOWS & NOTES FORMING PART OF THE FINANCIAL POSITION

PENDEN CEMENT AUTHORITY LIMITED
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

(Amount in Nu.)

Particulars	For the year ended December 2018	For the year ended December 2017
A. Cash Flow from operating activities:		
Net Profit / (Loss) [Aggregate of Comprehensive Income and Other Comprehensive Income] before taxation	117,053,153	154,743,049
Adjustment to reconcile net income(loss) to net cash from operating activities:		
- Depreciation and Amortization	93,891,912	77,663,034
- Loss on sale/disposal of Property, Plant and Equipment	201,726	(5,395,970)
- Interest and Bank charges Paid	1,135,599	1,055,300
- Interest Received on Fixed Deposits	(35,171,895)	(38,038,513)
Operating profit before working capital changes	**177,110,495**	**190,026,900**
Adjustments for Changes in working capital		
Changes in Inventory and Civil Work-in-Progress	6,321,221	51,956,714
Changes in Investments	6,386,679	(28,973,356)
Changes in Current Tax Assets	(41,584,043)	-
Changes in Trade Receivables	1,416,309	14,514,453
Changes in Short Term Loans	876,114	3,967,758
Changes in Other Current Asset (Excluding Taxes)	22,510,258	(16,318,161)
Changes in Trade and Other Payables	(12,991,457)	12,883,176
Changes in Other Current Liabilities	(2,201,000)	(1,636,310)
Changes in Income Tax Payable	28,101,691	(2,652,473)
Changes in Deferred Tax Liablities	(7,876,027)	(7,346,131)
Changes in Provisions	677,174	583,788
Changes in Other non- financial Liablities	4,578,173	-
Payment of post-employment benefits	(4,506,904)	4,178,877
Cash Generation from Operations	**1,708,189**	**31,158,333**
Net Cash Generation from operating Activities (A)	**178,818,683**	**221,185,233**
B. Cashflow From Investing Activities:		
Changes in long term financial investment (Fixed Deposits)	39,955,350	(52,362,544)
Interest Received	35,171,895	38,038,513
Changes in Long term Financial Assets	(2,324,628)	(1,435,028)
Collection of Long Term Loans	2,281,388	12,263,299
Net Purchase of Property, Plant and Equipment	(32,328,501)	27,386,372
Sale of Property, Plant and Equipment	1,280,937	(54,215,023)
Changes In Capital Work-in-Progress	(6,936,002)	18,423,222
Changes in Other Non-Current Assets	2,684,850	1,555,476
Loss on sale proceed of Property, Plant and Equipment	(201,726)	5,395,970
Net Cash deployed in Investing Activities (B)	**39,583,563**	**(4,949,742)**
C- Cashflow From Financing Activities:		
Finance charges	(1,135,599)	(1,055,300)
Changes in Long Term Employee Benefits	3,784,488	(2,016,490)
Dividend Paid (including previous year unpaid dividend)	(238,000,490)	(238,000,490)
Net Cash Generation from Financing Activities (C)	**(235,351,602)**	**(241,072,281)**
Net Increase/(decrease) in Cash & Cash Equivalents (A+B+C)	**(16,949,353)**	**(24,836,791)**
Cash & Cash Equivalents at the beginning of the year	80,046,620	104,883,411
Cash & Cash Equivalents at the end of the year	**63,097,267**	**80,046,620**
Cash & Cash Equivalents include		
Cash in hand	238,554	280,854
Cheques in hand	17,885,160	16,403,852
Balances with Banks	44,973,553	63,361,914
Cash & Cash Equivalents Reported	**63,097,267**	**80,046,620**

Notes:

(1)The above cash flow statement has been prepared under the Indirect Method in accordance with BAS- 7 on "Statement of Cash Flows".

(2) Cash and Cash Equivalents exclude Bank Balances(Fixed Deposits) not available for immediate use

The accompanying notes form an integral part of this Statement of Cash Flows.

This is the Statement of Cash Flows referred to in our report of even date.

For **T.K.Ghose & Co.**
Chartered Accountants
Firm Registration No. 302002E

Gaurab Basu
Partner
Membership No. 060518
Place : Kolkata
Date : 21/02/2019

T.K. GHOSE & CO. Regn No.- 302002E Chartered Accountants

For and on behalf of the Board of Directors

Chairman

Chief Executive Officer

Director

Manager (FID)

Place : Thimphu
Date :

Since 1982

PENDEN CEMENT AUTHORITY LIMITED
Statement of Changes in Equity

(Amount in Nu.)

A. Equity share capital

Description	Notes	Amount
As at 31 January 2017		340,000,700
Changes in equity share capital		-
As at 31 December 2017		**340,000,700**
Changes in equity share capital		-
As at 31 December 2018		**340,000,700**

B. Other equity

Description	Notes	Reserves and surplus General Reserve	Reserve and surplus Retained earnings*	Total other equity
Balance at 01 January 2017		**663,629,318**	**491,061,444**	**1,154,690,762**
Profit for the year			151,064,864	151,064,864
Other comprehensive income			3,678,185	3,678,185
Dividend paid		(54,700,696)	(183,299,794)	(238,000,490)
Balance as at 31 December 2017		**608,928,622**	**462,504,699**	**1,071,433,321**

Description	Notes	Reserves and surplus General Reserve	Reserve and surplus Retained earnings*	Total other equity
Balance at 01 January 2018		**608,928,622**	**462,504,699**	**1,071,433,321**
Profit for the year			117,053,153	117,053,153
Other comprehensive income			-	-
Dividend paid		(83,257,441)	(154,743,049)	(238,000,490)
Balance as at 31 December 2018		**525,671,181**	**424,814,803**	**950,485,984**

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

* Retained Earnings comprise profits from previous year. Out of these profits, dividends paid for previous year in the current year is adjusted along with other adjustments. The current year's profits are then transferred to the Retained Earnings.

For T. K. Ghose & Co
Chartered Accountants
(FRN No. 302002E)

T.K. GHOSE & CO.
Regn No.-
302002E
Chartered Accountants

Gaurab Basu
Partner
Membership No: 060518

Place : Kolkata
Date : 21/02/2019

For and on behalf of the Board of Directors

Chairman

Chief Executive Officer

Director

Manager (FID)

Place : Thimphu
Date :

Notes to the Financial Statements
Note:4 Property, Plant and Equipment

Particulars Gross Block	Land	Office godown and Residential building	Factory Buildings	Roads and culverts	Plant & Machinery	water supply	Generators	Laborartory Equipments	Railway Sidings	Other Equipment	Electrical Installation	Furniture Fixtures & other equipments	Vehicles	Telephone Installation	Instrumentation (electrical)	Capital Work in Progress	Total
At 1st Jan 2017	10,785,238	124,310,376	136,995,211	153,794,174	915,250,072	24,090,703	3,665,885	6,004,068	0	16,921,976	66,896,566	57,121,528	35,273,254	10,130,323	15,118,140		1,576,357,514
Additions 2017	0	3,059,119	1,177,942	2,123,150	10,609,532	0	0	163,840	0	1,741,760	7,267,272	1,243,757		0	0		27,386,372
Disposals 2017		0	0		-13,283,602	0	0	0	0	0	0	0	-3,936,151	0	0		-17,219,753
At 31st December 2017	10,785,238	127,369,495	138,173,153	155,917,324	912,576,002	24,090,703	3,665,885	6,167,908	0	18,663,736	74,163,838	58,365,285	31,337,103	10,130,323	15,118,140	-	1,586,524,133
Additions 2018	0	2,756,598	3,641,699	12,938,701	6,952,538	0	0	280,856	0	224,850	0	3,502,343	1,983,987	0	0		32,281,573
Disposals 2018	0	-47,212	0	0	-11,379,654	0	0	0	0		0	-172,710	-844,972	0			-12,444,547
At 31st Decemeber 2018	10,785,238	130,078,881	141,814,852	168,856,025	908,148,887	24,090,703	3,665,885	6,448,764	0	18,888,586	74,163,838	61,694,918	32,476,118	10,130,323	15,118,140	6,936,002	1,606,361,158
Accumulated Depreciation									0							0	0
as at Jan 1, 2017	0	43,706,562	36,361,060	49,399,223	543,890,725	8,252,098	3,665,884	4,446,065	0	9,316,550	50,526,340	34,649,558	20,581,650	8,319,197	9,991,556	0	823,106,468
Depreciation for the year	0	4,331,952	2,211,157	6,691,035	37,459,321	624,777	0	239,223	0	1,415,654	4,947,785	3,634,961	1,578,981	547,653	765,482	0	64,447,981
Disposal	0	-47,212	0	0			0	0	0	0	0	0	-3,936,148	0	0		-3,983,360
Accunulated derpraciation as at Dec 31, 2017	0	47,991,302	38,572,217	56,090,258	581,350,046	8,876,875	3,665,884	4,685,288	0	10,732,204	55,474,125	38,284,519	18,224,483	8,866,850	10,757,038		883,571,089
Depreciation for the year 2018	0	4,123,340	4,079,146	12,028,590	56,814,632	1,312,119	0	298,918	0	1,445,158	3,489,634	5,164,774	2,386,338	600,971	1,507,019		93,250,640
Disposal					-10,315,629							-59,270	-788,712				-11,163,611
Accumulated depreciation as at 31st Dec 2018	0	52,114,642	42,651,363	68,118,848	627,849,050	10,188,994	3,665,884	4,984,206	0	12,177,362	58,963,759	43,390,023	19,822,109	9,467,821	12,264,057		965,658,118
Net Block									0								
At 31st Dec 2017	10,785,238	79,378,193	99,600,936	99,827,066	331,225,956	15,213,828	1	1,482,620	0	7,931,532	18,689,713	20,080,766	13,112,620	1,263,473	4,361,102		702,953,044
At 31st December 2018	10,785,238	77,964,240	99,163,489	100,737,177	280,299,837	13,901,709	1	1,464,558	0	6,711,224	15,200,079	18,304,895	12,654,009	662,502	2,854,083	6,936,002	647,639,043

5 Intangible Assets

Gross Block	Amount
At 1st Jan 2017	6,280,424
Additions 2017	0
At 31st December 2017	6,280,424
Additions 2018	0
At 31st Decemeber 2018	6,280,424
Accumulated depreciation	
as at Jan 1, 2017	2,465,739
depreciation for the year	489,114
Accunulated derpraciation as at Dec 31, 2017	2,954,853
Depreciation for the year 2018	641,272
Accumulated depreciation as at 31st Dec 2018	3,596,125
Net Block	
At 31st Dec 2017	3,325,571
At 31st December 2018	2,684,299

T.K. GHOSE & CO. ★ Chartered Accountants ★ Regd. No. 302002E

PENDEN CEMENT AUTHORITY LTD. ★ GOMTU : BHUTAN ★

Since 1982

PENDEN CEMENT AUTHORITY LIMITED
NOTES FORMING PART OF THE FINANCIAL POSITION

6 Investment property -Non current

Particulars	31-Dec-18	31-Dec-17
Investment Property (Land)	1	1
Total	**1**	**1**

The Company has got 176.90 acres of land from government in the earlier years at Pagli free of cost, out of which the Company has let out 8.40 acres of land to external parties for the purpose of earning rental income. The Company has recorded such land at nominal value.

(i) Fair value of investment property carried at cost

Particulars	31-Dec-18	31-Dec-17
Fair value of investment property	68,345,415	68,345,415
Total	**68,345,415**	**68,345,415**

(ii) Amounts recognised in profit or loss for investment properties

Particulars	31-Dec-18	31-Dec-17
Rental income	988,421	836,974
Total	**988,421**	**836,974**

7 Investments -Non current

Particulars	31-Dec-18	31-Dec-17
Long Term Investments- Valued at cost		
Investments in fixed deposit	221,240,556	306,382,238
Interest on above deposits	66,020,868	20,834,536
Total	**287,261,424**	**327,216,774**

8 Loans -Non current

Particulars	31-Dec-18	31-Dec-17
Loans to Employees	16,521,792	18,803,180
Total	**16,521,792**	**18,803,180**

9 Other receivables - Non current

Particulars	31-Dec-18	31-Dec-17
Environment Restoration Bond	13,660,449	12,062,498
Deposits - Miscelleaneous	994,998	268,320
Total	**14,655,446**	**12,330,818**

10 Other non current assets

Particulars	31-Dec-17	31-Dec-17
Advance given:-		
- Considered good		1,040,042
- Considered doubtful	-	-
Less: Provision for doubtful Advances	-	-
Unamortised mining cost	4,769,666	6,414,474
Total	**4,769,666**	**7,454,516**

T.K. GHOSE & CO. Regn.No.- 302002E

PENDEN CEMENT AUTHOR

PENDEN CEMENT AUTHORITY LIMITED
NOTES FORMING PART OF THE FINANCIAL POSITION

11 Inventories

Particulars	31-Dec-18	31-Dec-17
Valued at lower of Cost and Net Realizable Value		
Limestone, Gypsum and Other Raw Materials	152,314,277	153,858,708
Coal	35,018,475	59,410,342
Stores and Spares	112,563,442	117,594,892
Raw Materials in kiln prior to clinker stage under process	1,600,919	1,561,522
Work in Progress (Clinker)	112,311,849	70,007,538
Inventory in Cement Mills under process	1,229,741	2,247,992
Work In Trade (Cement)	16,592,745	33,271,676
Total	**431,631,448**	**437,952,670**

Amounts recognised in profit or loss

Inventories recognised as an expense during the year ended 31 December 2018 amounted to Nu. 52,305,426 (2017 – Nu.53,663,960). These were included in stores and spares consumed in profit and loss account.

12(a) Investments - Current

Particulars	31-Dec-18	31-Dec-17
Fixed deposit with Bank	235,370,000	245,000,000
Interest Accrued on Fixed Deposit	8,739,281	5,495,959
Total	**244,109,281**	**250,495,959**

12(b) Current tax assets

Particulars	31-Dec-18	31-Dec-17
Advance Tax Paid	41,032,567	-
Tax Deducted at Source	551,476	-
Total	**41,584,043**	-

13 Trade and other receivables - Current

Particulars	31-Dec-18	31-Dec-17
Outstanding for a period exceeding six months:	-	
- Considered good		
- Considered doubtful	6,754,911	6,705,773
Provision for doubtful debts	(6,754,911)	(6,705,773)
Deposit with Suppliers and Customers	-	2,000,616
House Rent Receivable	814,824	487,161
Lease Rent Receivables	443,799	187,155
Total	**1,258,622**	**2,674,932**

14 Loans - Current

Particulars	31-Dec-18	31-Dec-17
(Unsecured and considered good unless otherwise	-	
Loans to Employees	13,285,978	15,029,339
Deposit with Suppliers and Customers - CA033	867,247	
Total	**14,153,225**	**15,029,339**

T.K. GHOSE & CO. Regn.No.- 302002E

PENDEN CEMENT AUTHORI

PENDEN CEMENT AUTHORITY LIMITED
NOTES FORMING PART OF THE FINANCIAL POSITION

15 Cash & cash equivalents

Particulars	31-Dec-18	31-Dec-17
Cash in Hand	238,554	280,854
Cheques in Hand	17,885,160	16,403,852
Balances with Banks		
- On Current Accounts	43,451,499	61,866,855
- On Unpaid Dividend Accounts	1,522,054	1,495,059
Total	**63,097,267**	**80,046,620**

16 Other current assets

Particulars	31-Dec-18	31-Dec-17
(Unsecured and considered good unless otherwise stated)		
Advance receivable in cash or in kind or for value to be receied:	-	
- Considered good	5,075,796	5,240,622
- Considered doubtful	1,964,504	1,964,504
- Provision for doubtful debts	(1,964,504)	(1,964,504)
Advance to Suppliers and Contractors	-	22,345,433
Unamortised mining cost	1,692,934	1,692,934
Total	**6,768,730**	**29,278,989**

17 Equity share capital

Particulars	31-Dec-18	31-Dec-17
Authorised Capital:		
100,000,000 Equity shares of 10 Ngultrums each	1,000,000,000	1,000,000,000
Issued, Subscribed and Paid up Share Capital		
34,000,070 Equity Shares of 10 Ngultrums each fully paid up	340,000,700	340,000,700
All shares are of same class and have the same rights		
Total	**340,000,700**	**340,000,700**

Movements in ordinary shares:	Number of shares	Par value
Opening balance 1 January 2017	**34,000,070**	**340,000,700**
Issues during the year	-	-
Balance 31 December 2017	**34,000,070**	**340,000,700**
Issues during the year	-	-
Balance 31 December 2018	**34,000,070**	**340,000,700**

18 Retained earnings

Particulars	31-Dec-18	31-Dec-17
General Reserve	525,671,181	608,928,622
Retained earnings	307,761,650	462,504,699
Total	**833,432,831**	**1,071,433,321**

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Reserves and surplus

Particulars	31-Dec-18	31-Dec-17
General Reserve:-		
Opening balance	608,928,622	663,629,318
Add: Transfer from General Reserve	-	-
Add: Transfer to General Reserve	-	-
Add: Dividend paid	(83,257,441)	(54,700,696)
Closing Balance	**525,671,181**	**608,928,622**
Retained earnings:-		
Opening Balance	462,504,699	491,061,444
Add: Transferred from Profit & Loss	177,992,095	151,064,864
Add: Other comprehensive income	-	3,678,185
Add: Transferred to General Reserve	-	-
Less: Payment of Dividend	(154,743,049)	(183,299,794)
Closing Balance	**485,753,745**	**462,504,699**
Total	**1,011,424,926**	**1,071,433,321**

b) Retained Earnings

Retained Earnings comprise profits from previous year. Out of these profits, dividends paid for previous year in the current uear is adjusted along with other adjustments. The balance amount after these adjustments is transgerred to General Reserve. The current year's profits are then transferred to the Retained Earnings.

c) General Reserve

Dividend may be declared from the General only after fulfilling the required formalities as writtten in the relevent laws.

19 Long term provisions

Particulars	31-Dec-18	31-Dec-17
Provision for decommissioning liability	5,721,618	5,044,444
Total	**5,721,618**	**5,044,444**

20 Deferred tax liability

Particulars	31-Dec-18	31-Dec-17
Deferred Tax (Assets)/Liabilities		
- Property, plant & equipment	115,260,320	122,000,373
- Interest Accrued on Fixed Deposit and Investments	-	6,982,432
- Provision for Leave Encashment	(2,067,063)	(2,702,709)
- Provision for doubtful debts	(14,741)	(2,011,732)
- Provision for decommissioning liability	(203,153)	(1,513,333)
- Provision for gratuity	(5,591,070)	(7,494,711)
Total	**107,384,293**	**115,260,320**

21(a) Employee benefit Obligatioon

Particulars	31-Dec-18	31-Dec-17
Provision for gratuity	124,315,368	120,530,880
Total	**124,315,368**	**120,530,880**

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21(b)Other liabilities non current

Particulars	31-Dec-18	31-Dec-17
Advance from Customers	402,442.97	-
Commission Payable	786,268.10	-
Security Deposits	3,389,461.81	-
Total	**4,578,173**	-

22 Trade and other payables- Current

Particulars	31-Dec-18	31-Dec-17
For Goods and Services	49,165,153	62,453,830
For Contractors	28,813,167	20,404,801
Provision For Expenses	1,767,579	2,729,227
Salary Payable	10,923,235	11,879,227
Other Payable to Employees	7,602,754	6,461,815
Security Deposits	42,625,159	46,996,644
Unclaimed Dividend	4,387,035	4,501,190
Interest Payable	376,362	376,362
Commission Payable	20,153,750	23,002,554
Total	**165,814,193**	**178,805,650**

23 Other curent liabilities

Particulars	31-Dec-18	31-Dec-17
Advance from Customers	5,973,345	7,585,024
Advance from Others	4,546,817	5,077,004
Payable to Government Authorities	6,074,656	6,133,789
Total	**16,594,817**	**18,795,817**

24 Current tax liabilities

Particulars	31-Dec-18	31-Dec-17
Income tax liability	48,527,507	20,425,816
Total	**48,527,507**	**20,425,816**

25 Employee benefit obligation - Current

Particulars	31-Dec-18	31-Dec-17
Provision for Gratuity	3,638,637	8,319,120
Provision for un-availed leave	9,072,997	8,899,417
Total	**12,711,634**	**17,218,537**

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26 Revenue from operations

Particulars	31-Dec-18	31-Dec-17
SALES	-	
- Sale of Cement	854,903,026	838,532,302
- Sale from Depots		
- Gelephu	81,366,635	109,702,426
- Samdrup Jongkhar	38,729,418	65,960,540
- Phuentsholing	590,478,035	593,559,908
TOTAL	**1,565,477,114**	**1,607,755,176**

27 Other income

Particulars	31-Dec-18	31-Dec-17
Sale of Scrape & Ohters	9,833,987	9,353,482
House Rent (Net)	7,039,122	6,127,157
Liability no longer required written back	291,904	939,841
Lease Rent Received	988,421	836,974
Provision no longer required written back	-	685,501
Profit on Sale of Property Plant & Equipment	469,747	5,395,970
Sale of Overburden Limestone	-	-
TOTAL	**18,623,181**	**23,338,925**

28 Decrease /(Increase) of stock

Particulars	31-Dec-18	31-Dec-17
Closing Stock :		
- Raw Materials in kiln prior to clinker stage under process	1,600,919	1,561,522
- Work-in-Progress (Clinker)	112,311,849	70,007,538
- Inventory in Cement Mills under process	1,229,741	2,247,992
- Finished Goods (Cement)	16,592,745	33,271,676
	131,735,254	**107,088,728**
Less : Opening Stock :		
- Raw Materials in kiln prior to clinker stage under process	1,561,522	1,969,960
- Work-in-Progress (Clinker)	70,007,538	134,084,084
- Inventory in Cement Mills under process	2,247,992	3,526,099
- Finished Goods (Cement)	33,271,676	11,412,298
	107,088,728	**150,992,441**
(Increase)/Decrease of Stock	**(24,646,526)**	**43,903,713**

29 Raw materials consumed

Particulars	31-Dec-18	31-Dec-17
Opening Stock	153,858,708	172,505,074
Add: Purchased and raised during the year	304,965,692	264,484,688
	458,824,400	**436,989,762**
Less: Closing stock	152,314,277	153,858,708
Raw Materials Consumed	**306,510,123**	**283,131,054**

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30 Repairs and maintenance

Particulars	31-Dec-18	31-Dec-17
Buildings and Roads	17,855,447	11,729,660
Plant and Machinery	9,288,198	16,799,347
Others	1,591,369	1,445,040
TOTAL	**28,735,015**	**29,974,047**

31 Employee cost

Particulars	31-Dec-18	31-Dec-17
Salaries, Wages, Ex-Gratia and other allowances	163,754,771	155,902,654
Leave encashment	5,578,721	4,686,786
Post Employement Benefit	18,636,900	17,190,999
Contribution to Provident Fund	9,853,324	9,672,158
Staff Welfare	4,131,412	6,271,572
TOTAL	**201,955,129**	**193,724,169**

32 Other expenses

Particulars	31-Dec-18	31-Dec-17
Travelling, Conveyance and Running Expenses of Vehicles	8,349,326	6,448,102
Printing and Stationery	2,397,428	1,554,285
Postage, Telephone and Telegrams	885,599	682,256
Insurance Charges	5,458,213	5,366,815
Laboratory Expenses	1,349,417	2,002,325
Loss on discard of property, plant and equipment	671,473	-
Audit Fees	148,838	141,750
Freight and Transportation	49,720,244	56,934,826
Guest House and Entertainment Expenses	1,225,063	683,991
Recruitment and Training Expenses	5,221,073	8,907,929
Advertisement Expenses	1,261,072	949,239
Bhutan Sales Tax Paid	164,611	44,031
Other Administrative Expenses	1,596,840	2,769,183
Consultancy & Professional Charges	914,983	3,789,889
Horticulture Expenses	47,725	76,840
Mining cost	1,692,934	1,677,976
Donation	434,805	668,143
Directors' Sitting Fees including Invitees	836,000	735,000
Board Meeting Expenses	864,441	450,338
Sales Promotion Expenses	1,735,918	713,317
Rates & Taxes	514,241	268,283
Depot Expenses	458,602	513,392
Corporate Social Expenses	749,355	454,000
Others-Hiring of Equipmet	316,371	-
Prior Period Adjustment	-	810,716
Write Off Account	-	8,815,762
Provision for Doubtful Debts (Expenses)	49,139	2,790,323
Provision for Obselete Stores & Spares	3,942,034	5,015,303
TOTAL	**91,005,744**	**113,264,014**

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33 Finance costs

Particulars	31-Dec-18	31-Dec-17
Other interest cost	677,175	583,788
Bank Charges paid	458,424	471,512
TOTAL	**1,135,599**	**1,055,300**

34 Finance income

Particulars	31-Dec-18	31-Dec-17
Interest on Fixed Deposits and others	35,171,895	38,038,513
TOTAL	**35,171,895**	**38,038,513**

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(Amount in Nu.)

Note: 35 Earning per share

Particulars	31-Dec-18	31-Dec-17
Profit after income-tax (in Nu.)	117,053,153	151,064,864
Weighted average number of ordinary share in issue (in numbers)	34,000,070	34,000,070
Basic and Diluted Earnings per Share	**3.44**	**4.44**

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Note: 36 Fair value measurements

(Amount in Nu.)

Financial instruments by category

Particulars	31-Dec-18			31-Dec-17		
	FVPL	FVOCI	Amortised cost	FVPL	FVOCI	Amortised cost
Financial assets						
Investments in fixed deposits			221,240,556			306,382,238
Loans to Employees			16,521,792			18,803,180
Trade Receivables						-
Deposit miscelleaneous			994,998			268,320
Environment Restoration Bond			13,660,449			12,062,498
House Rent Receivable			814,824			487,161
Leas Rent Receivables			443,799			187,155
Deposit with Suppliers and Customers			-			2,000,616
Interest Accrued on Fixed Deposit			74,760,149			245,000,000
Fixed deposit with Bank			235,370,000			280,854
Cash in Hand			238,554			16,403,852
Cheques in Hand			17,885,160			16,403,852
Balances with Banks			44,973,553			63,361,914
Total financial assets			**626,903,833**			**681,641,640**
Financial liabilities						
Trade payables for Goods and Services			49,165,153			62,453,830
Trade payables for Contractors			28,813,167			20,404,801
Provision for expenses			1,767,579			2,729,227
Salary Payable			10,923,235			11,879,584
Interest Payable			376,362			376,362
Commission Payable			20,153,750			23,002,197
Security Deposits			42,625,159			46,996,644
Others (Including payable to employees)			7,602,754			6,461,815
Unclaimed Dividend			4,387,035			4,501,190
Total financialliabilities			**165,814,192**			**178,805,649**

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(i) Fair value hierarchy

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

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

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

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

(ii) Valuation technique used to determine fair value

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

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

Particulars	31-Dec-18		31-Dec-17	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Environment Restoration Bond	13,660,449	12,600,340	12,062,498	12,552,214
Investments in fixed deposit	221,240,556	298,545,533	306,382,238	298,545,230
Total financial assets	**234,901,004**	**311,145,872**	**318,444,736**	

The carrying amounts of remaining financial assets and liabilities are considered to be the same as their fair values, due to their short-term nature.

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: 37 Capital management

(a) Risk management

The company's objectives when managing capital are to:

• safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and

• maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Company is based on management's judgement of the appropriate balance of key elements in order to meet its strategic and day-to-day needs. The Company manages its capital structure and makes adjustments in light of changes in economic conditions. The funding requirement is met through the equity, given by the shareholder.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company's policy is to maintain a stable and strong capital structure with a focus on total equity so as to maintain investor, creditors and market confidence and to sustain future development and growth of its business. The Company will take appropriate steps in order to maintain, or if necessary adjust, its capital structure.

(b) Dividends

Particulars	31-Dec-18	31-Dec-17
(i) Equity shares		
Final dividend for the year ended 31 Dec 2018 of Nu. NIL (31 Dec 2017 – Nu. 7) per fully paid share	238,000,490	238,000,490
(ii) Dividends not recognised at the end of the reporting period		
In addition to the above dividends, since year end the directors have recommended the payment of a final dividend of Nu. 7 per fully paid equity share (31 Dec 2017 – Nu. 7). This proposed dividend is subject to the approval of shareholders in the ensuing annual general meeting.	238,000,490	238,000,490

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(Amount in Nu.)

Note: 38 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	Diversification of customer base
Liquidity risk	Trade and other payables	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 export goods to India

(A) 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 and other receivables.

i) Trade receivables

The Company's trade receivables comprises from various parties. Trade receivables are non-interest bearing and are generally on 30 days to 60 days credit term. Outstanding customer receivables are regularly monitored. The ageing of trade receivables as of balance sheet date is given below. The age analysis have been considered from the due date:

Particulars	Less than one year	More than one year and upto 3 years	More than 3 years	Total
Trade receivable as on 31 December 2018 (Gross)		-	6,754,911	6,754,911
Less: Provision for doubtful debts	-	-	(6,754,911)	(6,754,911)
Trade receivable as on 31 December 2018	-	-	-	-

Particulars	Less than one year	More than one year and upto 3 years	More than 3 years	Total
Trade receivable as on 31 December 2017 (Gross)	-	-	6,705,773	6,705,773
Less: Provision for doubtful debts	-	-	(6,705,773)	(6,705,773)
Trade receivable as on 31 December 2017 (Net)	-	-	-	-

The requirement for impairment is analysed at each reporting date. Refer note 13 for details on the impairment of trade receivables. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 36. The Company

ii) Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Company's Finance & Investment Department. For banks and financial institutions, only high rated banks/institutions are accepted.

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

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(Amount in Nu.)

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

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

(i) Maturities of financial liabilities
The tables below analyse the group's financial liabilities into relevant maturity groupings based on their contractual maturities for:
• all financial liabilities

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Contractual maturities of financial liabilities 31 December 2018	Less than 1 year	More than 1 years	Total
Trade and Other Payables	165,814,193	-	165,814,193
Total financial liabilities	**165,814,193**	-	**165,814,193**

Contractual maturities of financial liabilities 31 December 2017	Less than 1 year	More than 1 years	Total
Trade and Other Payables	178,805,650		178,805,650
Total financial liabilities	**178,805,650**	-	**178,805,650**

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(Amount in Nu.)

(C) Market risk

(i) Foreign currency risk
The Company deals with trade receivables, trade payables and is therefore exposed to foreign exchange risk associated with exchange rate movement.

Foreign currency risk exposure
The Company's exposure to foreign currency risk at the end of the reporting period expressed in Nu. are as follows:-

Particulars	31 Dec 2018 INR	31 Dec 2017 INR
Financial assets	26,338,912	53,364,528
Financial liabilities	21,858,623	21,858,623
Net exposure to foreign currency risk	**4,480,289**	**31,505,905**

As the value of INR is equivalent to Nu. historically, the company is not exposed to foreign exchange risk arising from foreign currency transactions in INR.

(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 is not exposed to the risk of changes in market interest rates because it does not have any borrowings nor does it have any floating interest bearing financial assets.
Investment made by the Company bears fixed rate of interest. Interest income and interest expenses, are therefore not subject to interest rate risk as defined in IFRS 7, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

(iii) Price Risk
The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or by factors affecting all similar financial instruments traded in the market.
The Company does not have any financial asset investments which are exposed to price risk.

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(Amount in Nu.)

Note: 39 Tax expense

Particular	Nu 2018	Nu 2017
Components of income tax expense		
Income tax expenses		
Current tax		
Current tax on profit for the year	48,527,507	64,601,782
Total current tax expenses	**48,527,507**	**64,601,782**
Deferred tax		
(Decrease)/increase in deferred tax liabilities	(7,876,027)	(8,922,496)
Total deferred tax expenses	**(7,876,027)**	(8,922,496)
Income tax expenses	**40,651,480**	**55,679,286**

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(Amount in Nu.)

Note :40 Disclosure as per IAS 19, 'Employees Benefit' as regards defined benefit scheme (Gratuity)

A	Change in Defined Benefit Obligation (DBO)	31-Dec-18	31-Dec-17
1	DBO at end of prior period	128,850,000	126,578,000
2	Current service cost	6,226,000	6,603,000
3	Interest cost on the DBO	10,599,000	10,588,000
4	Curtailment (credit)/ cost	-	-
5	Settlement (credit)/ cost	-	-
6	Past service cost - plan amendments	-	-
7	Acquisitions (credit)/ cost	-	-
8	Actuarial (gain)/loss - experience	(2,741,110)	(5,254,550)
9	Actuarial (gain)/loss - demographic assumptions	-	-
10	Actuarial (gain)/loss - financial assumptions	4,553,000	-
11	Benefits paid directly by the Company	(19,532,900)	(9,664,450)
12	Benefits paid from plan assets		-
13	**DBO at end of current period**	**127,953,990**	**128,850,000**

B	Statement of Profit & Loss	31-Dec-18	31-Dec-17
1	Current service cost	6,226,000	6,226,000
2	Past service cost - plan amendments	-	-
3	Curtailment cost / (credit)	-	-
4	Settlement cost / (credit)	-	-
5	Service cost	6,226,000	6,226,000
6	Net interest on net defined benefit liability / (asset)	10,599,000	10,599,000
7	Immediate recognition of (gains)/losses – other long term employee benefit plans		
8	**Cost recognized in P&L**	**16,825,000**	**16,825,000**

C	Defined Benefit Cost	31-Dec-18	31-Dec-17
1	Service cost	6,226,000	6,603,000
2	Net interest on net defined benefit liability / (asset)	10,599,000	10,588,000
3	Actuarial (gains)/ losses recognized in OCI	1,811,900	(5,254,550)
4	Immediate recognition of (gains)/losses – other long term employee benefit plans	-	-
5	**Defined Benefit Cost**	**18,636,900**	**11,936,450**

D	Development of Net Financial Position	31-Dec-18	31-Dec-17
1	Defined Benefit Obligation (DBO)**	(127,954,000)	128,850,000
2	Fair Value of Plan Assets (FVA)	-	-
3	Funded Status (Surplus/(Deficit))	(127,954,000)	128,850,000
4	**Net Defined Benefit Liability**	**(127,954,000)**	**128,850,000**

E	Reconciliation of Net Balance Sheet Position	31-Dec-18	31-Dec-17
1	Net defined benefit asset/ (liability) at end of prior period	(128,850,000)	(126,578,000)
2	Service cost	(6,226,000)	(6,603,000)
3	Net interest on net defined benefit liability/ (asset)	(10,599,000)	(10,588,000)
4	Amount recognized in OCI	(1,811,900)	5,254,550
7	Benefit paid directly by the Company	19,532,900	9,664,450
10	**Net defined benefit liability at end of current period**	**31-Dec-18**	**(128,850,000)**

F	Other Comprehensive Income (OCI)	31-Dec-18	31-Dec-17
1	Actuarial (gain)/loss due to liability experience	(2,741,110)	(5,254,550)
2	Actuarial (gain)/loss due to liability assumption changes	4,553,000	-
3	Actuarial (gain)/loss arising during period	1,811,900	(5,254,550)
4	Return on plan assets (greater)/less than discount rate	-	-
5	Actuarial (gains)/ losses recognized in OCI	1,811,900	(5,254,550)
6	Adjustment for limit on net asset		-
	Actuarial (Gain) or Loss Recognized via OCI at Current Period End	**1,811,900**	**(5,254,550)**

G	Expected benefit payments for the year ending	31-Dec-18	31-Dec-17
	Less than a year	3,005,000	8,319,120
	Between 1 - 2 years	7,583,000	9,021,780
	Between 2 - 5 years	48,569,000	50,041,610
	Over 5 years	82,418,000	79,811,140

(i)	**Expected employer contributions for the period ending 31 December 2018**		
(ii)	**Weighted average duration of defined benefit obligation**	**8years**	
(iii)	**Accrued Benefit Obligation at 31 December 2018**	**86,078,000**	
(iv)	**Significant estimates: acturial assumptions and sensitivity**		

a	Discount Rate	31-Dec-18	31-Dec-17
	Discount Rate as at 31 December 2018	**8%**	8.50%
	Effect on DBO due to 1% increase in Discount Rate	(8,845,000)	(4,402,400)
	Effect on DBO due to 1% decrease in Discount Rate	9,970,000	4,671,900

b	Salary escalation rate	31-Dec-18	31-Dec-17
	Salary escalation rate as at 31 December 2018	6.00%	6.00%
	Effect on DBO due to 1% increase in Salary escalation rate	8,979,000	4,196,930
	Effect on DBO due to 1% decrease in Salary escalation rate	(8,371,000)	(4,083,040)

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Note: 41 Related Party Transactions

Disclosure of Related Party transactions:

Sl no.	Name of Related party	Nature of Transaction	For the Year Ended 31st Dec 2018	For the Year Ended 31st Dec 2017
1	Tenzin (CEO)	a. Salary & Allowances	720,000.00	
		b. Other benefits	-	
		c. Provident fund contribution	44,000.00	
		d. Gratuity contribution	-	
		e. Sitting fees	22,500.00	
		Total	**786,500.00**	
2	Mr. Kaylzang Tshering (CEO)	a. Salary & Allowances	969,025.00	1,570,064
		b. Other benefits	-	-
		c. Provident fund contribution	60,613.00	102,480
		d. Gratuity contribution	-	
		e. Sitting fees	63,000.00	58,500
		Total	**1,092,638.00**	**1,731,044**
1	Druk holding and Investment Limited	a. Dividend	95,975,180.00	95,975,180
		Total	**95,975,180.00**	**95,975,180**
2	Royal Insurance Corporation of Bhutan Ltd.	a. Dividend	1,282,050.00	1,282,050
		b. Insurance Premium	5,766,509.75	5,366,815
		Total	**7,048,559.75**	**6,648,865**
3	Dungsam Cement Corporation Ltd.	Clinker purchase	84,455,840.00	33,991,248
		Total		33,991,248
4	Dungsam Polymers Ltd	PP bag purchase	19,350,090.00	16,314,805
5	Bhutan Telecom	Telephone & Internet bill	720,456.00	471,962
6	Bhutan Power Corporation Ltd	Electricity bill & Power supply line to Penden Mines	90,979,205.42	91,844,312
7	Bank of Bhutan Ltd	Bank charges	458,424.32	471,512
		Margin Money		268,320
		Dividend	265,650.00	265,650
		Total		1,005,482
8	State Trading Corporation Ltd	Purchase of explosives & ICT products & Repairing charges	1,792,792.08	1,616,357
9	State Mining Corporation Ltd	Purchase of Coal	2,696,537.60	0
10	Thimphu - Tech Park	Training expenses	35,000.00	0

Sitting Fees paid to other board of directors of the company is Nu. 657,000 /-, Nu. 589,500/- and Nu. 634,000/- for 2018, 2017 and 2016 respectively. As the liabilities for gratuity is provided on actuarial basis for the Company as a whole, the amounts pertaining to KMP are not included above

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PENDEN CEMENT AUTHORITY LTD. GOMTU : BHUTAN

Note: 42 Other Notes to Accounts

i. Following expenditure relating to Limestone/Calc-Tufa raising from all Mines are transferred to respective Consumption / Stock Accounts:

Particulars	31 December 2018 (Nu.)	31 December 2017 (Nu.)
- Salaries, Wages, Ex-gratia & Other Allowances & Benefits	31,105,604	32,068,258
- Stores and Spares consumed including maintenance charges and other direct expenses	6,909,311	9,718,251
- Contractors' Payment	19,429,386	19,422,037
Repairs to Plant and Machinery include:		
- Salaries and wages of own employees engaged in maintenance Department	18,993,234	5,787,388
- Other Expenses	9,288,198	11,011,959
Total	**85,725,734**	**78,007,893**

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ii. Contingent Liability

S. no.	Nature of Contingent Liability	Amount in Nu. 2018	Amount in Nu. 2017
1	Bank Guarantee	2,012,400	2,683,200
	Total	**2,012,400**	**2,683,200**

iii. Capital Commitments

S. No.	Nature of Capital Commitment	Amount in Nu. 2018	Amount in Nu. 2017
1	Towards Civil works	8,529,786	#
2	Towards Plant and Machinery	6,247,544	16,992,883
	Total	**14,777,330**	**17,702,938**

iv. As per the term stipulated in the Mining Lease Agreement, relating to the Security for Mine Reclamation and Environmental Restoration in the Mine, a sum of Nu. 13,660,449 till FY 2018 (Till P.Y. Nu. 12,062,498) has been deposited into the joint account opened with Ministry of Trade and Industry. The company is following a policy of booking the expenses on reclamation and restoration at the time actual work done.

v. The corporate Income Tax assessment has been completed upto the accounting year 2017. During FY 2018 the Department of Revenue and Customs, Royal Government of Bhutan have raised an additional demand based on the revised computation.

vi. In preparation of financial statement for FY 2015 difference of 174,032 MT of Limestone between stock of limestone at plant in books and as per physical verification carried out by independent surveyor has been taken into account resulting in decrease of consumption of limestone for the year by Nu.60,554,778 with consequential impact in profit of the year. The difference was due to the accumulation of PC pit materials from a longer period which has not been accounted in system till 31st December 2014.PC pit material was used as additional additive with come portion of high grade limestone to produce raw meal. Since some portion of limestone was used with PC pit materials, the required consumption of limestone for production of clinker was less. In doing so there was huge stock of limestone as per Physical Verification carried out by the surveyor. In 2018, the total quantity of 25001.85 Mts of PC pit materials (based on physical verification carried out by external surveyor) was adjusted with the clinker stock.

vii. In the opinion of the management, the value of assets other than fixed assets and investments, on realization in the ordinary course of business, will not be less than the value at which these are stated in the Statement of Financial Position.

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Note: 43 Operating Segments

The Company operates only in Cement and has only one segment. Further for internal reporting purposes they consider entire business as one segment only i.e. cement and performance is reviewed accordingly. Hence the company is having only single segment i.e. Cement.The Management considers the business from a geographic and product perspective. From geographic perspective management considers the performance in Bhutan (domicile of company) and India. From the Product Perspective management considers the revenue generated from the various types of Cement viz. PPC, PSC, OPC & PDC. These products are not considered for segment reporting being the similar nature, production processes, Customers & distribution channel.

Entity – wide Information:
Revenue from external customers by country, based on the destination of customers:

Sno.	Country	2018		2017	
		Quantity(MT)	Value (Nu.)	Quantity(MT)	Value (Nu.)
1	Bhutan	143,804	801,487,413	158,488	870,684,374
2	India	168,847	824,928,643	164,064	803,935,379
	Total	**312,651**	**1,626,416,056**	**322,553**	**1,674,619,753**

The Company has no single customer from whom it derrives more than 10% of total revenue.

Note: 44 Subsequent events

The Board of Directors have proposed a final dividend in respect of financial year ended December 31, 2018 of Nu. 7/- per share, amounting to a total dividend of Nu. 238,000,490/- which is subject to approval of the members in the General Meeting to be held on 06/03/2019. These financial statements do not reflect this dividend payable.

The above statement of financial position should be read in conjunction with the

For T.K Ghose & Co.
Chartered Accountants
(FRN No. 302002E)

T.K.GHOSE & CO. ★ Regn No.- 302002E ★ Chartered Accountants

Gaurab Basu
Partner
Membership No:060518

Place : Kolkata
Date : 21/02/2019

Chairman

Chief Executive Officer

Director

Manager (FID)

Place : Thimphu
Date :

SCHEDULE FORMING PART OF FINANCIAL POSITION & INCOME STATEMENT

Since 1982

PENDEN CEMENT AUTHORITY LIMITED

SCHEDULES FORMING PART OF FINANCIAL POSITION &COMPREHENSIVE INCOME STATEMENT

INFORMATION AS REQUIRED UNDER PART II OF THE COMPANIES ACT OF THE KINGDOM OF BHUTAN, 2016

A.	Particulars	Unit	2018		2017	
	Production					
	Clinker	MT	185,102.00		167,480.00	
	Cement:					
	Ordinary Portland Cement	MT	-		-	
	Pozzolona Portland Cement	MT	307,828.00		323,810.00	
	Pozzolona Portland Cement(PLUS)	MT	-		-	
	Portland Slag Cement	MT	-		-	
	Dolo cement	MT	-	**307,828**	-	**323,810**
	Purchased Cement					

	Particulars		2018		2017	
			Quantity (MT)	Value (Nu.)	Quantity (MT)	Value (Nu.)
B.	**Sales:**					
	Own Produced Cement		**312,683.93**	1,565,477,114	**322,595**	1,674,721,928
	Purchased Cement Sold					

C.	**Raw Materials Consumed:**					
	Limestone		285,947	119,251,437	275,580	106,623,301
	Calc-Tufa		-	134,915	-	43,645
	Gypsum		12,536	36,483,624	15,383	51,138,363
	Sandstone		3,704	106,237	5,923	236,819
	Iron Ore		394	647,353	1,859	3,164,274
	Slag		6,373	14,941,730	6,083	14,335,194
	Fly Ash		59,388	122,759,847	57,425	107,589,457
	Dolomite Chips					
	Coal		35,015	278,592,906	35,767	274,138,035
D.	**Purchases:**					
	Clinker		61,293	263,592,266	61,902	241,578,907

	Particulars		2018		2017	
			Quantity (MT)	Value (Nu.)	Quantity (MT)	Value (Nu.)
E.	**Raw Material Stock:**					
	Limestone at Pugli Mine		146,205	38,216,483	160,772	42,258,569
	Gypsum		4,360	12,830,529	1,259	4,173,749
	Sandstone		3,118	91,047	1,425	39,367
	Fly Ash		313	271,552	643	1,206,858
	Limestone at Plant		140,254	58,870,365	180,271	68,427,437
	Iron Ore		2,942	5,008,851	3,336	5,680,157
	Limestone at Uttarey Mine					
	Slag (wet)		1,764	4,143,030	8,137	19,110,430
	Calc Tufa stock at Plant		1,058	498,175		
	Dolomite Chips					

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	Clinker		7,462	32,098,679	3,337	13,014,748
	Coal		4,394	35,018,475	7,762	59,410,265
F.	**Commission to Agents:**					
	Bhutan Agents		167,269	26,542,656	155,919	27,338,688
	Indian Stockiest		138,548	34,396,286	156,756	39,412,365
			305,817	**60,938,942**	**312,676**	**66,751,053**
G.	**Particulars in respect of Opening and Closing Stock:**					
			As at 1 January 2018		**As at 1 January 2017**	
	Opening Stock:					
	- Cement		8,937	33,271,676	3,255	11,412,298
	- Clinker		19,311	70,007,538	43,104	134,084,084
	- Clinker in process		1,335	1,561,522	1,655	1,969,960
	- Cement in process		660	2,247,992	2,350	3,526,099
	Closing Stock:		**As at 31 December 2018**		**As at 31 December 2017**	
	- Cement *		4,059	16,592,745	8,937	33,271,676
	- Clinker		27,651	112,311,849	19,311	70,007,538
	- Clinker in process		1,441	1,600,919	1,335	1,561,522
	- Cement in process		340	1,229,741	660	2,247,992
	* Net of short/(excess) adjusted					

For T.K Ghose & Co.
Charter Accountants
(FRN No 302002E)

T.K.GHOSE & CO.
Regn No.-
302002E
Chartered Accountants

(Gaurab Basu)
Partner
Membership No 060518

Place : Kolkata
Date : 21/02/2019

For and on behalf of the Board Director

Chairman

Chief Executive Officer

Director

Manager (FID)

Place: Thimphu
Date

NOTES TO FINANCIAL STATEMENT

Notes to Financial Statements

1. General information

Penden Cement Authority Limited (PCAL) was constituted as an undertaking of the Royal Government of Bhutan under the Royal Charter, in 1974. The Company was incorporated on 27th December 1990 under The Companies Act of the Kingdom of Bhutan, 1989.The registered office of the Company is located at Gomtu, Bhutan.

PCAL started its commercial production of cement in January 1981 when the first truck load emerged out of the Packing Plant. The plant was further optimized in the year 2002 to 1000 TPD of clinker production by upgrading the technology and control system. In 2004 with the addition of Cement Mill, Fly ash dosing and Electronic Packing Plant, the plant capacity now stands 1,650 TPD of cement production.

The financial statements were authorised for issue by the directors on 09/03/2018.

2. Summary of Significant Accounting Policies

2.1 Basis of preparation

(i) Compliance with Bhutanese Financial Reporting Standards (BFRS)

The 'Accounting and Auditing Standards Board of Bhutan' (AASBB), has decided to adopt IFRS in phases with minor changes. The Company in compliance with the Companies Act of Kingdom of Bhutan has adopted all the applicable Standards. The financial statements have been prepared in accordance with all applicable BFRS and other applicable laws such as Companies Act of the Kingdom of Bhutan, 2016.

The preparation of financial statements is in conformity with BFRS that requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies.

The functional currency of preparation is the Bhutanese Ngultrum.

2.2 Property, plant and equipment

PPE is initially recognized at cost. The company follows cost model for Property, plant and equipment and are stated at cost less accumulated depreciation and where applicable accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which

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PENDEN CEMENT AUTHORITY LTD

they are located. Only those costs are recognized as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the entity and the cost can be measured reliably.

The Property, plant and equipment are derecognized when no future economic benefits are expected from its use or on disposal.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net within "other income / other expenses" in Statement of profit and or loss.

Subsequent Costs

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other costs incurred for the running and maintenance of property, plant and equipment are expensed off in the year in which they are incurred. Spare parts and servicing equipment are normally treated as inventory and expensed as consumed. However, major spare parts and stand-by equipment are treated as property, plant and equipment when they are expected to be used during more than one year.

2.3 Depreciation

Company provides depreciation on property, plant and equipment on straight-line method over the useful lives of the assets.

Asset	Useful life
Office godown and Residential building	➢ 30 - 40 years
Factory Buildings	➢ 30 - 40 years
Roads and culverts	➢ 5 - 30 years
Plant & Machinery	➢ 5 – 20 years
Water Supply	➢ 5 – 30 years
Laborartory Equipments	➢ 5 – 20 years
Other Equipment	➢ 5 – 20 years

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Electrical Installation	➢ 5 – 30 years
Furniture Fixtures & other equipments	➢ 7 – 10 years
Vehicles	➢ 7 – 10 years
Telephone Installation	➢ 5 – 20 years
Instrumentation (electrical)	➢ 5 – 20 years

The depreciation for the property, plant and equipment purchased / constructed during the year is pro-rated on the basis of actual number of calendar days from the date asset are available for use.

2.4 Investment property

Investment properties are land which are held for rental yields and are not occupied by the Company. An investment property is initially measured at its cost and the company has also chosen the cost model for measurement of Investment Property after initial recognition at cost.

2.5 Leases

At the inception of a lease, the lease arrangement is classified as either a finance lease or an operating lease, based on the substance of the lease arrangement.

Company as a lessee
Assets on operating lease are not recognized as part of company's asset. Payments made for operating leases are recognized in profit or loss on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern of the user's benefit

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income.

Lease Income

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Lease income from operating lease is recognized in income on a basis which is more representative of the time pattern.

2.6 Impairment - Non-Current Assets

The Company assesses on a forward looking basis the expected credit losses associated with its assets carried at amortized cost and FVOCI debt instruments. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 38 details how the Company determines whether there has been a significant increase in credit risk.

For trade receivables only, the Company applies the simplified approach permitted by IFRS 9 Financial Instruments, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

2.7 Investments and other financial assets

(i) ***Initial measurement***

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

(ii) Classification and subsequent measurement

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

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

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

Financial assets measured at amortized cost:

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

a. The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows; and

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b. Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

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

Financial instruments measured at fair value through other comprehensive income

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

a. the objective of the business model is achieved by both collecting contractual cash flows and selling financial assets; and
b. the asset's contractual cash flow represent Solely Payments of Principal and Interest.

Financial instruments included within FVTOCI category are measured initially as well as at each reporting period at fair value. Fair value movements are recognized in other comprehensive income (OCI). Currently, the Company does not have any asset classified under this category.

Financial instruments measured at fair value through profit and loss

Fair value through profit and loss is the residual category. Any financial instrument which does not meet the criteria for categorization as at amortized cost or fair value through other comprehensive income is classified at FVTPL. Financial instruments included within FVTPL category are measured initially as well as at each reporting period at fair value. Fair value movements are recorded in statement of profit and loss.

(iii) <u>Impairment of financial assets</u>

The Company assesses on a forward looking basis the expected credit losses associated with its assets carried at amortized cost and FVOCI debt instruments. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 38 details how the Company determines whether there has been a significant increase in credit risk.

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For trade receivables only, the Company applies the simplified approach permitted by IFRS 9 Financial Instruments, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

(iv) Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized only when:

- The rights to receive cash flows from the asset have been transferred, or
- The Company retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.

When the Company has transferred an asset, it evaluates whether it has substantially transferred all risks and rewards of ownership of the financial asset. In such cases, the financial asset is derecognized. When the Company has not transferred substantially all the risks and rewards of ownership of a financial asset, the financial asset is not derecognized.

When the Company has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is derecognized if the entity has not retained control of the financial asset. When the entity retains control of the financial asset, the asset is continued to be recognized to the extent of continuing involvement in the asset.

(v) Income recognition

Interest income: Interest income from debt instruments is recognized using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the expected credit losses.

Dividend income: Dividends are recognized in profit or loss only when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Company, and the amount of the dividend can be measured reliably.

2.8 Financial liability

i) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, borrowings, payables. All financial liabilities are recognized initially at fair value and, in the case of borrowings and payables, net of

T.K. GHOSE & CO. Regn No.- 302002E

PENDEN CEMENT AUTHORITY LTD.

directly attributable transaction costs. The Company's financial liabilities include trade and other payables, borrowings including bank overdrafts.

ii) Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial Liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognized in the profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk is recognized in OCI. These gains/ loss are not subsequently transferred to P&L. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognized in the statement of profit or loss. The Company has not designated any financial liability as at fair value through profit and loss.

Borrowings

Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Where there is a breach of a material provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand on the reporting date, the entity classify the liability as current, if the lender does not agreed not to demand payment as a consequence of the breach before reporting date..

Trade and other payables

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These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

iii) Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other gains/(losses).

2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank balances and deposits, other short-term highly liquid investments with original maturities of three months or less and that are readily convertible to known amount of cash and cash equivalent and which are subject to an insignificant risk of changes in value.

2.11 Inventories

An inventory broadly consists of raw material, stores and spares, work in progress and finished goods.

Basis of valuation:

a) Raw Materials: (at annual weighted average cost)

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Cost is determined as follows:-

- Limestone at Mines:	All direct expenses such as Salaries, Wages, Contribution to Provident Fund, Ex-gratia and all other allowances and Consumption of Stores and Spares,
- Limestone at Plant:	Cost at Mines, Royalty, Mineral Rent and Transportation cost by road.
- Bought-out Materials:	At landed cost.
b) Stores and Spares:	At monthly weighted average cost.
c) Coal:	At annual weighted average cost.
d) Work in Progress (Clinker)	At cost (inclusive of appropriate overheads) or and Stock in Trade (Cement): Net realizable value whichever is lower.
e) Work in Progress:	Raw Materials in kiln prior to clinker stage under process and Inventory in Cement Mills under process are arrived on an estimated quantity of stock under process on a standard cost valuation.

2.12 Employee benefit liabilities

Employee benefits are accrued in the period in which the associated services are rendered by employees of the company as detailed below:

a. Defined Contribution Plan (Pension and Provident Fund)

As required by National Pension & Provident Fund, both the employee and employer make monthly contributions to the provident fund, which is a Defined Contribution Plan, equal to a specified percentage of employee's basic salary. The company has no further obligations under the plan beyond its monthly contributions. The company does not have any legal or constructive obligation to pay further contributions if the Fund does not have sufficient assets to pay all of the employee's entitlements. Obligation for contributions to the plan is recognized as an employee benefit expense in profit or loss when the contribution to the Fund becomes due.

b. Defined Benefit Plans (Gratuity)

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The liability or asset recognized in the balance sheet in respect of defined benefit gratuity plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit and loss.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service cost.

c. Short Term Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. All employee benefits payable wholly within twelve months of rendering the service are classified as short term employee benefits and they are recognized in the period in which the employee renders the related service. The Company recognizes the undiscounted amount of short term employee benefits expected to be paid in exchange for services rendered as a liability (accrued expense) after deducting any amount already paid.

d. Earned Leave Encashment

The employees of the company are entitled for earned leave. The employees can carry forward a portion of the unutilized earned leave subject to the limit set as per PCAL service manual and utilize it in future periods or compensated in cash during retirement or termination of employment for the unutilized accrued earned leave based on the salary at the time . The company's net obligation in respect of the earned leave is calculated by estimating the amount of future benefits that the employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The calculation is performed annually by a qualified actuary and amount of obligation is provided in profit or loss. The plan is unfunded.

2.13 Provisions

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Provisions are recognized if, as a result of a past event, the entity has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic resources will be required to settle the obligation. Provisions are measured at the management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost. A provision for onerous contracts is recognized when the expected benefits to be derived by the entity from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

2.14 Revenue Recognition

Revenue is measured at the amount entity expects to be entitled in exchange for transferring promised goods or services to a customer, and represents amounts receivable for goods supplied, stated net of discounts, returns and taxes and royalty collected on behalf of government.

Sale of goods : The Company recognizes revenue when the entity satisfies a performance obligation identified in the contract by transferring a promised good or service (i.e..an asset) to a customer and the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Company. An asset is assumed to be transferred to customer when (or as) the customer obtains control of that asset. Incremental cost incurred by the company for obtaining as contract with customer is recognized as assets if the recovery of such cost is expected. Such assets are amortized on a systematic basis that is consistent with the transfer to the customer of the goods to which the asset relates.

2.15 Mines Development expenses

Direct expenditure incurred for development of mines if exceeding Nu. 3 million are to be amortized over a period of 3 years from the date of commencement of operation of such mines.

2.16 Research and Development

Revenue expenditure on research and development is charged to Profit and Loss Account. Capital expenditure on assets for research and development is shown as additions to Property, Plant & Equipment.

2.17 Claims

Claims for liquidated damages against the suppliers/contractors are taken as income or adjusted with property, plant and equipment when these are probable for recovery as per the contractual terms.

2.18 Income Tax

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Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes (Tax Base).

Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the tax authority on the taxable entity, further they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiary, associate and joint venture where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

2.19 Contingent Liabilities and Contingent Assets

Contingent liabilities is not recognized but disclosed for all possible obligations that arises from past events and whose existence will be confirmed only by the occurrence or nonoccurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets is also not recognized but disclosed for all possible assets that arises from past events and whose existence will be confirmed only by the occurrence or nonoccurrence of one or more uncertain future events not wholly within the control of the entity.

2.20 Operating Segment

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IFRS 8 'Operating Segments' requires a disclosure of operating results segment wise for the entity, whose debt or equity instruments are traded in public market or in the process of listing its securities in public market. Since the company's equity listed in public market, the standard is applicable to the company. The Company operates only in Cement and has only one segment. Further for internal reporting purposes they consider entire business as one segment only i.e. cement and performance is reviewed accordingly. Hence the company is having only single segment i.e. Cement. Refer note 44 for segment information presented.

2.21 Earnings per share ('EPS')

a. Basic earnings per share

Basic earnings per share are calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares

b. Diluted earnings per share

Diluted earnings per share adjust the figures used in the determination of basic earnings per share to take into account:

- The after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.22 Critical accounting estimates and assumptions

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts in the financial statements. Although the Company regularly assesses these estimates, actual results could differ materially from these estimates. Changes in estimates are recorded in the year in which they become known.

Actual results may differ from management's estimates if these results differ from historical experience or other assumptions do not turn out to be substantially accurate, even if such assumptions were reasonable when made. The said estimates are based on the facts and events, that existed as at the date of statement of financial position, or that occurred after that date but provide additional evidence about conditions existing as at the statement of financial position date.

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The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying values of assets and liabilities within the next financial year cover.

a) Retirement benefit obligations

The costs of retirement benefits and present value of the retirement benefit obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation and its long-term nature, retirement benefit obligations are sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

b) **Provision for doubtful debts**

As at each Statement of Financial Position date, the Company assesses recoverability of trade receivables. Provision for doubtful debts is recognized based on the historical experience of collectability of debts. The Company estimates the portion of its outstanding receivables that cannot be collected based on aging schedules at an increasing percentage of each aging category. Actual doubtful debts could differ from these estimates.

c) **Estimated useful life of Property , Plant and Equipment (PPE):**

Determination of the estimated useful life of PPE and the assessment as to which components of the cost may be capitalized. Useful life of PPE is based on the life as prescribed by the group accounting policy of DHI companies. Assumptions also need to be made, when the Company assesses, whether an asset may be capitalized and which components of the cost of the asset may be capitalized

2.23 The Company has adopted IFRS 9 and IFRS 15 from 1 January 2015.

2.24 Government Grants

Grants from Government and Government agencies are recognized when there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

Grants related to income are recognized in the Statement of profit or loss on a systematic basis over the periods in which the entity recognizes expenses and the related costs for which the grants are intended. The unallocated portion of such grant is presented as part of deferred income in the Statement of Financial Position.

Grants related to assets which are recognized at a nominal value in the Statement of Financial Position.

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A government grant received or that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs shall be recognized in Statement of profit or loss in the year it is received or becomes receivable.

2.25 Foreign currency translation

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates referred to as the "functional currency". The functional currency and presentation currency of the Company is Bhutanese Ngultrum.

Transactions and balances

Transactions in foreign currency are initially recognized in the financial statements in functional currency using exchange rates prevailing on the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated to the relevant functional currency at the exchange rates prevailing at the reporting date. Foreign exchange gains and losses are generally recognised in profit or loss. Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other income or other expenses.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary assets and liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction.

3. Current versus non-current classification

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

An asset is classified as current when it is:

1) Expected to be realized or intended to be sold or consumed in normal operating cycle;
2) Held primarily for the purpose of trading;
3) Expected to be realized within twelve months after the reporting period, or
4) Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

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1) It is expected to be settled in normal operating cycle;
2) It is held primarily for the purpose of trading;
3) It is due to be settled within twelve months after the reporting period, or
4) There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

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ANNEXURE ON RATIO ANALYSIS

Since 1982

Annexure on Ratio Analysis

SL NO.	RATIO	2018	2017	Remarks
1	Current Ratio Current Asset/Current Liabilities including Provision	3.29	3.49	Due to decrease in inventory
2	Acid Test ratio Current Asset other than inventories/Current Liabilities including provision	1.52	1.61	Due to decrease in debtor and other receivable
3	Net Profit ratio(%) (Profit after Tax/ Sales)*100	7.48	7.55	Decrease in sales turnover and increase in Expenses
4	Return on Equity (Profit after Tax/Total equity)*100	9.07	10.70	Decrease in Net Profit
5	Earning Per Shares(Nu) Profit after Tax/No of shares issued*10	3.44	4.44	Decrease in Net Profit
6	Book value per Shares Net Asset/ No. of Shares issued	37.96	41.51	Decrease in Reserve and Surplus
7	Fixed Asset and CWIP to Share Holder Fund	0.50	0.55	
8	Inventory Turn over Ratio (in Days) (Average inventory of store & Spare/Consumption of store &spare & packing materials)*365	306.43	393.29	Decrease in Inventory of store and spare and packing material
9	Raw material Turnover Ratio (in Days) (Average Raw material stock/Consumption of rawmaterial)*365	85.72	135.08	Due to decrease in stock holding period of raw material. Raw material is converted into finished goods within short time.
10	Profit Before Tax to capital Employed (in %) (profit before tax/capital employed)*100 Capital employed=share holders fund.(Equity+Reserves)	12.22%	14.65%	Due to decrease in profit as compared to last year

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PENDEN CEMENT AUTHORITY LTD. GOMTU : BHUTAN

>> At Penden safety is our topmost priority - fire drills

>> Care and maintenance of the plant - cleaning of the plant surroundings

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" Construct with Confidence "