



Adhi Company

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STATE MINING CORPORATION LTD.



ANNUAL REPORT
2019

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ANNUAL REPORT 2019

THE YEAR IN REVIEW

The year 2019 began on an upbeat note. The Khothakpa Gypsum Mine (KGM) came under the Company's portfolio. We welcomed the new business with gratitude and excitement. The inauguration ceremony was conducted on the very first day of the year. The result at the end of the year was truly motivating. The hard work paid off and made us all rejoice, especially those who toiled in difficult field working conditions. Hence, we dedicate our successful year 2019 to our field staff.

The profit after tax (PAT) achieved was Nu.336.35 M compared to Nu.91.39 M in 2018, which exceeded the Compact target of Nu.320 M. The annual growth in PAT at 268% was phenomenal. The overall profit margin increased to 23.93% from 20.38%. The return on equity (RoE) more than doubled to 49.33% from 24.43%. This growth was spurred mainly by gypsum business. To leverage business, addition of lucrative projects to a Company's portfolio is crucial. We thank the Royal Government for granting the gypsum business to SMCL.

Mining operation involves deployment of heavy machineries and appropriate technology is key in improving efficiency. In a constant race against time, adopting appropriate technology saves time. SMCL procured two Down The Hole (DTH) drilling machines. A DTH replaced the jackhammers in KGM and produced excellent result. For the first time in the history of gypsum mining, the annual production crossed 500000 MT. The other DTH was introduced in Tshophangma Coal Mine, to deal with hard sandstone encountered as over and inter burdens. We were forced to bring it by the last quarter as the coal production was only 60% of the annual target. With its deployment, the last quarter made up the backlog and even exceeded the annual production target by a few thousand metric tons. On top of increasing efficiency, DTH minimizes drudgery and exposure to occupational risks

Significant cost saving was achieved through a simple change. Locally fabricated screens were used to reduce unnecessary load on crushing plant in KGM. The normal practice observed was to feed "everything" into the crusher by truckloads. Gypsum when extracted contains about 20-30% gypsum dust and fines below 100 mm, besides lumps. The crusher is used to break lumps to below 100 mm size. Two big screens, 100 mm mesh size, were installed at the mining pit. Trucks unloaded gypsum onto the slanting screen and anything below 100 mm was screened. The product was sold as screened gypsum or gypsum dust. This simple innovation, which came from observations of loading "everything" into the crusher, significantly reduced the load on the crushing plant. Load reduction directly converted into improved efficiency as more lumps could be crushed. It even gave us a bonus, an option to produce gypsum during crusher breakdowns, ensuring uninterrupted supply in the market.

Mining operation involves excavation and removal of overburden to expose minerals. It involves heavy earth moving operation and it is a nuisance to local people. This consideration made SMCL adopt the concept of "broad-based" benefits sharing with the local people by engaging them in mining operations. Incidentally, KGM offered the first opportunity to operationalize this concept. A legal entity formed by the public of Shumar Gewog pooled money and procured earth-moving equipment (EME). We have been deploying their EME on contract. This effort has been generating the win-win synergy and so far has done well. SMCL will promote this concept and make such efforts, where feasible.

For the first time, our revenue crossed the Nu. 1 B mark in the third quarter. The revenue for the year reached Nu. 1.43 B, against the Compact target of 1.24 B. By comparison, SMCL's revenue in 2018 was just Nu. 449.72 M. The expenditure was Nu.952.25 M. Out of this, Nu. 643.394 M, (>67%) was ploughed back to the local economy through disbursements for EMEs, transportation, labor and petty contracts. We strongly believe that such collaborative effort in broad-based benefits sharing in mining operations is helpful to the local people.

For the first time, the dividend declared crossed the 100% mark. 108% of equity of Nu. 293.99 M, corresponding to Nu. 317.51 M was declared as dividend. SMCL has been making profits over the past three successive years. The net worth

accumulated as on 31 December 2019 was Nu. 681 M. With great satisfaction, we can safely say that SMCL has become a profit making and an asset creating Company.

Quick response to solve the problems at site is key to successful field operations. Delayed response, however good it may be, cause loss of precious time. The Management's constant endeavor to support the field operation is reciprocated by the Board through prompt decisions. At times we have taken the Board's approval through email in the interest of time. Corporate good governance and field activities would suffer if such mutual understanding is absent. The Management truly values the high confidence the Board has on us. The Management would like to sincerely thank the Board and DHI for their high confidence, strategic guidance and support in building SMCL as a performing mining Company.

SMCL has to liaise and work closely with the regulatory authorities. The Management would like to thank regulatory agencies and stakeholders namely, Department of Geology and Mines, National Environment Commission, National Land Commission, Department of Forests and Park Services, their subsidiary field offices, Dzongkhags, Dungkhags, Gewogs and Communities for their services and support.

Finally, the Management and employees pledge our sincere commitment to work hard to sustain our performance from year to year.

Tashi Delek!

A handwritten signature in blue ink, appearing to read 'Kezang Jamtsho', is written over a horizontal line.

Kezang Jamtsho
Chief Executive Officer

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COMPANY PROFILE

The Royal Government of Bhutan envisioned the noble concept of establishing a state entity realizing the potentials of mining sectors’ contribution to the nation’s socio-economic development and expand economic opportunities, create jobs, and generate revenue for the country. During the 45th Lhengyel Zhungtshog, The Royal Government of Bhutan decided the formation of State Mining Corporation Limited (SMCL). SMCL was incorporated under the Companies Act of Kingdom of Bhutan as DHI’s 100% subsidiary company on 31st December 2014.

VISION

Be the leading company in sustainable mineral resources management to distribute the national wealth to the people of Bhutan.

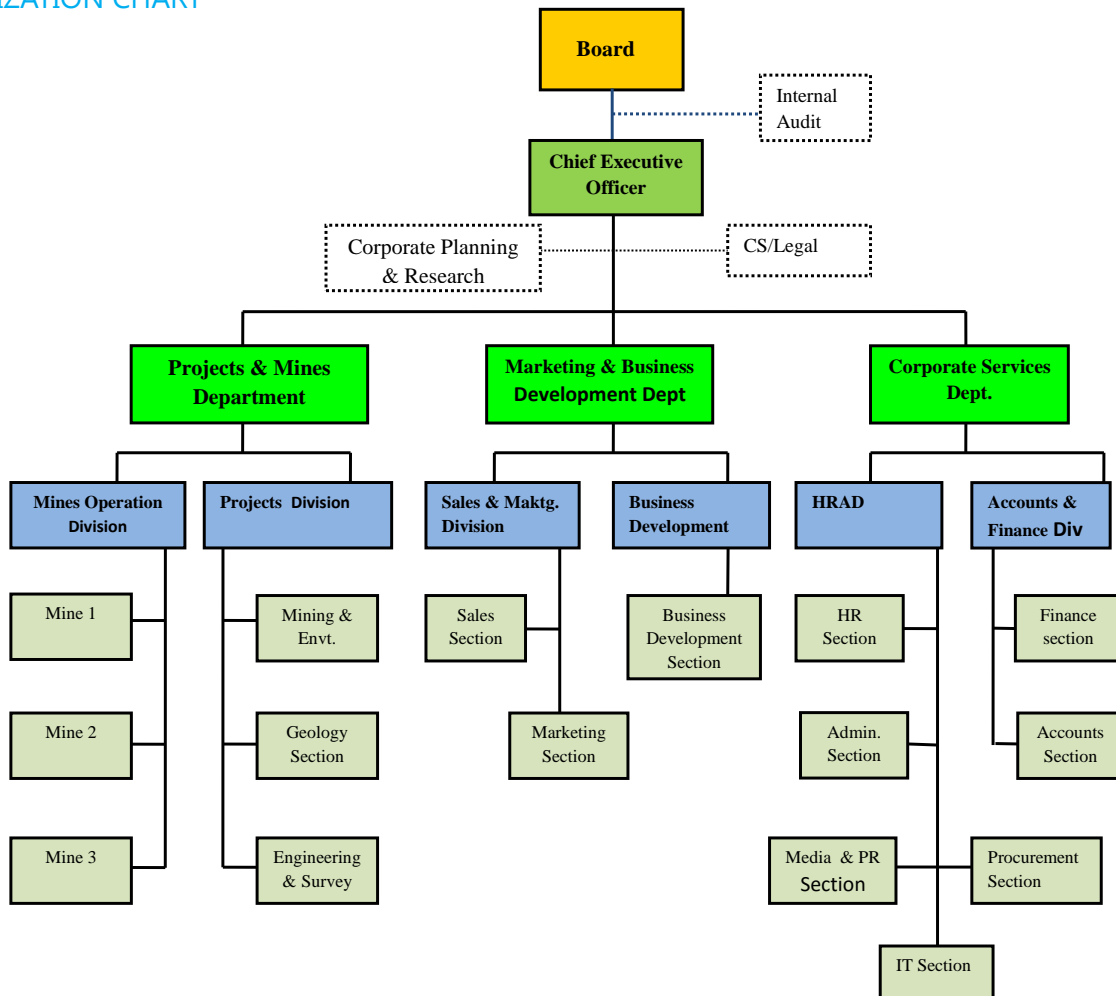
MISSION

Explore and develop mineral resources in a responsible manner for intergenerational equity.

VALUES

- Integrity - Conduct business with honesty and transparency at highest level of corporate governance.
- Excellence – Strive for the highest possible standards while conducting business, both in terms of work and quality of goods and services.
- Accountability – Defining & accepting responsibility, delivering on the commitments.
- Team Work – Work collectively across all levels and partners, building strong relationships based on respect, understanding and cooperation.
- Responsibility – Strive to be responsible in keeping with the values of GNH, be sensitive to the environment and accountable to the people of Bhutan.

ORGANIZATION CHART



BOARD DIRECTORS



DASHO KARMA YEZER RAYDI – CHAIRMAN. CHIEF EXECUTIVE OFFICER –DHI

Dasho Karma Yezer Raydi has Master degree in Geotechnical Engineering from Nippon Institute of Technology, Saitama, Japan and Bachelor Degree in Civil Engineering, from University of Roorkee, India. He has rich leadership experience acquired over the 27 years of service to the Tsa-Wa-Sum. He started his career in 1989 and since then he shouldered important positions in ministries, financial institutions, authorities and finally as an Eminent Member of National Council from 2008-2013. Currently, he is serving as the Chief Executive Officer of the Druk Holding and Investments Ltd.



THINLEY NAMGYEL SECRETARY- GROSS NATIONAL HAPPINESS COMMISSION

He has MBA from University of Canberra, Australia and Bachelor of Commerce from Sherubtse College, Bhutan. He joined civil service as Trainee Officer in 1989 and shouldered the responsibilities of key positions under various divisions and departments under Ministry of Finance, His Majesty's Secretariat and as the Director under GNHC. He worked with World Bank, Washington DC as short term consultant. He has wide knowledge in policy formulations, macro-economic analysis, monitoring and evaluation of projects and international financial perspectives. He is currently serving as the Secretary to Gross National Happiness Commission.



SONAM WANGYEL DZONGDAG- DZONGKHAG ADMINISTRATION, SAMTSE

He has Master degree in Curriculum Studies from University of New England, Armidale, NSW, Australia and Bachelor of Education from NIE, Samtse. He joined the civil service in 1993 and served at various capacities in Ministry of Education and has vast knowledge and experience in HR management, public administration and local governance. Currently, he is serving as Dzongdag for Samtse Dzongkhag.



GELEY NORBU DIRECTOR - NATIONAL LAND COMMISSION, THIMPHU

He has obtained Master's Degree in Urban and Regional Planning from University of Sydney, Australia and Bachelor of Architecture from Maulana Azad National University of Technology, India in the year 2000. He joined civil service as Urban Planner and served under Ministry of Works and Human Settlement. He served as Chief Urban Planner under Thimphu Thromde from 2009 till he was transferred to National Land Commission as the Director in 2017. He has extensive experience in urban planning, implementation of Asian Development Bank and World Bank projects in Bhutan, land and property related disputes resolutions, resettlement programs and instituted systems and processes in various organizations. Served as the member to the drafting of legislations related to land, municipal, building, planning and by-laws. He delivered online course on behalf of World Bank to international participants.

JIGME THINLEY

SENIOR ANALYST - DHI THIMPHU



He has Bachelor of Commerce (Accounting and Management) from Sherubtse College and Master of Business Administration (Finance) from the Australian National University. He started his career as Revenue Officer in Bhutan Telecom Limited. He served in DHI from 2008 -2019 as senior financial analyst, Head of Finance Division. He developed financial policies and tax strategies for DHI and its group, primarily engaged in project viability analysis, financial and operational performance analysis of companies, and 5-year investment and financing plan. Currently he is serving as the General Manager, Finance Division, Bhutan Telecom

KEZANG DEKI

CHIEF ENGINEER - DEPARTMENT OF INDUSTRY, MOEA



She has Master's Degree in Engineering (Specialization in Structural) from the University of Melbourne, Australia and B. Tech. in Civil Engineering from Indian Institute of Technology (IIT) Roorkee, India. She joined civil service in 2004 and served under Thimphu Thromde till 2008. Prior to her transfer to MoEA in 2015 she worked under Ministry of Works and Human Settlement. She has been heading the Industrial Infrastructure Development Division, Department of Industry, MoEA as the Chief Engineer since 2016

KEZANG JAMTSHO

CHIEF EXECUTIVE OFFICER- SMCL



He has Master's Degree in Irrigation Engineering and Management from Asian Institute of Technology, Bangkok, Thailand and Bachelor's Degree in Civil Engineering from Regional Engineering College, Silchar, India. He worked in various capacities in the Ministry of Agriculture and Forests. Before he joined the State Mining Corporation Limited, he served and completed his term as the Commissioner, Anti-Corruption Commission of Bhutan.

MANAGEMENT TEAM



From top: CEO and Corporate staff, Second: Habrang Coal Mines staff, Third: Tshopangma Coal Mine Staff



KEZANG JAMTSHO

CHIEF EXECUTIVE OFFICER

He has Master's Degree in Irrigation Engineering and Management from Asian Institute of Technology, Bangkok, Thailand and Bachelor's Degree in Civil Engineering from Regional Engineering College, Silchar, India. He worked in various capacities in the Ministry of Agriculture and Forests. Before he joined the State Mining Corporation Limited, he served and completed his term as the Commissioner, Anti-Corruption Commission of Bhutan.

SANGAY RINZIN

DIRECTOR, MARKETING & LOGISTICS

He has obtained Masters in Accounting from Curtin University of Technology, Western Australia in 2005. He served as the Dean, Research and Industrial Linkages in Gaeddu College of Business Studies and as Research Consultant for Institute of Management Studies in Marketing and Management. He has experiences in financial management and accounting, business research, marketing, and development of project proposals.

CHHIMI RINZIN

GENERAL MANAGER, HR & A

He has obtained Masters in Human Resource Management from Curtin University of Technology, Western Australian 2006. He started his career as Trainee Officer and served various ministries and agencies in different positions. Prior to appointment as the General Manager, SMCL he served as the Head, Human Resource Management Division, and Royal Civil Service Commission till March, 2015.

SANGAY TSHERING

GENERAL MANAGER, PROJECT & MINES

He completed his middle secondary study from Drugyel High School, higher secondary from Sherubtse College, Bhutan, Bachelors of Engineering in Mining from Nagpur University, Maharashtra, India, and Masters in Engineering Science in Mining Industry Management from University of New South Wales at Sydney, Australia. Before joining the company he served as the Head of the Mining Division under the Department of Geology and Mines, Ministry of Economic Affairs.

KELDEN JATSHO

HEAD, ACCOUNTS & FINANCE

He obtained his Bachelor of Commerce from Kurseong College, North Bengal University, India. He started his carrier as contract teacher in 2010. Later from August 2012 he joined as Accounts & Finance Officer in Bhutan's first Private Fund Management Company. Before taking up the position as Head (Accounts & Finance) at the SMCL, he worked as Assistant Manager (Accounts) at the Army Welfare Project Limited (AWPL)

DIRECTORS' REPORT

To the Shareholders

It is my honour and privilege, as the Chairman of the Board of Directors of SMCL, to present the Directors' Report for the year 2019.

The year 2019 has been a highly successful one for SMCL. The Company has achieved profit after tax (PAT) of Nu.336.35 M compared to Nu.91.39 M in 2018, surpassing the Compact target of Nu.320 M. The increase in PAT is 268% when compared to 2018. The PAT achieved translates into the overall profit margin of 23.93% compared to 20.38% in 2018. The return on equity (RoE) has soared to 49.33% from 24.43% in 2018. Such a jump in SMCL's business prospect and its profit was due to granting of Khothakpa Gypsum Mines (KGM) to SMCL by the Government for an interim period of two years. Hence, to leverage business and sustain its growth, addition of lucrative projects to a Company's portfolio is crucial.

OPERATIONAL HIGHLIGHTS

On 22 October 2018, the Government granted to SMCL the operation of the Khothakpa Gypsum Mines for an interim period of two years. The Government's directive was to carry out a seamless takeover and maintain the gypsum markets in the region. In hindsight, it is gratifying to note that SMCL has achieved the seamless transition and even passed the harder litmus test set by DHI in Compact 2019 on gypsum operation.

With just Nu 55.20 M as investment in KGM, the Company has achieved a PAT of Nu 248 M, with a high profit margin of 28.36%. The production achieved was 512,218 MT surpassing the target of 460,000 MT and the sale achieved was 488,000 MT surpassing the target of 450,000 MT. The return on per metric ton of gypsum achieved may be the highest in the history of gypsum business, which was Nu. 508.0

The grant of gypsum operation to SMCL offered the opportunity of a different kind, to engage the community in benefits sharing, which we have been promoting in coal operation. Seizing this opportunity of broad based benefits sharing from mining operations, SMCL outsourced the equipment hiring to the community of Shumar Gewog. The households from the Gewog collected money and invested in purchase of earth moving equipment, which have been deployed successfully by us. Similarly, transportation of gypsum to Samdrup Jongkhar Stockyard was offered to individual freelance transporters at the existing rates. We even provide fuel to the permanent freelance transporters, who also enjoy advantage in terms of better rates when compared to "backload" truckers.

The Management realized the need to adopt appropriate technology in the mining operation to improve operational efficiency, right from the beginning. Hence, a DTH drill machine was opted in place of several jackhammers and ordered in January 2019, which started its operation by February 2019. DTH with larger drill holes and explosive resulted in better production of gypsum. SMCL extracted more than 5 lakh metric ton of gypsum, which was never done before. Another innovative idea was deployed. A locally fabricated screen was used to segregate gypsum below 120 mm and was supplied as screened gypsum. Previously, gypsum from the mines was fed into the crusher and supplied as crushed gypsum. Segregation by screening reduced load on the crusher, reducing cost of crushing. The additional benefit was the availability of gypsum for supply during crusher breakdowns. The innovative idea, in fact emerged from the need for continuous supply of gypsum during crusher breakdowns.

Coal mining is becoming more challenging as we go deeper down the slope, due to increasing overburden height in an open cast mining operation. Both Habrang and Tshophangma Coal Mines have massive overburden to be managed. In Tshophangma, coal is trapped in between hard sandstones where rock breakers and jackhammers were not effective. The coal production by the end of 3rd QTR, 2019 was only about 60% of 75,000 MT target.

Learning from KGM success of DTH, the Company on emergency mode ordered a DTH by end of September 2019. By third week of October 2019, the DTH was in operation at site. With this prompt action we achieved the production

of 77,670 MT, surpassing the target of 75,000 MT.

The Company reduced the poor quality coal stock by strategizing sales. Acceptance of higher ash content in coal by cement plants in the face of scarcity in the markets helped our sales. The total sale achieved in 2019 was 86,115.73 MT, much higher than the target of 70000 MT.

PFS study for area extension for Tshophangma Coal Mines was approved by DGM. Similarly, prospecting and PFS study for Kalanadi Coal Mines was submitted for approval. Further progress for both is held up with forest clearance since it was informed that the area falls within prime wild life habitat for Asiatic Elephant and Royal Bengal Tiger. For Kalanadi Coal Mines, clearance was rejected as the proposed area falls within Jomotshankha Wild Life Sanctuary and is the corridor between Jomotshankha and Sakten Wild Life Sanctuaries.

Bhutan coal's main drawback is the high ash content. The Company is setting up a coal washery in Bhangtar to proactively manage it. The Company has completed the detail topographical survey, design, layout plan and the civil foundation works. The award for purchase of plant equipment and structure was also completed. The total project cost is estimated within Nu 30 M.

In Dzongthung Stone Quarry operations, intense cost reduction strategies were exercised. Mining and crushing operation were matched to the local demand. After the third quarter, only mining to meet the target was done and crushing was suspended to cut costs since stock was available. The employees and EMEs were redeployed in other mines. Sale of 23,013 MT catered to the local demand. An additional quarry site, adjacent to the existing one, was prospected to supplement the reserve if need be.

In Kharabaridara Stone Quarry, mine access road and formation cutting at the top bench was completed. The Company constructed approach road on cost sharing basis with two other private mining companies. Detailed study on high tech equipment and crushing technology was assessed for production and supply of ballast. However, with the business of ballast with Northeast Frontier Railways not coming, the mine was temporarily closed. The manpower and EMEs were redeployed to other mines.

Sunkosh Stone Quarry's operational plans were prepared and the draft FMFS & EIA was submitted to DGM & NECS for approval.

In Human Resource Management, the Company exercised utmost due diligence in recruitment, which has been its practice since its incorporation. The number of staff increased to 154 in 2019 from 81 in 2018.

FINANCIAL POSITION AND KEY FINANCIAL PERFORMANCE HIGHLIGHTS

FINANCIAL POSITION

The Company has achieved PAT of Nu. 336.35 M, surpassing the Compact target of 320 M. The increase in PAT is 268% when compared to 2018. The PAT achieved translates into an overall profit margin of 23.93% and with an excellent return on equity (RoE) of 49.33%.

INCOME

The total revenue for the year was Nu. 1,432.75 M, against the compact target of 1,239 M, which is an increase by 218.58% as compared to Nu. 449.72 M in 2018. The sharp rise in revenue was mainly due to revenue from gypsum. About 61.04% of the total revenue was contributed from gypsum sales, 37.38% from coal sales, 1.09% from quarries sales and 0.49% by corporate income mainly from FD interest.

EXPENDITURE

The total expenditure increased from Nu.325.60 M in 2018 to Nu.952.25 M in 2019. The increase in expenses was due to addition of gypsum business. Expenses recorded in books of accounts are: Nu 520.28 M on Gypsum, Nu.348.35M on Coal, Nu.42.70M on Dzongthung Stone Quarry, Nu.39.20M on corporate and depreciation on assets and Nu. 1.70 M on setting up of Kharbaridara Stone Quarry.

PROFITABILITY

Financial year 2019 was an exceptional year with PAT of Nu. 336.35 M, where in the past PAT has not crossed Nu. 100 M. The increase in PAT by 268% (from Nu. 91.39 M to Nu. 336.35 M) was mainly due to additional gypsum business and also some increase in sale of coal from the two coalmines. The gypsum business realized PAT of Nu. 248.029 M and coal business realized PAT of Nu 131.035 M absorbing the loss of Nu. (18.961) M incurred from operation of Dzongthung Stone Quarry and the Corporate Head Office expenditure of Nu. 22.561M. Overall profitability was 23.93%, which is an increase from 20.38% in 2018

CASH FLOW

The Company is pleased to report that there was an increase of 201.45% in cash flow position from Nu. 63.24 M in 2018 to Nu 190.64 M in 2019. The cash flow constituted: Nu. 874.61 M from sale of gypsum, Nu. 531.54 M from sale of coal and Nu 15.61 M. from sale of quarry products.

The major cash flow were used to meet operating & capital expenses and paid off the short-term working capital loan of Nu 55.24 M.

AUDIT ISSUES

The Company is pleased to report that there was no audit observation by the Statutory Auditors for the year 2019.

BOARD'S RECOMMENDATION OF DIVIDEND

With the increase in the financial performance of the Company in the year 2019, the declaration of dividend to the shareholders is recommended at 109%, amounting to Nu.320.449 M. Recommended dividend declaration increased from 22% (Nu. 64.68 M) in 2018 to 109% (Nu. 320.449) in 2019. The increase in dividend is 395.44%.

CORPORATE GOVERNANCE

The Company adheres to the provision of the Corporate Governance Code (CG Code), and Ownership Policy of the Druk Holding and Investments Limited (DHI), the Companies Act of the Kingdom of Bhutan, 2016 and other statutory requirements. All members of the Board were identified and appointed by DHI with subsequent endorsement in the Annual General Meeting.

The Company's Board comprised of seven Board Directors including the Chief Executive Officer. The Company conducted seven Board Meetings, and an Annual General Meeting. The Company had three Board Level Committees in place – Board Audit and Budget Committee, Board HR Committee, and Board Tender Committee and conducted meetings three, four and two times respectively.

CORPORATE SOCIAL RESPONSIBILITY

SL. NO	BENEFICIARIES	AMOUNT (NU)
1	Deep freezer for Samdrupcholing BHU I	24,985.00
2	Culture & religious events (Construction/renovation/preservation of lhakhangs, chortens and other monuments) & Community Development	479,675.00
3	Private sector development	100,000.00
4	Schools, institutes & colleges	215,000.00
5	National Events	392,333.33
TOTAL		1,211,993.33

The above figures show what was budgeted for CSR. The Company believes in what we term as “beyond CSR”, our constant focus and efforts in sharing and accruing benefits to local community and small to medium businesses. We outsource EMEs and transport contracts to local firms, community groups and freelance family business undertakings. We prefer using local expertise, work force and materials in our project work. We use the local labor force to do all manual jobs. We award petty works to local groups through negotiated rates. Only for resources not available in the local populace, we venture outside to meet our requirements.

BEYOND PROFITS: SHARING BENEFITS WITH THE COMMUNITIES

In 2019, the total revenue raked in was Nu. 1432.75M. Total expenditure was Nu 952.25M. Barring some capital expenditure, major portion from the total expenditure was ploughed back into the local community and businesses by way of the above activities. In terms of tax and dividend, Nu. 480.50 M went to the national exchequer. As shown in Table, major portion (>67% of total expenditure) of the expenditure is ploughed back into the local community and businesses.

Details of expenditures pumped into local community and businesses

Particular	Details	Nos	Amount	Remarks
EMEs & tippers	EMEs hired	44	231,477,284.09	27 nos of excavator, 2 nos of rock breaker, 2 backhoe loader and 2 pay loader
	Tippers hired	81		60 tippers and one water tanker
	Freelance individual Tippers-Transportation of minerals	679	394,806,101.72	Gypsum transported from Pema Gatshel to S/ Jongkhar & Coal transported from Habrang Coal Mines to Nanglam, Gomtu, Gelephu and P/ling.
Construction	Contract works	2	673,581.98	Road maintenance
Manpower Engaged	Operators	44		
	Drivers	760		
	Coal raisers (including 66 students)	105	12,352,612.89	Awarded on per MT basis
	Daily wage earners	32	2,220,439.00	
	Construction workers	56	1,864,950.48	Labour charges for gabion wall and ancillary construction works, 8 packages
Total		997	643,394,970.16	

Private sector development has become the bone of contention in the mining and minerals sector. Nurturing local community and businesses by partnering with them in mining operations to share benefits, we believe is private sector development at the grassroots level besides bridging the gaps in society. If this definition carries some meaning, then involving the state in mining operation gives better overall return to the nation as a whole.

CHALLENGES AND WAY FORWARD

SMCL was established as the designated body by the Government to develop and manage strategic minerals. This mandate is explicit in the Tripartite Terms of Reference (ToR) agreed and signed among MoF, MoEA and DHI. However, the Mineral Development Policy 2017 grants the prerogative to allocate strategic minerals to the Government. As the mining bill has been cleared by the Lower House with emphasis on privatization, the future role of SMCL may be curtailed. Further SMCL faces dilemma in our investment strategies.

Judging by the profitability and return on equity figures, mining is a profitable business with short gestation period and low investment requirement. Normally initial investment requirement on average would be in the neighborhood of Nu. 100 M. But Nu.100 M is way beyond the capability of the middle class in Bhutan. Being a lucrative business, mining and minerals sector has attracted multiple stakeholders' attention. In the ensuing squabbles, we risk squandering our scarce national resource, if we forego diligence in making the correct decision.

Professionals/experts in the mining field are scarce in the existing work force. Further, it is a challenge to get staff with knowledge, skills and integrity. The Company is exercising utmost diligence in assessment for recruitment.

The low carrying capacity of existing bridges and poor road conditions of peripheral road network will remain a serious challenge to transportation of low value high volume minerals. Transportation cost of such materials adds 30-50% to the cost of production and this component can make a business not feasible.

Mineral gypsum face some risk from chemical gypsum in their use in cement production. Gypsum use in other value added products have not gained pace. Hence watching the gypsum markets in the region, vis-à-vis transportation ease and cost may be prudent.

ACKNOWLEDGEMENTS

I would like to sincerely thank the Royal Government of Bhutan and DHI for bestowing full trust in SMCL and allowing us to shoulder the important mandate of developing the Nation's mineral resources to generate revenues for the benefit of the citizens of Bhutan. Further, I would like to thank all regulatory agencies and stakeholders like Department of Geology and Mines, National Environment Commission, National Land Commission, their subsidiary offices, Dzongkhags, and Communities for their continued support and encouragement to SMCL to grow from strength to strength.

I am sincerely pleased to record the exceptional success of SMCL in 2019, growth in profit by 268%, in the last few years since its incorporation. Dividend has increased by almost four times (395%). Such a phenomenal growth is the collective result of timely guidance and support from the Board of Directors, selfless leadership provided by the Chief Executive Officer and hard work done by his team. SMCL is already fulfilling its mandate of contributing its significant share and has the potential to realize the aspirations of the People of Bhutan, its real Shareholder. Finally, I would like to encourage and wish SMCL family to continue its excellent performance in all your future endeavors.

Tashi Delek!

For and on behalf of the Board



Dasho Karma Yezer Raydi
Chairman

CORPORATE GOVERNANCE REPORT 2019

1. BOARD DIRECTORS

The Board is the highest decision making body of the company. It determines the company's overall strategy and follows up on its implementation, supervises the performance, ensures adequate management and organization and, as such, actively contributes to developing the company and fulfill shareholder's expectation.

2. BOARD COMPOSITION

The Board of Directors has seven members appointed by the shareholder at the Annual General Meeting. The members constitute four independent and three non-independent directors from diverse professional background. The diverse composition in terms of knowledge, skills, experiences, age and gender helps the Board to make informed, independent, objective decisions for the interest of the shareholder, company, employees and other stakeholders.

Board Members in 2019

Sl. No.	Name of Director	Designation & Address	Description	Date of Appointment	Remarks
1	Dasho Karma Yezer Raydi	Chief Executive Officer, DHI	Chairman	5/6/2018	Non-Independent
2	Mr. Jigme Thinley	Sr. Analyst, DHI	Board Member	5/3/2019	Non-Independent
3	Mr. Kezang Jamtsho	Chief Executive Officer, SMCL	Board Member	1/7/2019	Non-Independent
4	Dasho Sonam Wangyel	Dzongdag, Samtse Dzongkhag	Board Member	5/6/2018	Independent
5	Dasho Thinley Namgyel	Secretary, GNHC	Board Member	5/3/2019	Independent
6	Mr. Galey Norbu	Director, National Land Commission	Board Member	5/3/2019	Independent
7	Mrs. Kezang Deki	Chief Engineer, IIDDD, MoEA	Board Member	5/3/2019	Independent

Board Directors' attendance and retired as from March 2019

Name	Designation	Date of appointment	Attendance	Remarks
1	Dasho Karma Yezer Raydi	Chief Executive Officer, DHI	7/7	
2	Jigme Thinley	Sr. Analyst, DHI	5/6	
3	Kezang Jamtsho	Chief Executive Officer, SMCL	7/7	
4	Dasho Sonam Wangyel	Dzongdag, Samtse Dzongkhag	4/7	
5	Dasho Thinley Namgyel	Secretary, GNHC	1/7	
6	Geley Norbu	Director, National Land Commission	6/6	
7	Kezang Deki	Chief Engineer, IIDDD, MoEA	4/6	
8	Karma Choden	Executive Director, Keshet Foundation	1/1	Retired on completion of 2nd term
9	Yeshe Dorji	Technical Advisor, DGPC	1/1	
10	Loday Phintsho	Analyst, DHI	1/1	Retired

3. BOARD MEETINGS

The Board met seven times during the year and quorums for each of these meetings were duly met. The dates for the Board meetings are decided in advance and communicated to the Directors. Agenda, along with necessary explanatory notes are sent to the Directors before the meetings.

Board Meetings

No. of Board Meeting	Date	Venue
28 th	15/3/2019	Hotel Bhutan Ga Me Ga, Phuentsholing
29 th	23/4/2019	Hotel Druk, Phuentsholing
30 th	20/6/2019	Hotel Bhutan Ga Me Ga, Phuentsholing
31 st	5/8/2019	Ro-chog Pel Hotel, Thimphu
32 nd	30/10/2019	Kuendhen Hotel, Samtse
33 rd	19/12/2019	Hotel Bhutan Ga Me Ga, Phuentsholing
34 th	31/12/2019	DHI Conference Hall, Thimphu

4. BOARD COMMITTEES

The Board may from time to time establish Board Committees as is considered appropriate to assist in carrying out its duties and responsibilities. The Board delegates certain functions to the subcommittees to assist or to enable the Board to make appropriate decisions.

- a. Board Audit and Budget Committee
- b. Board Tender Committee
- c. Board HR Committee

The Board appoints the members and Chairperson of each Committee. The committees constitute with members from non-executive members of the board where one of the independent directors appointed as the chairman of the committee. Each Board Committee operates under clearly defined terms of reference approved by the Board.

a. Board Budget and Audit Committee

The Board Audit Committee comprise of three Board Directors appointed by the Board from time to time where the chairman and the majority of members are independent directors. Membership of an audit committee includes directors who are financially literate.

- i. The audit committee shall undertake its activities in accordance with a board approved audit committee charter.
- ii. The audit committee shall monitor and should give the board assurance on the operation of the internal control system and internal audit activities, financial reporting, external audit, accounting and legal compliance of the company. It may also monitor the effectiveness of the company risk management system.

The details of the Board Budget and Audit Committee Meetings held in 2019

No. of Meeting	Date	Venue	Remarks
11 th	14/4/2019	Tara Phendeling, Thimphu	Audit Meeting
12 th	26/7/2019	Tara Phendeling, Thimphu	Audit Meeting
13 th	19/12/2019	Hotel Bhutan Ga Me Ga, Phuentsholing	Budget Meeting
14 th	30/12/2019	DHI Conference Hall, Thimphu	Audit & Budget Meeting

b. Board HR Committee

The Board HR Committee of the company comprises three members, all being appointed by the Board from time to time and chairman identified by the Board. The GM, HRAD is the member secretary.

The Board Human Resource Committee reviews and assess the policies & strategies to strengthen internal systems and processes related Human Resource of the company. The primary functions of the committee are to:

- Review proposals submitted by the Management and approve or recommend to the Board.
- Carry out the Selection Interviews for the executive or equivalent positions.
- Carry out any other responsibility related to HR as delegated by Board.

The details of the Board HR Meetings held in 2019

No. of Meeting	Date	Venue
4 th	14/3/2019	Hotel Bhutan Ga Me Ga, Phuentsholing
5 th	29/4/2019	Office of Dzongdag, Samtse
6 th	14/5/2019	Jambayang Resort, Thimphu
7 th	21/6/2019	Hotel Bhutan Ga Me Ga, Phuentsholing

c. Board Tender Committee

The objective of the Committee is to reinforce corporate governance, integrity and transparency in the procurement process and contract management. The committee comprises of three members including the chairman appointed by Board.

During the period, the company followed procurement rules and standards of the company while procuring works, goods and services.

The details of Board Tender Committee meetings held in 2019

No. of Meeting	Date	Venue
7 th	1/2/2019	Office of the CEO, DHI, Thimphu
8 th	20/6/2019	Hotel Bhutan Ga Me Ga, Phuentsholing

5. ANNUAL GENERAL MEETING

It decides on and approves important issues concerning the Company's management, including the reappointment & appointment of Directors, amendments to the Articles of Incorporation, approval of financial statements and dividend for the year.

The 5th Annual General Meeting of the company was held on 10 March, 2020 at the Board Room, DHI, Thimphu with the representatives from DHI (shareholder). The meeting discussed on the consideration of audited accounts for the financial year ended 31st December, 2019 and auditors' report and declaration of dividend.

The AGM also discussed on the appointment and retirement of directors and remuneration of the Chief Executive Officer. As per the section 138 of the Companies Act of Bhutan 2016, the Directors need to retire during AGM. Dasho Karma Yezer Raydi, Chairman of the Board was reappointed for another term and two Board Directors, Dasho Sonam Wangyel, Dzongdag, Samtse and Jigme Thinley, GM, BTL have been retired and appointed Dasho Chewang Rinzin, Director, RIGSS and Jigme Dorji, Sr. Analyst, DHI respectively.

The meeting declared dividend of Nu.316.44M (108%).

6. BOARD REMUNERATION

a. Board Directors' remuneration

Based on the remuneration fixed by DHI, the company paid total of Nu.552,000.00 during the 2019 for seven Board Meetings, 10 Board Committee Meetings and three other board level meetings.

Sitting Fees	Amount
Board Meetings	324000.00
Sub-committee fees	228000.00

b. Remuneration of CEO

The CEO's remuneration for the 2019 has been presented in the table below:

Pay & Allowances	Amount
Basic Pay	1,044,422
Allowances	827,800
PBVP & Bonus	407,021
GPF Contribution	129,009
Sitting fees	76,000
Grand Total	2,484,252

7. POLICIES AND PRACTICES OF CEO AND BOARD EVALUATION

The shareholder ensures that the Board has an appropriate balance of skills, qualities and characteristics so that each board member is equipped with the proper tools and motivation to carry out the responsibilities.

The evaluation of individual Directors focuses on contributions of the Directors to the company as specified in the Board Charter. The Board evaluates the performance of the CEO on annual basis.

8. RISK MANAGEMENT

Risk Management is a priority for the Company and in every annual compact endorsed with DHI, activities related to management of risk is incorporated for implementation.

As per the Company's Risk Management Policy, all Board Members, Management and Employees of the Company is individually responsible to safeguard the Company from any risk associated thereof which would otherwise hinder the performance or the reputation of the Company. The risk register is maintained with approval from the Board in the beginning of the year. It identifies all potential risks and the mitigation plans/ measures to curve or avoid its consequences in future. The register is regularly monitored and updated on its implementation efficiency and if further actions are deemed, the management resolves for additional measures.

Mining companies like SMCL are normally exposed to risk of accidents at worksite. The mines are operated in a rough and freshly exposed terrains with narrow working space engaging huge earth moving equipment that are highly susceptible to accidents. The workers are exposed to health hazards due to heavy pollution at sites. Yet, the year 2019 was another successful year for SMCL assuring highest care and OHS support for our workers and equipment at work site.

With the start of Gypsum mines at Khothakpa, one of the major challenges the Company could foresee was credit risk, since 80% of the mineral was exported. Firmer credit policy for export of minerals did managed well and no issues of default payment was recorded from export.

However, the Company continue to dangle with policy ambiguity in mining creating uncertainties while making investment plans.



INDEPENDENT AUDITORS' REPORT



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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of State Mining Corporation Limited

Opinion

We have audited the financial statements of **State Mining Corporation Limited** ('the Company'), which comprise the Statement of Financial Position as at December 31, 2019, 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, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019, its financial performance and its cash flows for the year then ended in accordance with Bhutanese Accounting Standards ('BAS').

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of 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 attention to Note No. 7A of the financial statements, which states that impairment on Trade & Other Receivables has been determined based on "incurred loss model" instead of "expected credit loss model", for the reasons as mentioned in the said note.

Our opinion is not modified in respect of this matter.

Other Matter

The financial statements of the Company for the year ended December 31, 2018 were audited by another auditor who expressed an unmodified opinion on those statements on March 26, 2019.



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Our opinion is not modified in respect of this matter.

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

The Company's Management ('Management') is responsible for the preparation and fair presentation of the Financial statements in accordance with BAS, and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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.

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

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



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collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on Other Legal and Regulatory Requirements

As required by Section 266 of the Companies Act of Bhutan, 2016, we enclose in Annexure-I a statement on 'Minimum Audit Reporting Requirements', to the extent applicable.



We also enclose for information purposes Annexure-II, a statement on applicability of Bhutanese Accounting Standards Phase I, Phase II and Phase III on the Company for the year ended December 31, 2019.

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As required by Section 265 of the Companies Act of Bhutan, 2016, we report that:

- I. 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.
- II. 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.
- III. 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 account.
- IV. Based on the information, explanations and management representation received during the course of our audit, the Company has complied with other legal and regulatory requirements.

For Maheshwari & Associates
Chartered Accountants
FRN : 311008E

A. Anand Kumar Jhunjunwala



C.A Anand Kumar Jhunjunwala
Partner
Membership No. 056613

Place : *Kolkata*
Date : *05/03/2020*

UDIN : 20056613AAAAAA4709

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ANNEXURE - I TO THE INDEPENDENT AUDITORS' REPORT

(Referred to under 'Report on Other Legal and Regulatory Requirements' in our Independent Auditor's Report of even date)

MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENTS

1. The Company has generally maintained proper records showing full particulars including quantitative details and situation of fixed assets (Property, Plant & Equipment). As per information provided to us by the Management, no material discrepancies were noticed on physical verification conducted by the Management during the year.
2. No fixed assets were revalued during the year as the company is following cost model for valuation of fixed assets.
3. The finished goods, stores, spares parts and raw materials have been physically verified by the Management during the year. In our opinion, the frequency of verification is reasonable.
4. In our opinion and according to information and explanations given to us, the procedures of physical verification of stocks followed by the Management are reasonable and adequate having regard to the size of the company and the nature of its business.
5. As per the information and explanations given to us and based on the examination of the records made available to us, material discrepancies were noticed on physical verification of stocks as compared to book records. Such discrepancies have been properly dealt with in the books of accounts.
6. On the basis of our examination of the stock records, we are of the opinion that the valuation of stocks is fair and proper, is in accordance with the normally accepted accounting principles and is as per the basis of valuation in the preceding year.
7. The Company has not taken any loan during the year from companies, firms or other parties and/or from the companies under the same management. The Company had taken secured term loans from NPPF (National Pension and Provident Fund) in the preceding year which have been repaid during the year. The rate of interest and other terms and conditions of the aforesaid term loans were prima facie not prejudicial to the interest of the Company.
8. As per the information and explanations given to us, the loans/ advances granted to officers/staff are generally in keeping with the provisions of service rules. Further, based on the test checks carried out and to the best of our knowledge and belief and as per the



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information and explanations given to us, no excessive/ frequent advances are granted and accumulation of large advances against particular individual is generally avoided.

9. In our opinion and as per the information and explanations provided to us, the Company is in the process of establishing an adequate system of internal controls to ensure completeness, accuracy and reliability of accounting records, carrying out the business in an orderly and efficient manner, to safeguard the assets of the Company as well as to ensure adherence to the applicable rules/ regulations and system and procedures. *More attention is particularly required in the areas of (a) collating data relating to operating segments, as required under BFRS 8 - 'Operating Segments' and (b) Increasing the frequency and scope of internal audit so as to be commensurate with the enhanced scale of operations of the Company.*
10. In our opinion, to the best of our knowledge and belief and according to the information and explanations given to us and test checks carried out, there is a reasonable system of competitive biddings, commensurate with the size of the Company and the nature of its business, for the purchase of goods and services including stores, raw materials, plant and machinery, equipment and other assets, and for the sale of goods and services.
11. As per the information and explanations given to us, there is no transaction for purchase and sale of goods and services made in pursuance of contracts or arrangements entered into with the directors or any other party related to the directors or with companies or firms in which the directors are directly or indirectly interested. However, the directors of the company have been nominated by the DHI Group (check) and there are transactions with some DHI Group companies, which have been disclosed in the financial statements.
12. As per the information and explanations given to us, there are no cases where any items of inventory are unserviceable or damaged.
13. As the company is a mining company, there are no such raw materials and packing materials for which ascertaining and identifying point of occurrence of breakage/ damages arises. However, as per the information and explanations given to us, in case of finished goods there is a reasonable system for ascertaining and identifying point of occurrence of damages so that responsibility could be fixed and compensation sought from those responsible.
14. In our opinion and to the best of our knowledge and belief and as per the information and explanations provided to us by the Management, the Company is maintaining reasonable record for production of finished goods and adequate physical safeguards exist to prevent unauthorized or irregular movement of goods from the Company. The Company does not have any by-products.



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15. On the basis of the examination of the records produced before us, we are of the opinion that the Company is maintaining reasonable records for sales and disposal of realizable scraps, where applicable. The Company does not have any by-products.
16. In our opinion and on the basis of test checks of records, the Company is generally regular in depositing rates and taxes, duties, royalties, provident funds and other statutory dues with the appropriate authority.
17. As per the information furnished to us, the Company had undisputed amounts payable in respect of rates, taxes, duties, royalties, provident funds and other statutory deductions which were outstanding as at the last day of the financial year concerned, as follows:-

Particulars	Amount (Nu.)
Tax deduction at source	9,96,893/-

18. According to the information and explanations given to us and test checks carried out, to the best of our knowledge, no personal expenses of employees or directors have been charged to the Statement of Comprehensive Income other than those payable, as explained to us, under normal contractual obligation in accordance with generally accepted practice.
19. In our opinion and as per the information as explanations given to us, the Company has a reasonable system for recording receipts, issues and consumption of materials and stores and allocating materials consumed to the respective jobs, commensurate with its size and nature of its business.
20. As per the information and explanations given to us, quantitative reconciliation was carried out at the end of the accounting year in respect of major items of inventories.
21. As per the information and explanations given to us, approval of Board/appropriate authority is obtained for writing off amounts due to material loss/discrepancies in physical/book balances of inventories, wherever applicable.
22. As per the information and explanations provided to us, the company maintains mine-wise cost-centres, hence question of allocating man-hours utilized to the respective jobs does not arise.
23. In our opinion and as per the information and explanations provided to us by the Management, the Company has a reasonable system of authorization at proper levels.



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and an adequate system of internal control commensurate with the size of the Company and the nature of its business, on issue of stores and allocation of materials and labour.

24. As per the information and explanations provided to us by the Management, the selling prices of coal are fixed by a Pricing Committee, comprising of members from the Government of Bhutan. For the other products of the Company, as informed to us by the Management, there is a reasonable system of price fixation taking into account the cost of production, market conditions etc.
25. According to the information and explanations given to us, the Company has formulated a credit sales policy effective from July 2017 onwards; however, no credit rating of customers is carried out.
26. According to the information and explanations given to us, there is a reasonable system for continuous follow-up with debtors and other parties for recovery of outstanding amounts. Age-wise analysis of outstanding amounts is carried out by the Management as and when required for information and follow up action.
27. According to the information and explanations given to us, the management of liquid resources particularly cash, bank and short term deposits are adequate and excessive amounts are not lying idle in non-interest bearing accounts. The Company has not withdrawn any excess amount as loan which could have led to avoidable interest burden on the Company.
28. According to the information and explanations given to us and on the basis of test examination of books and records, in our opinion and to the best of our knowledge and belief, the activities carried out by the Company are lawful and intravires to the Articles of Incorporation of the Company.
29. According to the information and explanations given to us, activities/ investment decisions are made subject to prior approval of the Board and investment in new projects are made only after ascertaining the technical and economic feasibility of such new ventures.
30. According to the information and explanations provided to us, the Company has established an effective budgetary control system:
31. The details of remuneration, commission and other payments made in cash or in kind to the Board of Directors including the Chief Executive Officer ('CEO') by the company are disclosed in the accounts. As explained to us, no payment has been made by the



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Company, directly or indirectly, to any relative (including spouse and children) of any Director or CEO, during the year.

32. According to the information and explanations given to us, the directives of the Board have been complied with.
33. The Company is not listed on the Royal Securities Exchange of Bhutan or on any other stock exchange. As per the information and explanations given to us, the officials of the company have not transmitted any information in the nature of price sensitive information which are not made publicly available, unauthorisedly to their relatives/friends/associates or close persons which would directly or indirectly benefit themselves.
34. The clauses 8, 9, 28 and 34 of the 'Minimum Audit Examination and Reporting Requirements' (Section II of Schedule XIV of the Companies Act of Bhutan, 2016) are not applicable to the Company. In addition to the above, all clauses for Trading Company, Finance and Investment Company and other Service Sector Companies are also not applicable to the Company.

COMPUTERISED ACCOUNTING ENVIRONMENT

As per the information and explanations provided to us and to the best of our knowledge and belief:-

1. The Company has a system for maintenance of accounting information during the year and in our opinion, the organizational and system development controls and other internal controls need further strengthening.
2. The Company has certain safeguard measures and backup facilities of financial data.
3. The Company has back up facilities and disaster recovery measures which include keeping files in different locations.
4. Operational controls are found reasonable to ensure correctness and validity of input data and output information.
5. Overall measures taken by the company to prevent unauthorized access over the computer installation and files are generally adequate.

GENERAL



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1. **Going Concern**

Based on the Company's financial statements for the year ended 31st December 2019, as audited by us, the company has generated profits during the year. We have no reason to believe that the company is likely to become sick in the near future or that it is not a going concern, as it has substantially increased its scale of operations, topline and bottomline during the year. Accordingly, the financial statements have been prepared under the going concern basis.

2. **Ratio Analysis**

Financial and Operational Ratio Analysis of the Company has been given in Exhibit-1.

3. **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 the examination and review of the financial statement as produced before us by the Management. In the course of audit, we have considered, based on our test checks, the compliance of provisions of the said Companies Act, relevant to the financial statements, to the best of our knowledge and belief. We are unable to state whether the Company has been complying with any other applicable laws (other than the said Companies Act), rules and regulations, systems, procedures and practices.

For Maheshwari & Associates
Chartered Accountants
FRN : 311008E

C.A Anand Kumar Jhunjunwala
Partner
Membership No. 056613



Place : *Kolkata*
Date : *05/03/2020*

UDIN : 20056613AAAAAA4709

Bangalore: "Park Plaza" First Floor, No.1, Park Road (Off. Infantry Road), Tasker Town, Bangalore - 560051, India
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MAHESHWARI & ASSOCIATES
Chartered Accountants

88 Middleton Street, 6A Geetanjali
Kolkata 700071, India
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www.maheshwariassociates.com

Annexure – II to the Auditors’ Report
(Referred to in our Report of even date)

Statement on applicability of Bhutanese Accounting Standards Phase I, Phase II and Phase III on State Mining Corporation Limited for the year ended 31st December 2019

Sr. No.	Bhutanese Accounting Standards (BAS)	Standard Name	Applicability (Financial Year 2019)
1	BAS 1	Presentation on Financial Statements	Yes
2	BAS 2	Inventories	Yes
3	BAS 7	Statement of Cash Flows	Yes
4	BAS 8	Accounting Policies, Change in Accounting Estimates and Errors	Yes
5	BAS 10	Events after the Reporting Period	Yes
6	BAS 11	Construction Contracts	No
7	BAS 12	Income Taxes	Yes
8	BAS 16	Property, Plant & Equipment	Yes
9	BAS 18	Revenue	Superseded by BFRS 15
10	BAS 20	Accounting for Govt. Grants and Disclosure of Govt. Assistance	No
11	BAS 21	The Effects of Changes in Foreign Exchange Rates	Yes
12	BAS 23	Borrowing Costs	Yes
13	BAS 24	Related Party Disclosures	Yes
14	BAS 27	Separate Financial Statements	Yes
15	BAS 33	Earnings Per Share	Yes
16	BAS 34	Interim Financial Reporting	No
17	BAS 37	Provisions, Contingent Liabilities and Contingent Assets	Yes
18	BFRS8	Operating Segments	Yes
19	BFRS 16	Leases	No
20	BAS 19	Employee Benefits	Yes
21	BAS 26	Accounting and Reporting by Retirement	Yes
22	BAS 28	Investment in Associates and Joint Ventures	No
23	BAS 36	Impairment of Assets	Yes
24	BAS 38	Intangible Assets	Yes
25	BAS 40	Investment Property	No



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Sr. No.	Bhutanese Accounting Standards (BAS)	Standard Name	Applicability (Financial Year 2019)
26	BAS 41	Agriculture	No
27	BAS 29	Financial Reporting in Hyperinflationary Economies	No
28	BAS 32	Financial Instruments: Presentation	Yes
29	BAS 39	Financial Instruments: Recognition and Measurement	Yes
30	BFRS 1	First Time Adoption of BAS	Yes
31	BFRS 2	Share Based Payments	No
32	BFRS 3	Business Combinations	No
33	BFRS 4	Insurance Contracts	No
34	BFRS 5	Non-Current Assets Held for Sale and Discontinued Operations	No
35	BFRS 6	Exploration for and Evaluation of Mineral Resources	Yes
36	BFRS 7	Financial Instruments: Disclosures	Yes
37	BFRS 9	Financial Instruments	Yes
38	BFRS 10	Consolidated Financial Statements	No
39	BFRS 11	Joint Arrangements	No
40	BFRS 12	Disclosure of Interests in Other Entities	Yes
41	BFRS 13	Fair Value Measurement	Yes
42	BFRS 14	Regulatory Deferral Accounts	No
43	BFRS 15	Revenue from Contracts with Customers	Yes

For Maheshwari & Associates
Chartered Accountants
FRN : 311008E

A. Anand Kumar Jhunjunwala

C.A Anand Kumar Jhunjunwala
Partner
Membership No. 056613



Place : Kolkata
Date : 05/03/2020

UDIN : 20056613AAAAAA4709

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The background of the page is a repeating pattern of traditional Chinese dragons and clouds. The dragons are depicted in various poses, some facing left and some facing right, with intricate scales and flowing manes. The clouds are stylized, swirling shapes that fill the spaces between the dragons. The entire pattern is rendered in a light, muted green color against a white background.

FINANCIAL STATEMENTS

STATE MINING CORPORATION LIMITED
STATEMENT OF FINANCIAL POSITION AS ON
31-Dec-19

Particulars	Notes	31-Dec-19	31-Dec-18
ASSETS			
Non-Current Assets-			
Property, plant and equipment	2A	227,717,370	197,792,948
Intangible asset	2B	16,862	46,715
Capital work-in-progress	2C	20,234,780	8,812,317
Exploration & evaluation cost	2D	21,949,943	27,356,549
Mines Development	2E	78,659	1,360,680
Trade & other receivable	3	11,196,102	10,826,102
Other non current assets	4	5,767,729	6,464,555
Deferred tax Assets	5	8,923,552	5,472,861
Total non-current asset		295,884,997	258,132,727
Current Assets-			
Inventories	6	88,881,044	84,012,358
Trade & other receivable	7	339,563,537	207,308,947
Cash and cash equivalents	8	190,641,736	63,248,272
Other current assets	9	117,958,326	30,056,895
Total current asset		737,044,663	384,626,472
Total asset		1,032,929,661	642,759,199
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	10	293,990,000	293,990,000
Other Equity		387,781,378	116,608,569
Total Equity		681,771,378	410,598,569
Non-current liabilities			
Deferred tax liability	11	211,650	211,650
Employee benefit obligations	12	2,625,241	1,583,056
Long-term Borrowing	13	53,153,568	66,088,744
Total non-current liabilities		55,990,459	67,883,450
Current liabilities			
Trade and other payables	14	18,969,383	49,755,425
Short term employee benefit	15	246,331	498,230
Other current liabilities	16	261,046,568	58,777,269
Short-term borrowing	17	14,885,042	55,246,256
Total current liabilities		295,147,323	164,277,180
Total of equity and liabilities		1,032,929,661	642,759,199

The above accompanying notes form an integral part of Financial Statements.
 Significant Accounting Policy and Notes of Financial Statement 1- 41

As per our report of even date.

For Maheshwari & Associates
 Chartered Accountants
 Firm Registration No. 311008E

A. K. Anand Kumar Jhunjhunwala

CA. Anand Kumar Jhunjhunwala
 Partner
 Membership No. 056615

Place: **Kolkata**
 Date: **05/03/2020**



For State Mining Corporation Limited

Dasho Karma Yezzer Raydi
 Chairman

Place: **Thimphu**
 Date: **03/03/2020**

Kezang Jamtsho
 CEO

Chief Executive Officer
 State Mining Corporation Limited
 Samtse - BHUTAN

Chairman
 State Mining Corporation Ltd.
 Regd. Office: Samtse, Bhutan

STATE MINING CORPORATION LIMITED
STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD

31-Dec-19

Particulars	Notes	31-Dec-19	31-Dec-18
Income-			
Revenue from sale of products	18	1,405,435,301	448,466,057
Other income	19	27,324,372	1,252,566
Total Income		1,432,759,673	449,718,623
Expenditure-			
Changes in Inventories of finished goods	20	(2,024,061)	(42,337,652)
Mining Cost	21	668,716,723	201,554,180
Operation & Maintenance Expenses	22	33,881,774	17,383,413
Depreciation and Amortisation	2A-2E	43,450,912	25,176,050
Employee Benefit Expenses	24	61,846,785	31,125,769
Finance Cost	25	7,919,965	4,822,629
Other Expenses	26	31,622,297	12,776,167
Selling & Distribution	27	106,842,647	75,105,894
Total Expenditure		952,257,042	325,606,450
Profit/(Loss) Before Income Tax		480,502,631	124,112,173
Income Tax Expenses			
Current tax		147,601,481	37,844,949
Deferred tax		(3,450,691)	(1,844,580)
Income tax for earlier year			(3,279,135)
Profit/(Loss) After Income Tax		336,351,842	91,390,939
Other Comprehensive (income)/Loss			
Actuarial Gain/(Loss) on post employment benefit obligations		500,733	194,280
Net Other Comprehensive (Income)/Loss		500,733	194,280
Total Comprehensive Income/(Loss)		336,852,575	91,585,219
Basic and Diluted Earnings per Share	28	114.41	37.46

The above accompanying notes form an integral part of Financial Statements.
This is the Statement of Comprehensive Income referred to in our report of even date.

For Maheshwari & Associates
Chartered Accountants
Firm Registration No. 311008E



A. K. Anand Kumar Jhunjhunwala

CA. Anand Kumar Jhunjhunwala
Partner
Membership No. 056613

Place: Kolkata
Date: 05/03/2020

For State Mining Corporation Limited

Dasho Karma Yezzer Raydi *Kezang Jamtsho*
Chairman CEO

Place: Thimphu
Date: 03/03/2020
Chief Executive Officer
State Mining Corporation Limited

Chairman
State Mining Corporation Ltd.
Regd. Office: Samtse, Bhutan

STATE MINING CORPORATION LIMITED
STATEMENT OF CASH FLOW FOR THE YEAR ENDED
31-Dec-19

Particulars	31-Dec-2019	31-Dec-2018
Net Profit Before Tax	480,502,631	124,112,174
Adjustment for		
Depreciation and amortization	44,065,882	25,176,050.00
Actuarial Gain/(Loss) on post employment benefit obligations	(500,733)	194,280.00
Interest on Secured Loan	7,549,868	4,861,396.00
Loan processing fees - SMCL	370,097	161,233.00
Loss on Disposal of PPE	84,437	84,956.00
Interest earned on Short Term Deposit	(3,654,986)	-
Changes in Working Capital:		
Adjustment for:		
(Increase)/Decrease in Inventory	(4,868,688)	3,866,048
(Increase)/Decrease in Trade & Other Receivables	(132,254,591)	(102,628,781)
(Increase)/Decrease in Other Current Assets	(65,500,272)	(17,503,663)
(Increase)/Decrease in Non - Current Assets	326,826	(1,546,798)
(Increase)/Decrease in Trade & Other Payables	(30,916,333)	16,645,782
(Increase)/Decrease in Short - Term Employee Benefits	(251,899)	66,087
(Increase)/Decrease in Other Current Liabilities	105,390,614	24,403,489
(Increase)/Decrease in Non - Current Liabilities	1,042,185	777,622
Cash Generated from Operations	401,385,037	78,469,875
Less : Tax Paid	(72,973,664)	(35,337,736)
Net Cash used in Operating activities (A)	328,411,373	43,132,139
Cash Flow from Investing Activities		
Purchase of Fixed Assets and Capital Work in Progress	(78,778,725)	(126,440,931)
Interest earned on Short Term Deposit	3,654,986	-
Net Cash used in Investing Activities (B)	(75,123,739)	(126,440,931)
Cash Flow from Financing Activities		
Issue of Share Capital	-	50,000,000
Proceed from long term Borrowing	1,949,868	80,000,000
Proceed from short Term Borrowing	-	290,902,000
Payment of Short Term Borrowings	(55,246,256)	(249,567,000)
Interest on Secured Loans	(7,549,808)	(4,861,396)
Loan Processing Fees - SMCL	(370,097)	(161,233)
Dividend Paid	(64,677,800)	(26,838,900)
Cash flow from Financing Activities (C)	(125,894,153)	139,673,471
Net Increase/ (Decrease) in Cash & Cash Equivalents (A+B+C)	127,393,482	56,364,679
Cash & Cash Equivalents at the beginning of the year	63,248,272	6,883,593
Cash & Cash equivalents at end of period	190,641,754	63,248,272

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

For Maheshwari & Associates
 Chartered Accountants
 Firm Registration No. J11008E

A. K. Anand Kumar
 CA. Anand Kumar Jhunjhunwala
 Partner
 Membership No. 056613

Place: *Kolkata*
 Date: *05/03/2020*



For State Mining Corporation Limited

Dasho Karma Yezer Raydi
 Dasho Karma Yezer Raydi
 Chairman

Place: *Thimphu*
 Date: *03/03/2020*
 State Mining Corporation Ltd
 Regd. Office: Samtse, Bhutan

Kezung Jamtsho
 Kezung Jamtsho
 CEO

Chief Executive Officer
 State Mining Corporation Limited
 Samtse, BHUTAN

STATE MINING CORPORATION LIMITED
Statement of Changes in Equity as on
31-Dec-19

Description	No. of Equity Shares	Equity Share Capital	Retained earnings	Total
Balance at 01 January 2018	2,439,900	243,990,000	51,862,249	295,852,249
Change in Equity for the year				
Issue of share capital	500,000	50,000,000	-	50,000,000
Profit for the year		-	91,390,940	91,390,940
Other comprehensive income		-	194,280	194,280
Total comprehensive income for the year		-	91,585,220	91,585,220
Dividend payment		-	(26,838,900)	(26,838,900)
Balance at 31 December 2018	2,939,900	293,990,000	116,608,569	410,598,569
Change in Equity for the year				
Issue of share capital				
Profit for the year		-	336,351,842	336,351,842
Other comprehensive income		-	(500,733)	(500,733)
Total comprehensive income for the year		-	335,851,109	335,851,109
Dividend payment		-	(64,677,800)	(64,677,800)
Balance at 31 December 2019	2,939,900	293,990,000	387,781,878	681,771,878

This is the Statement of Changes in Equity referred to in our report of even date.

For Maheshwari & Associates
Chartered Accountants
Firm Registration No. 311008E

For State Mining Corporation Limited

A. K. Anand Kumar

CA. Anand Kumar Jhunjhunwala
Partner
Membership No. 056613

Dasho Karma Yezzer Raydi
Chairman

State Mining Corporation Ltd.
Regd. Office: Parase, Bhutan

Date :

Kezang Jamtsho
CEO

Chief Executive Officer
State Mining Corporation Limited
Parase : BHUTAN

Place : *Kolkata*
Date : *05/03/2020*

Ratio Analysis
Exhibit-1

Particulars	Basis	2019	2018
Earnings Per Share	Profit after tax/No. of shares issued	114.41	37.46
Net Profit Ratio (%)	Net Profit/Turnover*100	23.93	20.38
Return on assets (%)	Net Profit/Total Assets*100	32.67	0.14
Return on Equity (%)	Net Profit/Owners equity*100	49.33	24.43
Debtor Turnover Ratio	Sales/Average debtor	5.16	2.89
Current Ratio	Current Assets/ Current Liabilities	2.50	2.34
Quick Ratio	(Current Asset-Inventory)/Current Liabilities	2.20	2.3
Debtor Collection Period Ratio	(Sundry Debtor*365)/sales	88 Days	168 Days



1. SIGNIFICANT ACCOUNTING POLICIES

General Information:

State Mining Corporation Limited (SMCL) is incorporated as public limited company under the Companies Act of Kingdom of Bhutan 2000 on 31st December 2014.

The company is a wholly owned subsidiary of Druk Holding and Investment (DHI) and ultimate subsidiary of Ministry of Finance, Royal Government of Bhutan.

The principal activities of State Mining Corporation Limited (the "Company") cover the extraction and marketing of minerals. All significant operations take place within Bhutan. The ultimate parent is the Royal Government of Bhutan.

The Company is a limited liability company incorporated and domiciled in Bhutan. The address of its principal place of business is Gurung Basti, Samtse: Bhutan.

These financial statements relate to the year ended 31st December 2019.

1. Basis of preparation:

(i) Compliance with International Financial Reporting Standards (IFRS)

The 'Accounting and Auditing Standards Board of Bhutan' (AASBB), decided to adopt IFRS in phases with minor changes. These standards are referred to as Bhutanese Accounting Standards (BAS). The first phase is being introduced over the period 2013 to 2015. The Company in compliance with the Companies Act of Bhutan has adopted all the Standards in the current period. The financial statements have been prepared in accordance with relevant Bhutanese Accounting Standards (BAS), accounting policies set out in these financial statements and under the accrual, historical cost and going concern conventions.

The Financial Statements have been prepared in line with Bhutanese Accounting Standards and the Company has opted for early adoption of all BAS from 2017.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies.

The functional currency is the Bhutanese Ngultrum.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are:



Fixed assets: critical judgments are expected period of use, condition of the asset, technological advances, regulation, and residual values.

Actuarial valuation of employee benefits: expected uptake of the gratuities, accumulated leave liabilities and the discount rates used in the valuations.

Assets relating to mining: Certain plant and equipment and intangible costs are expensed using the units of production method. Estimates are made regarding the expected reserves of minerals and that markets and selling prices will enable the profitable operation of the company.

Provision is made for future costs to be incurred at the time of the restoration and rehabilitation of mining sites. These are based on the best estimate of the probable cost and the operating life of the mine.

Expenses for searching for mineral resources, determining the technical and commercial viability of extracting mineral resources are recognised as exploration and evaluation assets.

(ii) Historical cost convention

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

- Certain financial assets and liabilities such as environmental restoration bonds;
- Defined benefit plans - plan assets measured at fair value.

2. Current versus non-current classification

The Company presents assets and liabilities in the Balance Sheet based on current/noncurrent 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:

- 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.

3. Foreign currency translation:

Foreign currency transactions are translated into Bhutanese Ngultrum using the exchange rates prevailing at the date of transaction / settlement. Monetary assets and liabilities in foreign currencies at balance date are translated at the rates of exchange ruling at balance date.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Profit or Loss.

4. Properties, Plant and Equipment:

All property, plant and equipment are stated at historical cost less depreciation and impairment, if any. Cost includes purchase price, taxes and duties, labour cost, direct financing costs, direct overheads for self-constructed assets, borrowing costs, other direct costs incurred up to the date the asset is ready for its intended use including initial estimate of dismantling and site restoration cost. Land received as grant from the Royal Government of Bhutan is accounted for at Nominal value.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, 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 repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:



Asset Class	Useful Life
IT Equipment	4 years
IT High-end Server	7 years
Vehicles	10 years with 20% residual value
Furniture and Fittings (Arts & Portraits, Curtain & Carpets, Furniture, Electrical Equipment and Office Equipment)	10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. The company has stopped capitalizing Arts, Portraits, Curtains and Carpets from the year 2015. However, the items under the above categories those had been capitalized prior to 2015 are continuing as assets in the books of the company as they are in good conditions and usable.

Useful life for the assets under Khotakpa Gypsum Mines (KGM) which are incorporated in the books of accounts while taking over the Company are considered for 2 years. However the company is planning for the revaluation of overall assets in 2020 with hiring of expertise.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other Income' or 'Other Expenses' as the case may be, in the income statement.

5. Intangible assets:

Computer software:

Acquired computer software licences are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives of 4 to 5 years as shown below.

Asset Class	Useful Life
Software	4 years
SAP Software	5 years

Costs associated with maintaining computer software programmes are recognized as an expense when incurred.

Other Intangibles:

Other intangible assets comprise exploration and evaluation costs of mines. These are amortized using the units of production method.

On transition to IFRS, the group has elected to measure its intangible assets cost in



accordance with IFRS as the deemed cost of the intangible assets as at 1 January, 2015.

6. Impairment of Non-financial assets:

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit or group of units on a pro rata basis.

Reversal of impairment loss:

An impairment loss in respect of goodwill is not reversed. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized directly in other comprehensive income and presented within equity.

7. Capital-work-in-progress (CWIP):

Cost incurred for the generation of qualifying assets is initially recorded in CWIP until the asset is not completed and not functional. Cost incurred is transfer from CWIP to fixed asset only when it starts generating economic benefits and upon receipt of completion certificate from concern authority.

On transition to IFRS, the group has elected to measure its CWIP in accordance with IFRS as the deemed cost of the intangible assets as at 1 January, 2015.

8. Financial assets:

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. The Company's loans and receivables comprise 'Trade and Other Receivables', 'Other Financial Assets', 'Advance to Ministry of Finance', 'Other Assets' and 'Cash and Cash Equivalents' in the Statement of Financial Position.

9. Inventories:

Inventories are stated at the lower of cost and net realisable value. Cost is determined using moving average price for the materials procured from third parties and on standard



cost basis for finished Goods. The cost of finished goods comprises design costs, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs.

10. Trade and Other Receivables:

Trade and other receivables are initially recognised at the fair value of the amounts to be received. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Receivables are reviewed regularly for impairment.

11. Cash and Cash Equivalents:

In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

12. Trade and Other Payables:

Trade and other payables are initially recognised at the fair value of the amounts to be paid. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

13. Current and deferred income tax:

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

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

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

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



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

14. Borrowing costs:

Borrowing costs directly attributable to the acquisition, construction or production of a major capital project, which are assets that necessarily take a substantial period of time to get ready for their intended use or e, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

Investment income earned on the temporary investment of specific borrowings and their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

15. Employee benefits:

a. Retirement Benefits:

Under defined contribution scheme:

Defined contribution Benefit plan is managed by a separate entity. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Under Defined Benefit Scheme: Post Employment Benefit (Gratuity)

The company makes retirement payments based on the final salary and years of service. The amount of gratuity is accrued on the basis of actuarial valuation. Changes in service and interest are charged to Statement of Profit or Loss. Changes to actuarial valuation are charged to the Statement of Other Comprehensive Income.

Under Defined Benefit Scheme: Other Long-term Employee Benefit (Accumulated Leave Liability):

The accumulated leave liability is accrued on the basis of actuarial valuation for the leave balance over and above the annual leave encashment against each employee as at the end of the year starting from the year 2015. Changes in leave



balance, interest and changes to actuarial valuation are charged to the Statement of Profit or Loss.

b. **Other Short-Term benefits:**

Other short-term benefits such as annual leave encashment and bonus are accrued at year end.

16. **Provisions and Contingent Liabilities:**

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. A contingent liability is only disclosed in the notes to the account if an outflow of resources embodying economic benefits is possible.

17. **Revenue recognition:**

Revenue is measured at the fair value of the consideration received or receivable. The Company recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the group's activities, as described below:

Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

Dividend income

Dividend income is recognised when the right to receive payment is established.

18. **Government grants:**

Grants from Royal Government of Bhutan (RGOB) and other organizations relating to costs are recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Grants relating to Property, Plant and Equipment are included in non-current liabilities as Deferred Government Grants. Depreciation on the assets is charged against the grant and not to the Operating Statement.



Grants in kind are recognised at their nominal value.

19. Earnings per Share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

20. Comparative information:

Where necessary, certain comparative information has been reclassified and updated in order to provide a more appropriate basis for comparison.



2. Property Plant & Equipment, Intangible Assets, Capital Work in Progress and Exploration and Evaluation Cost

(All amounts in Na, unless otherwise stated)

Particulars	Gross Block			Depreciation/Amortisation			Net Block 12/31/2019	Net Block 12/31/2018
	Gross Block 1/1/2019	Additions	Disposal	Transf- ers	Opening Bal. 1/1/2019	During the year		
2A. Property, Plant and Equipment								
Plant & Machinery	127,325,161	35,594,027	6,160,772		7,568,537	19,686,792	80,947	27,174,382
Furniture & Fixture	2,300,808	498,963	-		656,459	268,020	-	924,479
Safety Equipment	12,400	24,190	-		36,590	4,800	-	9,747
Survey Equipment	581,998	37,998	-		619,996	86,608	-	317,602
Motor Vehicle	36,944,206	26,619,568	54,454		63,509,320	5,178,231	-	10,213,788
Building & Civil Structure	52,317,761	2,893,992	-		14,301,570	8,652,495	-	22,954,065
Lab Equipment	1,537,440	631,871	266,527		1,902,784	257,947	2,583	518,218
Office Equipment	3,145,674	4,566,893	25,600		7,686,967	314,821	217	1,609,776
Data Processing Equipment	5,063,046	2,392,886	180,617		7,275,315	1,302,367	691	4,371,423
Total Property, Plant and Equipment	229,228,454	73,560,388	6,687,970	-	31,435,488	36,732,432	84,438	68,083,482
2B. Intangible Assets								
Software	180,843	-	-		180,843	29,853	-	163,981
Total Intangible Assets	180,843	-	-	-	180,843	29,853	-	163,981
2C. Capital Work in Progress								
For Different Mines	8,812,317	13,201,192	1,778,729		20,234,780	-	-	20,234,780
Total Capital Work in Progress	8,812,317	13,201,192	1,778,729	-	20,234,780	-	-	20,234,780
2D. Exploration & Evaluation Cost								
For Different Mines	35,967,008	-	-		35,967,008	5,406,606	-	14,017,065
Total Exploration & Evaluation Cost	35,967,008	-	-	-	35,967,008	5,406,606	-	14,017,065
2E. Mines Development								
For Different Mines	3,047,361	-	-		3,047,361	1,282,021	-	2,968,702
Total Mines Development	3,047,361	-	-	-	3,047,361	1,282,021	-	2,968,702
Balance to Accounts	277,235,963	86,461,580	8,466,699	-	265,230,844	43,450,912	84,438	269,997,614
								127,472,057



STATE MINING CORPORATION LIMITED
NOTES FORMING PART OF STATEMENT OF FINANCIAL POSITION AS ON
31-Dec-19

Particulars	31-Dec-19	31-Dec-18
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Note 3: Trade & Other receivable(Non-Current)

Particulars	31-Dec-19	31-Dec-18
Environment Restoration Bond	11,196,102	10,826,102
Total	11,196,102	10,826,102

Note - Environment Restoration Bond associated with Kharbaridara Mining Quarry amounting to Nu.14,98,271.95 was not discounted to fair value as the mining operation has not yet started.

Note 4: Other non current assets

Particulars	31-Dec-19	31-Dec-18
Unamortised mining cost	5,767,729	6,464,555
Total	5,767,729	6,464,555

Note 5: Deferred tax

Particulars	31-Dec-19	31-Dec-18
Deferred tax asset (Timing Difference) Property, plant and equipment	8,923,552	5,472,861
Total	8,923,552	5,472,861

Note 6: Inventories

Particulars	31-Dec-19	31-Dec-18
Inventory (Valued at cost or NRV whichever is lower)		
Coal	44,992,113	68,641,472
Quartzite	4,779,898	9,346,754
Gypsum	24,150,485	-
Consumable & Assets	14,958,548	6,024,132
Total	88,881,044	84,012,358

Note 7: Trade & Other receivable(Current)

Particulars	31-Dec-19	31-Dec-18
Sundry Debtor	338,435,049	206,396,696
Security Deposit Placed	1,128,488	912,251
Total	339,563,537	207,308,947

Note 7A : Impairment of Trade & Other Receivables

Trade and other receivables are subject to "incurred loss model" of BAS 39 for impairment. For this, the Company has relied on a Notification on BAS Phase-III issued by the Ministry of Economic Affairs, Department of Industry, Company Registry Division, Thimphu which, inter alia, states the following: "The expected credit loss model of IFRS 9 shall remain out of the scope of BFRS as adopted by AASBB till date and the Companies shall comply with incurred loss model of BAS 39 for impairment, until the new set of standards are issued by AASBB. Meanwhile, companies may prepare themselves for the new impairment model to be adopted in the near future."

The said notification appeared in news media called "KUENSEL" in the beginning of 2018 and is undated and un-numbered. As advised by RAA, the notification is still valid as on date i.e. there has been no change in the position post its publication, especially regarding impairment recognition under incurred loss model instead of expected credit loss model.



Note 8: Cash and Cash Equivalents

Particulars	31-Dec-19	31-Dec-18
Cash-in-hand	359,153	-
Bank Balance		
Bank of Bhutan Ltd A/c No- 100891887	(5,697,939)	50,459,134
Bank of Bhutan Ltd A/c No- 200194054	67,407,273	12,789,138
Bank of Bhutan Ltd-201550717 - SMCL	(2,561,436)	-
Bank of Bhutan Ltd-201766760 - SMCL	31,134,704	-
Short term deposit	100,000,000	-
Total	190,641,755	63,248,272

Note 9: Other Current Assets

Particulars	31-Dec-19	31-Dec-18
TDS	14,614,400	6,362,431
Advance Tax	89,012,391	16,038,727
Advance to Employee	377,164	1,367,990
Advance to Vendor	13,314,993	4,529,831
Prepaid Expenses	439,380	472,021
Unamortised mining cost	-	1,285,895
Total	117,958,326	30,056,895

Note 10: Capital

Particulars	31-Dec-19	31-Dec-18
Authorised Share Capital		
10000000 Equity Shares of Nu.100 each	1,000,000,000	1,000,000,000
Issued, Subscribed and Paid-up		
2939900 Equity shares @ Nu. 100 each fully paid up	293,990,000	293,990,000
	293,990,000	293,990,000



Terms/Rights attached to equity shares

The Company has only one class of Equity Shares having a par value of Nu. 100 per share. Each holder of Equity Shares is entitled to one vote per share. In the event of liquidation of the Company, the holders of Equity Shares will be entitled to receive remaining assets of the Company after distribution of all preferential amount. The distribution will be in proportion to the number of Equity Shares held by the shareholders.

Note 11: Deferred Tax Liability

Particulars	31-Dec-19	31-Dec-18
Deferred Tax Liability:-		
Timing Differences in respect of- Opening	211,650	-
Recognised during the year in relation to Property, Plant and Equipment, Intangible Assets and Amortization of Exploration and Evaluation costs	-	211,650
Total	211,650	211,650

Note 12: Employee benefit obligations

Particulars	31-Dec-19	31-Dec-18
Post Employment Benefit (Gratuity)	2,473,889	909,476
Long-term Employee Benefit (Leave Encashment)	1,685,279	673,580
Gratuity Bank Account - SMCL	(2,279,053)	-
Post Employee Benefits (Others)	745,126	-
Total	2,625,241	1,583,056

Note 13: Long term Borrowing

Particulars	31-Dec-19	31-Dec-18
Term Loan from NPPF I	26,347,378	33,044,372
Term Loan from NPPF II	26,806,190	33,044,372
Total	53,153,568	66,088,744

Note 14: Trade and Other Payables

Particulars	31-Dec-19	31-Dec-18
Employee Payables	808,799	686,403
Sundry Creditors - Domestic	15,579,256	45,770,652
Sundry Creditors - International	808,912	20,000
Stale Cheque	-	3,560
Advance from customer	1,642,125	3,274,810
Stock Received but not Billed	130,291	-
Total	18,969,383	49,755,425



Note 15: Short term employee benefit

Particulars	31-Dec-19	31-Dec-18
Post Employment Benefit (Gratuity)	155,421	407,320
Short-term Employee Benefit (Leave Encashment)	90,910	90,910
Total	246,331	498,230

Note 16: Other current liabilities

Particulars	31-Dec-19	31-Dec-18
TDS Payable	994,522	1,568,223
Other Liabilities	6,318,290	11,545,215
Provision for Income Tax	185,446,430	37,844,949
Security Deposits	9,473,404	7,709,600
Retention Money	150,648	109,282
Advance from Customers	58,683,274	-
Total	261,066,568	58,777,269

Note 17: Short-term Borrowing

Particulars	31-Dec-19	31-Dec-18
Working Capital from Bank of Bhutan	-	41,335,000
Term Loan from NPPF I	7,442,521	6,955,628
Term Loan from NPPF II	7,442,521	6,955,628
Total	14,885,042	55,246,256



State Mining Corporation Limited
Notes forming part of Statement of Comprehensive Income As On
31-Dec-19

Note 18 : Revenue from sale of products		
Particulars	31-Dec-19	31-Dec-18
Sale of Coal - SMCL	537,305,308	464,235,814
Less: Quality Compensation - SMCL	(3,509,518)	(22,020,327)
Less: Normal Loss - SMCL	(1,230,679)	(1,332,232)
Less: Abnormal Loss - SMCL	162,966	-
Sale of Quartzite - SMCL	15,486,630	7,555,486
Sale of Gypsum-SMCL	857,220,594	-
Sale of Talc	-	27,316
Total	1,405,435,301	448,466,057

Note 19 : Other Income		
Particulars	31-Dec-19	31-Dec-18
Gain on Sale of Assets - SMCL	(2,812)	-
Sale of reject stone	4,120	27,562
Liquidated Damages	6,134,799	191,475
Interest from short term deposit	3,654,986	-
Interest income from financial instruments at amortised cost	-	969,826
Miscellaneous Income	26,374	26,823
Guest House Charges	97,650	36,880
Income from Weigh bridge - SMCL	4,009,724	-
Sales - Loading Charges - SMCL - SMCL	13,399,531	-
Total	27,324,372	1,252,566

Note 20 : Changes in Inventory of Finished Goods		
Particulars	31-Dec-19	31-Dec-18
Opening inventory of finished goods	77,988,226	35,650,574
Less: Closing inventory of finished goods	(80,012,287)	(77,988,226)
Total	(2,024,061)	(42,337,652)

Note 21 : Mining Cost		
Particulars	31-Dec-19	31-Dec-18
Drilling & Blasting - SMCL	6,538,503	36,393
Environment Management Cost - SMCL	553,878	971,422
Mineral Rent	8,137,895	559,023
Safety & Protective Gadgets - SMCL	1,453,476	846,057
Surface Rent	1,200,406	410,040
Mineral Testing Expenses - SMCL	339,547	109,800
Stripping Cost	220,689,933	162,913,675
Transportation from Tshobangma to Habrang - SMCL	4,035,502	10,287,593
Coal Raising Cost - SMCL	12,352,613	18,007,695
Royalty	81,700,886	5,494,069
Coal Handling cost	81,212	247,646
Transportation from Plant 1 to Plant 2 - SMCL	2,683,032	-
Transportation from Mines to stockyard - SMCL	319,125,949	-
Stock Expenses	458,703	-
Gypsum raising cost - SMCL	7,600	-
Wages	2,300,139	390,600
Environment Restoration Bond - SMCL*	4,975,728	-
Amortisation of deferred mining cost	1,982,721	1,278,167
Total	668,716,723	201,554,180

*Note: The amount deposited for Kothapka Gypsum Mine @ Nu 10 per MT of material dispatch in advance by way of Environment Restoration Bond into the government revenue account with the RTIO shall not be eligible for refund and hence, is charged off to the revenue.



Note 22 :Operation & Maintenance Expenses

Particulars	31-Dec-19	31-Dec-18
R & M - Building - SMCL	533,928	553,591
R & M - Office Equipment - SMCL	6,300	-
R & M - Vehicles - SMCL	4,520,541	2,798,302
Vehicle Running Expenses (POL) - SMCL	9,035,810	5,999,592
R & M - Plant & Machinery - SMCL	8,314,110	1,878,984
R & M -data processing equipment - SMCL	49,705	67,510
POL Plant & Machinery	7,346,186	3,636,981
Power consumption for crushing plant - SMCL	2,067,147	1,032,846
Road Maintenance - SMCL	11,439	-
Insurance - SMCL	898,936	215,607
Annual Maintenance-ERP	1,097,652	1,200,000
Total	33,881,774	17,383,413

Note 23: Employee Benefits Expenses

Particulars	31-Dec-19	31-Dec-18
Payroll & Related Expenses		
Salaries ,wages and allowances	23,648,166	24,475,185
Allowances	12,385,311	-
Leave Travel Concession - SMCL	1,733,253	807,699
Overtime Payment	1,909,429	-
Performance Based Variable Pay - SMCL	4,582,746	-
HRD expenses	4,632,478	2,491,505
Post Employment Benefits		
GPF Contribution (Employer) - SMCL	3,055,162	1,500,583
Gratuity Contribution - SMCL	1,159,468	785,280
Repatriation Allowances - SMCL	345,504	17,930
Bonus	5,010,535	-
Carriage Charges - SMCL	526,322	210,000
Other Employee Benefits		
Leave Encashment - SMCL	1,989,936	837,587
Long Term Studies - SMCL	-	-
Transfer Grant - SMCL	578,764	-
GPA	269,711	-
Employee Recognition Award -SMCL	20,000	-
Total	61,846,785	31,125,769

Note 24: Finance Cost

Particulars	31-Dec-19	31-Dec-18
Interest on Secured Loan	7,549,868	4,661,396
Loan processing fees	370,097	161,233
Total	7,919,965	4,822,629



Note 25: Other Expenses

Particulars	31-Dec-19	31-Dec-18
a) Administrative & Other Expenses		
Consulting Charges	-	567,000
Audit Fees & Expenses - SMCL	549,256	185,338
Board Meeting Expenses - SMCL	396,214	71,673
Corporate Social Responsibility - SMCL	1,211,993	583,950
Electricity Charges - SMCL	211,855	92,204
Hospitality & Entertainment Expenses - SMCL	732,670	682,953
Internet Charges - SMCL	1,016,067	752,910
Office Expenses - SMCL	1,115,170	706,174
Office Rent - SMCL	1,444,687	649,437
Office Supplies, Printing & Stationeries - SMCL	1,772,622	593,869
Telephone & Fax - SMCL	405,552	179,398
Sub-Committee Meeting expenses - SMCL	71,600	15,576
Sub-committee sitting fee - SMCL	228,000	98,000
Insurance/sanctification Expenses - SMCL	150,000	155,540
Board Sitting Fees - SMCL	324,000	208,000
Fees & Subscription - SMCL	4,795,388	1,199,633
Bank Charges - SMCL	54,796	8,661
Assets Write off - SMCL	-	84,956
Travel-Foreign - SMCL	1,256,184	1,245,842
Travel-Local - SMCL	5,025,887	3,793,692
Meeting & Retreat Expenses - SMCL	604,342	440,351
Hire Charges - SMCL	5,500	-
Working lunch - SMCL	999,060	144,469
Guest House Expenses - SMCL	168,741	-
Donation - SMCL	522,340	-
Data Center Charges - SMCL	194,960	-
Bad Debt	1,666,464	-
Inventory Balance - Written Off (Net)	6,089,791	-
Depreciation Adjustment (Previous Years)	(81,854)	-
Sub Total (a) -	30,931,285	12,459,626
b) General Expenses		
Books, Newspaper & Magazines - SMCL	18,760	5,609
Rimdo / Tindral Expenses - SMCL	593,045	293,562
Spare & Spares - SMCL	660	-
Fines & Penalties	(1,600)	-
Media & Publication Expenses - SMCL	40,857	-
Postage & Courier charges - SMCL	37,290	17,370
Sub Total (b) -	691,012	316,541
Total (a+b) -	31,622,297	12,776,167

Note 26: Selling & Distribution

Particulars	31-Dec-19	31-Dec-18
Freight Outwards - SMCL	70,431,085	74,998,312
Loading & Unloading Charges - SMCL	12,955,697	-
Stacking charges - SMCL	787,500	-
Transportation from SJ to Rangiya - SMCL	21,174,031	-
GST Clearing Expenses - SMCL	244,549	-
Marketing & Selling Expenses - SMCL	768,833	-
Advertisement - SMCL	480,952	107,582
Total	106,842,647	75,105,894

Note 27: Earnings Per Share

Particulars	31-Dec-19	31-Dec-18
Net profit attributable to equity shareholders	336,351,842	91,390,939
Issued and outstanding ordinary shares at the beginning of the year	2,939,900	2,439,900
Effect of ordinary shares issued during the year	-	-
Weighted average number of ordinary shares	2,939,900	2,439,900
Basic and Diluted Earnings per Share	114.41	37.46



(All amounts in Nu., unless otherwise stated)

Note 28: Capital management

(a) Risk management

The company's objectives when managing capital are to

- i. 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
- ii. Maintain an optimal capital structure to reduce the cost of capital.

The Company is formed as a wholly owned subsidiary of Druk Holding & Investments Limited (DHI) Company manages the share capital issued and subscribed along with shareholder's fund appearing in the financial statement as capital of the

Note 29: Financial Risk Management

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

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

Risk	Exposure arising from	Measurement	Management
Credit risk	Cash and cash equivalents, trade receivables, financial assets measured at amortised cost	Aging analysis Credit ratings	Diversification of customer base
Liquidity risk	Borrowings and other liabilities	Cash flow forecasts	Availability of committed facilities
Market risk	(i) Foreign Currency	Cash flow forecasting	Currently the Company has transactions in Indian and Local currency.
	(ii) Interest Risk	Sensitivity analysis	Working Capital Limit

(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 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 less than six months Except in case of Durgam Cement Corporation Limited (DCCL), being the sister company, credit term has been extended.

The requirement for impairment is analysed at each reporting date. Refer note 7 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 26. The Company does not hold collateral as security.

ii) Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Company's Finance & 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.



(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 Company'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 2019	Less than 1 year	More than 1 years	Total
Trade and Other Payables	18,969,383	-	18,969,383
Total financial liabilities	18,969,383	-	18,969,383

Contractual maturities of financial liabilities 31 December 2018	Less than 1 year	More than 1 years	Total
Trade and Other Payables	49,755,425	-	49,755,425
Total financial liabilities	49,755,425	-	49,755,425

(All amounts in Nu , unless otherwise stated)

(C) Market risk**(i) Foreign currency risk**

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

The Company operates in only Nu or Indian currency, there is no fluctuation in the exchange rate between Indian currency and Local currency. Hence is not exposed to foreign currency risk.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to the risk of changes in market interest rates primarily to the companies working capital limit obligation with floating interests.

The company has only fixed rated borrowings and are carried a amortized cost and hence not subject to interest risk as defined in BFRS 7.



30. Allotment of shares have been made to Druk Holding & Investments Limited (DHIL) who is holding 100 percent shares of the Corporation. During the year, no amount (P.Yr- Nu. 50 million) has been received from DHIL as additional equity injection in support of business expansion.

31. Term loan of Nu.80 million was availed from National Pension and Provident Fund (NPPE) by pledging DHI guarantee. The term loan of Nu. 80 million as on 31st December 2019.

32. All the balances against debtor, creditors and advances are based on the invoices raised to/raised from and advances paid respectively, which are not settled as at reporting date. The company has already initiated the process of availing confirmation from various parties. Pending completion of the same including reconciliation, any further adverse adjustments to be made in these accounts are not presently ascertainable at this stage. The Directors are of the opinion that the effect of process may not be significant and material in relation to these financial statements.

33a. There are no contingent liabilities for the Company as on 31st December 2019.

33b. Capital Commitment

Particulars	2019	2018
2A. Property, Plant and Equipment		
Plant & Machinery	109,035,000	35,594,027
Furniture & Fixture	2,369,150	498,963
Safety Equipment	470,425	24,190
Survey Equipment	310,740	37,998
Motor Vehicle	7,370,000	26,619,568
Building & Civil Structure	51,064,790	2,893,992
Lab Equipment	575,730	631,871
Office Equipment	690,700	4,566,893
Data Processing Equipment	6,803,000	2,392,886
Total Property, Plant and Equipment	178,689,535	73,260,388
2B. Intangible Assets		
Software	1,500,000	-
Total Intangible Assets	1,500,000	-
Balance to Accounts	180,189,535	73,260,388



Note 34

Gratuity Valuations report

A. Liability recognised in the statement of financial position		31-Dec-19
		Nu.
Present value of defined benefit obligation		2,629,310
Fair value of plan assets		2,279,053
Funded status - surplus/(deficit)		(350,257)
Effect of asset ceiling		-
Net defined benefit asset/(liability)		(350,257)
B. Composition of defined benefit cost		31-Dec-19
		Nu.
Expense recognised in profit or loss		1,130,263
Expense recognised in other comprehensive income		188,990
Defined benefit cost		1,319,253
C. Expense recognised in statement of profit or loss		31-Dec-19
		Nu.
Current service cost		1,200,264
Past service cost		-
Loss/(Gain) on settlement		-
Interest on DBO		112,323
Interest on plan asset		(182,324)
Expenses recognised in profit or loss		1,130,263
D. Amount recognised as other comprehensive income		31-Dec-19
		Nu.
Actuarial (gain) or loss due to experience adjustments		6,666
Actuarial (gain) or loss due to changes in financial assumptions		-
Actuarial (gain) or loss due to changes in demographic assumptions		182,324
Return on plan assets (gains) or less than discount rate		-
Expense recognised as other comprehensive income		188,990
E. Reconciliation of changes in present value of defined benefit obligation		31-Dec-19
		Nu.
DBO at the beginning of period		1,498,025
Add: Current service cost		1,200,264
Add: Past service cost		-
Add: Interest cost		112,323
Less: Benefits paid by the plan		(187,968)
Less: Benefits paid by the employer		-
Actuarial (gain) or losses due to experience adjustments		6,666
Actuarial (gain) or losses due to change in financial assumptions		-
Actuarial (gain) or losses due to change in demographic assumptions		-
DBO at the end of period		2,629,310
F. Composition of plan asset		31-Dec-19
		Nu.
Bonds (Government/corporate)		2,279,053
Fixed deposit		-
Equities		-
Total		2,279,053



G. Reconciliation of changes in fair value of plan assets		31-Dec-19
		Nu.
Fair value at the beginning of period		181,229
Contributions paid into the plan		2,285,702
Returns on plan assets		182,324
Benefits paid from the plan		(187,968)
Items on plan assets greater or (less) than discount rate		(182,324)
Fair value at the end of period		2,279,063

H. Reconciliation between current & non-current asset liability		31-Dec-19
		Nu.
Current liability		155,421
Non-current liability		194,836
Net Liability		350,257

I. Expected benefit payments in future years		31-Dec-19
		Nu.
31-Dec-20		269,135
31-Dec-21		642,906
31-Dec-22		413,561
31-Dec-23		420,022
31-Dec-24		932,190
December 2025 to December 2029		7,006,478
December 2030 to December 2039		27,122,715

J. Estimated term of liability (in years)		15.45
Estimated term of liability (in years)		

Sensitivity analysis:

The following table summarises the results of sensitivity tests performed on the present value of the defined benefit obligations by varying the assumption parameters as listed. The same model and valuation methodology as described in 3.4 was employed for this exercise of stress testing.

Parameter	Change		Defined benefit	Net effect on	Percent
			obligations	DBO	change
Discount rate	Base rate	-0.50%	2,779,419	150,109	5.76%
		0.00%	2,629,310	-	0.00%
		0.50%	2,491,822	(137,488)	-5.23%
		-0.50%	2,481,043	(148,267)	-5.60%
Salary growth rate	Base rate	0.00%	2,629,310	-	0.00%
		0.50%	2,790,206	160,896	6.10%
Mortality rates	Base rate	+ 90%	2,632,386	-3,070	-0.10%
		0.00%	2,629,310	-	0.00%
		+ 110%	2,626,256	(3,054)	-0.10%
Employer turnover rate	Base rate	-1%	2,741,359	112,049	4.30%
		1%	2,629,310	-	0.00%
			2,627,863	(101,447)	-3.90%

Leave Valuation

A. Liability recognised in the statement of financial position		31-Dec-19	31-Dec-18
		Nu.	Nu.
Present value of defined benefit obligation		1,778,189	764,490
Fair value of plan assets		-	-
Funded status - surplus/(deficit)		(1,778,189)	(764,490)
Effect of asset ceiling		-	-
Net defined benefit asset/(liability)		(1,778,189)	(764,490)



B. Composition of defined benefit cost	31-Dec-19	31-Dec-18
	Nu.	Nu.
Expense recognised in profit or loss	1,072,858	328,000
Expense recognised in other comprehensive income	(61,159)	511,590
Defined benefit cost	1,011,699	839,590

C. Expense recognised in statement of profit or loss	31-Dec-19	31-Dec-18
	Nu.	Nu.
Current service cost	1,011,699	291,000
Past service cost	-	-
Loss/(Gain) on settlement	-	-
Interest on DBO	81,159	35,000
Interest on plan asset	-	-
Expenses recognised in profit or loss	1,072,858	328,000

D. Amount recognised as other comprehensive income

	Nu.	31-Dec-19	31-Dec-18
Actuarial (gain) or loss due to experience adjustments		(61,159)	552,870
Actuarial (gain) or loss due to changes in financial assumptions		-	(41,280)
Actuarial (gain) or loss due to changes in demographic assumptions		-	-
Return on plan assets (greater) or less than discount rate		-	-
Expense recognised as other comprehensive income		(61,159)	511,590

E. Reconciliation of changes in present value of defined benefit obligation

	Nu.	31-Dec-19	31-Dec-18
DBO at the beginning of period		764,490	511,783
Add: Current service cost		1,011,699	291,000
Add: Past service cost		-	-
Add: Interest cost		81,159	35,000
Less: Benefits paid by the plan		-	-
Less: Benefits paid by the employer		-	(584,680)
Actuarial (gain) or losses due to experience adjustment		(61,159)	552,870
Actuarial (gain) or losses due to change in financial assumptions		-	(41,280)
Actuarial (gain) or losses due to change in demographic assumptions		-	-
DBO at the end of period		1,778,189	764,490

F. Composition of plan asset

	Nu.	31-Dec-19	31-Dec-18
Government bonds		-	-
Fixed deposit		-	-
Equities		-	-
Total		-	-



G. Reconciliation of changes in fair value of plan assets

	Nu.	31-Dec-19	31-Dec-18
Fair value at the beginning of period		-	-
Contribution paid into the plan		-	-
Return on plan assets		-	-
Benefits paid from the plan		-	-
Return on plan assets greater or (less) than discount rate		-	-
Fair value at the end of period		-	-

H. Bifurcation between current & non-current liability

	Nu.	31-Dec-19
Current liability		22,450
Non-current liability		1,753,739
Net Liability		1,776,189

I. Expected benefit payments in future years

	In	Nu.
	31-Dec-20	151,348
	31-Dec-21	282,543
	31-Dec-22	117,676
	31-Dec-23	127,459
	31-Dec-24	118,635
December 2025 to December 2029		694,838
December 2030 to December 2039		1,345,714

J. Estimated term of liability (in years)

Estimated term of liability (in years)	10.37
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4.2 Sensitivity analyses

The following table summarises the results of sensitivity tests performed on the present value of the defined benefit obligation by varying the assumption parameters as listed. The same model and valuation methodology as described in 3.4 was employed for the exercise of stress testing.

Parameter	Change	Defined benefit obligation	Net effect on DBO	Percent change	
Discount rate	Base rate	-0.50%	1,856,745	80,556	4.50%
		1,776,189	-	0.00%	
		0.50%	1,701,614	(74,575)	-4.20%
Salary growth rate	Base rate	-0.50%	1,695,012	(81,177)	-4.60%
		1,776,189	-	0.00%	
		0.50%	1,863,516	87,327	4.90%
Mortality rate	x 90%	1,775,521	(668)	0.00%	
		Base rate	1,776,189	-	0.00%
		x 110%	1,776,189	-	0.00%
Employer turnover rate	Base rate	-1%	1,722,607	(53,582)	-3.00%
		1,776,189	-	0.00%	
		1%	1,823,787	47,598	2.70%

Carriage Charges Valuation

A. Liability recognised in the statement of financial position

	Nu.	31-Dec-19
Present value of defined benefit obligation		161,618
Fair value of plan assets		-
Funded status - surplus/(deficit)		(161,618)
Effect of asset ceiling		-
Net defined benefit asset/(liability)		(161,618)



B. Composition of defined benefit cost

	Nu.	31-Dec-19
Expense recognised in profit or loss		91,322
Expense recognised in other comprehensive income		90,496
Defined benefit cost		181,818

C. Expense recognised in statement of profit or loss

	Nu.	31-Dec-19
Current service cost		91,322
Past service cost		-
Loss/(Gain) on settlement		-
Interest on DBO		-
Interest on plan asset		-
Expense recognised in profit or loss		91,322

D. Amount recognised as other comprehensive income

	Nu.	31-Dec-19
Actuarial (gain) or loss due to experience adjustments		90,496
Actuarial (gain) or loss due to changes in financial assumptions		-
Actuarial (gain) or loss due to changes in demographic assumptions		-
Return on plan assets (greater) or less than discount rate		-
Expense recognised as other comprehensive income		90,496

E. Reconciliation of changes in present value of defined benefit obligation

	Nu.	31-Dec-19
DBO at the beginning of period		-
Add: Current service cost		91,322
Add: Past service cost		-
Add: Interest cost		-
Less: Benefits paid by the plan		-
Less: Benefits paid by the employer		-
Actuarial (gain) or losses due to experience adjustment		90,496
Actuarial (gain) or losses due to change in financial assumptions		-
Actuarial (gain) or losses due to change in demographic assumptions		-
DBO at the end of period		181,818

F. Composition of plan asset

	Nu.	31-Dec-19
Bonds (Government/corporate)		-
Fixed deposit		-
Equities		-
Total		-

G. Reconciliation of changes in fair value of plan assets

	Nu.	31-Dec-19
Fair value at the beginning of period		-
Contribution paid into the plan		-
Return on plan assets		-
Benefits paid from the plan		-
Return on plan assets greater or (less) than discount rate		-
Fair value at the end of period		-



H. Bifurcation between current & non-current liability

	Nu.	31-Dec-19
Current liability		35,095
Non-current liability		146,219
Net Liability		181,813

I.

Expected benefit payments in future years		
	In	Nu.
	31-Dec-20	127,032
	31-Dec-21	191,729
	31-Dec-22	84,552
	31-Dec-23	102,452
	31-Dec-24	83,096
December 2024 to December 2026		448,243
December 2029 to December 2030		1,043,091

J. Estimated term of liability (in years)

Estimated term of liability (in years)	10.38
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4.2 Sensitivity analyses

The following table summarises the results of sensitivity tests performed on the present value of the defined benefit obligation by varying the assumption parameters as listed. The same model and valuation methodology as described in 3.4 was employed for this exercise of stress testing.

Parameter	Change	Defined benefit obligation	Net effect on DBO change		
				Percent	
Discount rate	Base rate	-0.50%	187,161	6,345 - 3.50%	
			181,818	- 0.00%	
		0.00%	179,846	(-1,972) -2.70%	
Increase in transportation cost	Base rate	-0.50%	179,174	(-1,644) -0.90%	
			181,818	- 0.00%	
		0.50%	187,020	5,202 2.86%	
Mortality rate	x 90%		181,849	31 0.02%	
		Base rate	x 110%	181,818	- 0.00%
				181,760	(-58) -0.03%
Employer turnover rate	Base rate	-1%	179,958	(-1,860) -1.02%	
		1%	181,818	- 0.00%	
		1%	183,989	2,171 1.20%	

Reparation Valuation

A. Liability recognised in the statement of financial position

	Nu.	31-Dec-19
Present value of defined benefit obligation		281,654
Fair value of plan assets		-
Funded status - surplus/deficit		(281,654)
Effect of asset ceiling		-
Net defined benefit assets/(liability)		(281,654)

B. Composition of defined benefit cost

	Nu.	31-Dec-19
Expense recognised in profit or loss		140,451
Expense recognised in other comprehensive income		141,203
Defined benefit cost		281,654

C. Expense recognised in statement of profit or loss

	Nu.	31-Dec-19
Current service cost		140,451
Past service cost		-
Loss/(Gain) on settlement		-
Interest on DBO		-
Interest on plan asset		-
Expenses recognised in profit or loss		140,451



D. Amount recognised as other comprehensive income

	Nu.	31-Dec-19
Actuarial (gain) or loss due to experience adjustments		141,203
Actuarial (gain) or loss due to changes in financial assumptions		-
Actuarial (gain) or loss due to changes in demographic assumptions		-
Return on plan assets (greater) or less than discount rate		-
Expense recognised as other comprehensive income		141,203

E. Reconciliation of changes in present value of defined benefit obligation

	Nu.	31-Dec-19
DBO at the beginning of period		-
Add: Current service cost		140,451
Add: Past service cost		-
Add: Interest cost		-
Less: Benefits paid by the plan		-
Less: Benefits paid by the employer		-
Actuarial (gain) or losses due to experience adjustment		141,203
Actuarial (gain) or losses due to change in financial assumptions		-
Actuarial (gain) or losses due to change in demographic assumptions		-
DBO at the end of period		281,554

F. Composition of plan asset

	Nu.	31-Dec-19
Bonds (Government/corporate)		-
Fixed deposit		-
Equities		-
Total		-

G. Reconciliation of changes in fair value of plan assets

	Nu.	31-Dec-19
Fair value at the beginning of period		-
Contribution paid into the plan		-
Return on plan assets		-
Benefits paid from the plan		-
Return on plan assets greater or (less) than discount rate		-
Fair value at the end of period		-

H. Bifurcation between current & non-current liability

	Nu.	31-Dec-19
Current liability		51,507
Non-current liability		229,847
Net Liability		281,554

I.

Expected benefit payments in future years		
	In	Nu.
	31-Dec-20	195,947
	31-Dec-21	294,441
	31-Dec-22	134,095
	31-Dec-23	144,374
	31-Dec-24	132,954
	December 2025 to December 2029	785,846
	December 2030 to December 2039	1,565,541



J. Estimated term of liability (in years)

Estimated term of liability (in years) 10.37

Sensitivity analyses

The following table summarises the results of sensitivity tests performed on the present value of the defined benefit obligation by varying the assumption parameters as listed. The same model and valuation methodology as described in 3.4 was employed for this exercise of stress testing.

Parameter	Change	Defined benefit obligation	Net effect on DBO	Percent change
Discount rate	Base rate	-0.50%	3,269	2.90%
		281,654	-	0.00%
		0.50%	(7,718)	-2.70%
Salary growth rate	Base rate	-0.50%	(8,781)	-3.10%
		281,654	-	0.00%
		0.50%	9,316	3.30%
Mortality rate	Base rate	x 90%	42	0.00%
		281,654	-	0.00%
		x 110%	(43)	0.00%
Employer turnover rate	Base rate	-1%	(3,619)	-1.40%
		281,654	-	0.00%
		1%	3,367	1.20%

Transfer Grant

A. Liability recognised in the statement of financial position

	No.	31-Dec-19
Present value of define benefit obligation		281,654
Fair value of plan assets		-
Forced status - surplus/deficit		(281,654)
Effect of asset ceiling		-
Net defined benefit asset/(liability)		(281,654)

B. Composition of defined benefit cost

	No.	31-Dec-19
Expense recognised in profit or loss		140,451
Expense recognised in other comprehensive income		141,203
Defined benefit cost		281,654

C. Expense recognised in statement of profit or loss

	No.	31-Dec-19
Current service cost		140,451
Past service cost		-
Loss/(Gain) on settlement		-
Interest on DBO		-
Interest on plan asset		-
Expense recognised in profit or loss		140,451

D. Amount recognised as other comprehensive income

	No.	31-Dec-19
Actuarial (gain) or loss due to experience adjustments		141,203
Actuarial (gain) or loss due to changes in financial assumptions		-
Actuarial (gain) or loss due to changes in demographic assumptions		-
Return on plan assets (greater) or less than discount		-
Expense recognised as other comprehensive income		141,203



E. Reconciliation of changes in present value of defined benefit obligation

	Nu.	31-Dec-18
EBO at the beginning of period		
Add: Current service cost		140,451.00
Add: Past service cost		
Add: Interest cost		
Less: Benefits paid by the plan		
Less: Benefits paid by the employer		
Actuarial (gain) or losses due to experience adjustment		141,203.00
Actuarial (gain) or losses due to change in financial assumptions		
Actuarial (gain) or losses due to change in demographic assumptions		
EBO at the end of period		281,854.03

F. Composition of plan asset

	Nu.	31-Dec-18
Bonds (Government/corporate)		
Fixed deposit		
Equities		
Total		

G. Reconciliation of changes in fair value of plan assets

	Nu.	31-Dec-18
Fair value at the beginning of period		
Contribution paid into the plan		
Return on plan assets		
Benefits paid from the plan		
Return on plan assets greater or (less) than discount		
Fair value at the end of period		

H. Bifurcation between current & non-current liability

	Nu.	31-Dec-18
Current liability		51,807
Non-current liability		229,947
Net Liability		281,854

I.

Expected benefit payments in future years			
	In		Nu.
		31-Dec-20	190,947
		31-Dec-21	294,441
		31-Dec-22	134,095
		31-Dec-23	144,574
		31-Dec-24	132,954
		December 2025 to December 2029	715,848
		December 2030 to December 2034	1,088,841

J. Estimated term of liability (in years)

	Estimated term of liability (in years)	10.33

4.2 Sensitivity analyses

The following table summarizes the results of sensitivity tests performed on the present value of the defined benefit obligation by varying the assumption parameters as listed. The same model and valuation methodology as described in 3.4 was employed for this exercise of stress testing.

Parameter	Change		Defined benefit obligation	Net effect on DBO change	Percent	
Discount rate	Base rate	-0.50%	288,943	5,239	2.90%	
			281,854	-	0.00%	
		0.50%	273,938	(7,715)	-2.70%	
Salary growth rate	Base rate	-0.50%	272,903	(8,751)	-3.09%	
			281,854	-	0.00%	
		0.50%	290,970	9,316	3.30%	
Mortality rate	x 90%	Base rate	-	42	0.00%	
				281,854	-	0.00%
			x 130%	291,411	(43)	0.00%
Employer turnover rate	Base rate	-1%	277,835	(3,819)	-1.40%	
		1%	281,854	-	0.00%	
		1%	285,021	3,967	1.20%	



35. Related Party Disclosure:
The Company is a wholly owned subsidiary of Drak Holding & Investments (a Royal Government of Bhutan undertaking). The Company has no subsidiary Company. The Company considers that for the purpose of BAS 24, the Royal Government of Bhutan is in a position of control over it, and therefore regards the Royal Government of Bhutan and its controlled company/organizations as related parties for the purpose of the disclosures required by BAS 24.

35.1 Name of the related parties and Relation
a. Drak Holdings & Investment (DHI)-Holding Company

35.2 Name of the fellow Subsidiaries

1. Durgam Cement Corporation Ltd (DCCCL)
2. Wood Craft Cement Ltd (WCCCL)
3. Drak Green Power Corporation Ltd (DGPCCL)
4. Danyang Polymers Ltd (DPL)
5. Bhutan Power Corporation Ltd (BPCL)
6. Bank of Bhutan Ltd (BoBL)
7. Bhutan Based Product Ltd (BBPL)
8. Natural Resources Development Corporation Ltd (NRDCL)
9. State Trading Corporation of Bhutan Ltd (STCBL)
10. Bhutan Telecom Ltd (BTL)
11. Drak Air Corporation Ltd (DACL)
12. Construction Development Corporation Ltd (CDCCL)
13. Thimphu Tech Park Ltd (TTPK)
14. Dagaichi Hydro Corporation Limited
15. Bhutan Based Export Limited
16. Kozfuku International Limited
17. Thimphu TechPark Limited
18. Tansolji Hydro Energy Limited
19. Pandan Cement Authority Limited

35.3 Transactions with fellow subsidiaries:

Name of related party	Description	2019	2018
Drak Holding & Investment	1. Equity Investment	-	50,000,000
	2. Operating fees	370,007	151,233
	3. Dividend Paid	64,677,800	26,834,900
	4. Brand Management	1,541,109	1,014,015
	5. Shares held by DHI	295,980,000	295,990,000
	6. Guarantee fees payable	370,007	151,233
	7. Trade Payable	24,136	-
	8. Trade Receivable	1,723	-
	9. Interest expenses to BoBL for Loan	-	2,137,011
	10. Working capital loan borrowed	-	20,902,000
Bank of Bhutan	1. Working capital loan paid	-	249,567,000
	2. Interest paid	-	1,469,963
	3. Bank Charges & Fees paid to BoBL	-	8,681
	4. Bank Balance with BoBL	90,282,661	63,279,808
	5. Fixed Deposit with BoBL	100,600,000	-
	6. Interest Receivable from FD	3,386,966	-
	7. Interest Received from Bank	318,000	-
	8. Loan and interest payable	-	42,202,950
	9. Trade Receivable	-	-
	10. Interest expenses to BoBL for Loan	-	-



Bhutan Telecom Limited	1. Purchase of base line equipment	34,380	193,554
	2. Fees & Subscription	-	1,200,000
	3. Intermit & Telephone Charge	1,421,618	432,308
	4. Intragroup Security Deposit Received	-	-
	5. Intragroup Deposits Received	-	-
	8. Intragroup Trade Payables	200,000	-
	9. Running & Maintenance Of Others - Intragroup	1,697,652	591,850
	1. Purchase of vehicle	27,638,106	7,316,137
	2. Purchase of Puncture Machine	-	-
	3. Purchase of ICT equipment	-	102,236
	4. Purchase of explosive	6,267,533	413,513
	5. Running & Maintenance of vehicle	2,849,441	1,401,603
	6. Payable to STCBL	53,760	657,741
	1. Mineral Testing Fees	-	17,336
	2. Sale of coal/Gypsum	403,568,240	351,298,480
	3. Receivable from sale of coal	277,681,700	190,479,211
	1. Electricity Charges-Paid to DHI Companies	-	-
	2. Construction Power substation	2,279,003	1,125,050
	3. Security Deposit Received	-	523,872
	4. Security deposit placed	10,000	-
	1. Purchase of pre-fab house	-	204,541
	2. Payable for pre-fab purchased	300,000	1,200,000
	1. Procurement of sand and wood	48,465	-
	2. Trade payable	-	208,046
	1. Sale of coal/Gypsum	-	26,323
	1. Construction of infrastructure	23,617,276	2,696,538
	1. Training fees	-	-
	Inter - Company Trade Payable	45,000	35,000
		35,948	-
State Trading Corporation Limited			
Doxiang Cement Corporation Limited			
Bhutan Power Corporation Limited			
Bhutan Board Product Limited			
Natural Resources Development Corporation Limited			
Evenden Cement Authority Limited			
Construction Development Corporation Limited			
Thimphu TechPark Ltd			
Drak Air Corporation			

35.4 List of Key Managerial Personnel

1. Mr. Dashi Karma Yener Roydi, Chairman
2. Sonam Wangyel, Director
3. Mr. Thudley Namgyel, Director
4. Mr. Jigme Thinley, Director
5. Mr. Geley Norbu, Director
6. Mrs. Kazang Dopa, Director
7. Mr. Kazang Jamtsho, Director
8. Mr. Jigme Dorji, Additional Director



35.5 Related parties with whom transactions have taken place during the year:

Board Directors -

Name	Sitting Fees	Office (DSA)
1. Mr Dashi Karma Yeeer Raydi, Chairman	64,000	-
2. Mr. Sonam Wangyel, Director	40,000	7,500
3. Mr. Thunley Nongyed, Director	8,000	20,340
4. Mr Jigme Thunley, Director	48,000	15,914
5. Mr. Geley Norbu, Director	40,000	6,250
6. Mrs Kezang Dobi, Director	32,000	8,582
7. Mr Kezang Jamsho, Director	64,000	-
8. Mr. Jigme Dorji, Additional Director	-	-
Total -	296,000	58,586

35.6. No transactions were done with relatives of key managerial personnel during the year.

36. Managerial Remuneration

	2019	2018
Basic Pay	1,535,315	1,005,532
Allowances	827,820	602,178
PVBA and Bonus	807,031	317,973
EPF Contribution (Employer)	129,009	110,400
Travelling expense of CEO	417,862	321,940
Sitting fees to Board of Directors of the company	35,000	40,000
Leave Encashment	84,872	-
Leave Travel Concession	15,000	15,000
Grand Total	3,451,979	2,411,023

37. Auditors remuneration

Particulars	2019	2018
Auditors Fees	65,000	65,000
Auditors Expenses*	160,000	114,292
Total	225,000	179,292

*Provisional

38. Where necessary certain comparative information has been reclassified in order to provide a more appropriate basis for comparison.



Note 39 : Operating Segment

The Operating Segment are established on the basis of those components of the group that are regularly reviewed by the entity's chief operating decision maker to make decision about resources to be allocated to the segment and assess its performance, defined in Point 5 (b) of BFRS - 8 Operating Segment.

These have been identified taking into account for nature of the production processes and nature of product and services. The accounting policies adopted for segment are in line with the same policy of the Company adopted for financial reporting with following additional policies for segment reporting 31/12/2019

- a) Revenue have been identified to the segment on the basis of operating and product segment
- b) Segment results have been identified to the segment on the basis of operating and product segment.

The reporting segment consist of Coal and Gypsum.

I. Primary Segment Information

Particulars	Sales of Coal Products		Sales of Gypsum Products		Other		Total	
	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
Income-								
Gross Segment Revenue	535,545,554	440,883,256	874,618,384	-	22,595,735	8,833,368	1,432,759,673	449,718,624
Less: Intra Segment Revenue	-	-	-	-	-	-	-	-
Net Segment Revenue	535,545,554	440,883,256	874,618,384	-	22,595,735	8,833,368	1,432,759,673	449,718,624
Segment Results before Tax	189,549,019	167,277,896	358,284,159	-	-	43,163,422	483,802,630	124,112,174



Note 46 : Fair value measurements

(All amounts in Nu., unless otherwise stated)

Financial instruments by category

Particulars	31-Dec-19			31-Dec-18			1-Jan-18		
	FVPL	FVOCI	Amortised cost	FVPL	FVOCI	Amortised cost	FVPL	FVOCI	Amortised cost
Financial assets									
Security Deposit	-	-	-	-	-	-	-	-	-
Environment Restoration Bond	-	-	11,196,102	-	-	10,828,102	-	-	8,351,934
Sundry Debtors Domestic	-	-	338,435,049	-	-	266,296,696	-	-	104,151,615
Sundry Debtors International	-	-	(58,683,274)	-	-	-	-	-	-
Security Deposit Placed	-	-	1,128,488	-	-	912,291	-	-	328,351
Other Receivable	-	-	-	-	-	-	-	-	-
Deposit due for refund	-	-	-	-	-	-	-	-	-
Cash and Cash Equivalents	-	-	190,641,733	-	-	63,248,272	-	-	6,483,393
Total financial assets	-	-	492,718,130	-	-	281,381,321	-	-	120,115,693
Financial liabilities									
Security Deposits	-	-	9,473,404	-	-	7,709,600	-	-	307,000
Employee Payables	-	-	808,799	-	-	686,403	-	-	941,908
Retention Money	-	-	150,648	-	-	109,282	-	-	235,218
Sundry Creditors - Domestic	-	-	15,570,266	-	-	45,770,652	-	-	32,164,175
Working Capital Limit (Bank of Bhutan Ltd - 100891387)	-	-	14,883,042	-	-	41,335,000	-	-	-
State Cheque	-	-	-	-	-	3,580	-	-	3,560
Other payable	-	-	-	-	-	-	-	-	-
Total financial liabilities	-	-	40,897,149	-	-	95,614,497	-	-	33,651,861



(All amounts in Nu , unless otherwise stated)

(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-19		31-Dec-18	
	Carrying Amount	Fair value	Carrying Amount	Fair value
Financial assets				
Environment Restoration Bond	11,196,102	11,196,102	10,826,102	10,826,102
Total financial assets	11,196,102	11,196,102	10,826,102	10,826,102

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.



Note 4: Exploration and evaluation

Particulars	Gross Block		Amortisation			Closing balance as on 31-03-2020	Closing balance as on 31-03-2019	Net carrying amount
	Operating as on 1-1-2019	Addition/Deletion/Adj	Opening as on 1-1-2019	Amortisation for the year	Deletion			
Capitalised exploration and evaluation expenditure	35,067,008	-	35,967,008	9,810,459	5,406,016	34,017,085	31,049,743	
Total	35,967,008	-	35,967,008	9,810,459	5,406,016	34,017,085	31,049,743	

For Maheshwari & Associates
Chartered Accountants
Firm Registration No. F11608E
A.K. Gaudmal
CA Anand Kumar Bhushan
Partner
Membership No. 054013

Place: Kolkata
Date: 05/03/2020



For State Mining Corporation

[Signature]
Deshu Kumar Yadav Rayal
Chairman
CEO

Place: Bhubaneswar
Date: 02/03/2020

Chairman
State Mining Corporation Ltd.
Regd. Office: Bhubaneswar, Odisha

[Signature]
Chief Executive Officer
State Mining Corporation Limited
Bhubaneswar, ODISHA

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