

THE YEAR IN REVIEW



The year 2022 continued to be very challenging, particularly due to Covid-19 pandemic lockdowns in first quarter which caused a backlog of procuring raw materials, resulting in an abundance of production orders which culminated in a failure to supply subsequent tranches within the deadline and also had a snowball impact on fulfilling the following quarter's production target. Further issues that the corporation faced were the timely delivery of raw materials supply and the unavailability of some important raw materials.

However, Menjong Sorig Pharmaceuticals Corporation Limited (MSPCL) endured the worst of these consequences and worked tirelessly to meet its obligations. Notwithstanding lockdowns caused by the COVID-19 surge, the company was able to operate in a containment mode at roughly 20% production capacity in order to meet its primary mandate of making traditional medicines available all year. Health supplement sales were decreased compared to the previous year mainly due to lack of CordyActive capsule exports and poor local market sales. Bhutan Philanthropy Ventures Limited (BPVL) lifted 900 jars worth around Nu. 2.85 m in 2021 but none in 2022.

Although, the country's border was officially opened on September 23rd, 2022, and the influence of COVID-19 affected tourists, which were yet to take up, was not as promising as before, prompting management to engage in export market exploration. Due to poor revenue sales, management made steps to cut expenses by providing Coursera online learning and in-house training, which were employed to augment capacity development where physical travel and HRD expenses were small.

Despite the hurdles, the corporation has remained true to its core values and social mandates, thanks to His Majesty the Druk Gyalpo's leadership. As a result, I would like to express our profound gratitude to His Majesty the Druk Gyalpo for his selfless leadership and for steering the nation through such challenging time. I'd like to take this opportunity to thank the DHI and the MSPCL Board for all of their leadership and unwavering support in 2022. I am also grateful to all of the employees for their constant assistance in ensuring that medicines are manufactured and promptly delivered. Finally, on behalf of the company's employees and myself, I would want to reaffirm our pledge to the Tsa-Wa-Sum.

Yours Sincerely,

A handwritten signature in blue ink, appearing to read 'ST', written over a light blue horizontal line.

Sherab Tenzin
(Interim Chief Executive Officer)

TABLE OF CONTENTS

- 1 COMPANY PROFILE
- 2 ORGANIZATIONAL STRUCTURE
- 3 BOARD OF DIRECTORS
- 4 MANAGEMENT TEAM
- 5 DIRECTORS' REPORT
- 6 CORPORATE GOVERNANCE
REPORT
- 7 FINANCIAL REVIEW
- 8 INDEPENDENT AUDITORS'
REPORT



COLLECTION



PRODUCTION



PACKAGING



QUALITY CONTROL



FINISHED PRODUCTS

1. COMPANY PROFILE

Menjong Sorig Pharmaceuticals Corporation Limited began as a cottage production unit under the Ministry of Social Services and later the Ministry of Health in 1967. Through WHO assistance, traditional medicine manufacture was industrialized in 1982. Menjong Sorig Pharmaceuticals Company Limited was established in 2017, first as a state-owned enterprise (SoE) and then, on April 9, 2021, as one of the Druk Holding & Investments (DHI)-owned companies under the Companies Act of the Kingdom of Bhutan 2016.

Menjong Sorig Pharmaceuticals Corporation Limited is Bhutan's sole manufacturer of Sowa Rigpa-based Traditional Medicines, with the primary mission of producing and supplying Traditional Medicines to the Ministry of Health, as well as other health-promoting supplements and wellness products to the general public. The quality of medicines is ensured through strict monitoring and evaluation through laboratory analysis, whereas the quality of raw materials is monitored beginning with inspection, sorting, post-harvest care, and transportation to the production site.

Menjong Sorig Pharmaceuticals Corporation Limited is a DHI firm governed by the Board of Directors and DHI. MSPCL is directed by a dynamic CEO and supported by three departments: Production and Engineering, Quality Assurance and Research, and Corporate Service.

Furthermore, the Drungtsho Adviser, who has extensive Sowa Rigpa expertise and experience, and the Company Secretary help management in carrying out its primary mandates.

MSPCL strive to realize the corporation's vision and mission by inculcating the following core values:



CORE VALUES FRAMEWORK



MENJONG SORIG
PHARMACEUTICALS CORPORATION LTD
A  Company

Leadership



We all leaders in our area of responsibility, with a deep commitment to delivering leadership results. We have a clear vision of where we are going.

Ownership



We all accept accountability to meet our business needs and improve our systems. We all act like owners, treating the company's assets as

Integrity



We always do the right thing even no one is watching us. We are honest and straight forward with each other.

Team Work



We have confidence in each other's capabilities and intentions. We work in a team bridging the gap between the senior management and floor staff

Competenc



We are determined to be the best at what we do. We have compelling desire to improve and to go to the next level. We are highly dissatisfied with the status quo.

Customer



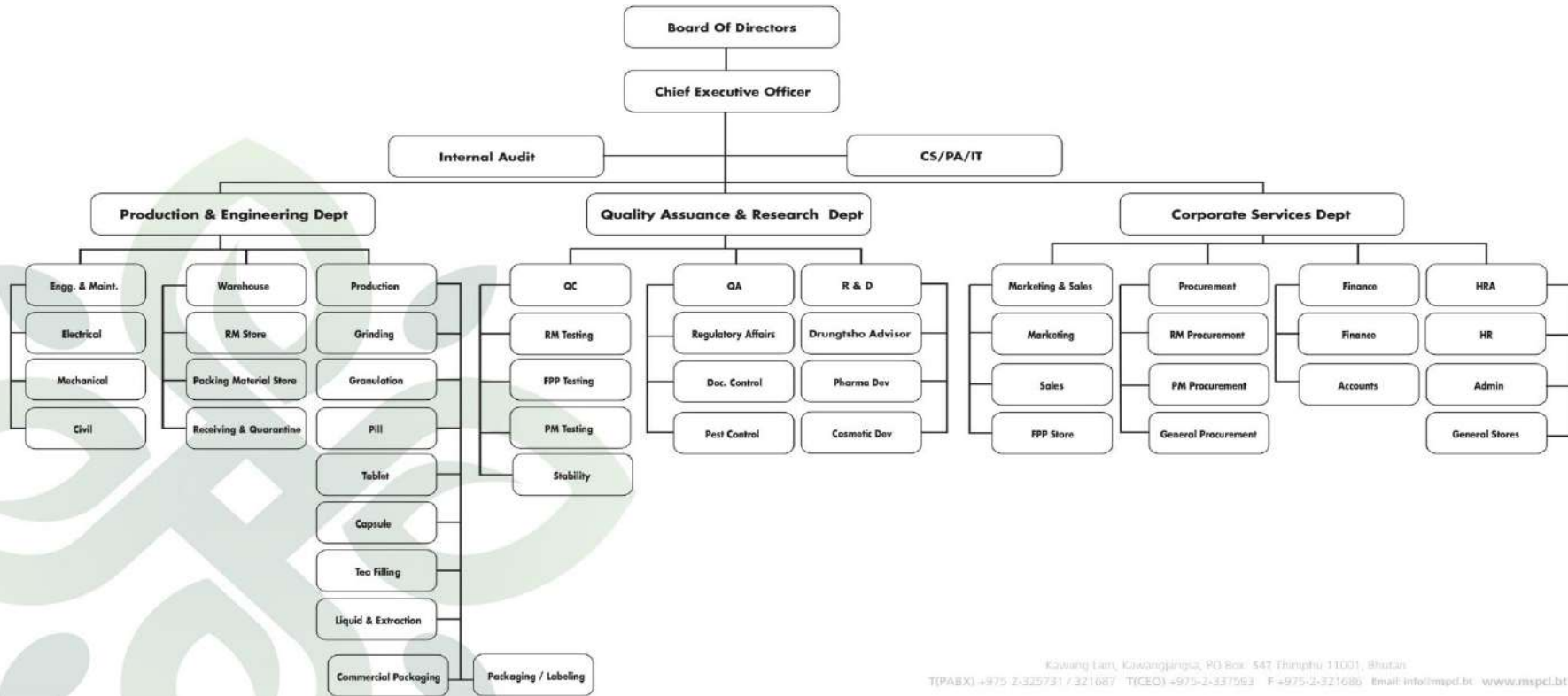
We care about our customers as they are the most important stakeholders without which the existence of MSPCL is at Stake. We treat our colleagues



We place a higher value on human assets than on
Fixed or tangible assets.



2. ORGANIZATIONAL STRUCTURE



ERPNext Implementation



Menjong Sorig Pharmaceuticals Corporation Limited signed contract agreement on 15th November 2021 and on 15th October 2022 launched the ERPNext system. Enterprise Resource Planning (ERP) is a business process management software that enables an organization to manage its business and automate back-office operations relating to accounts, technology, services, and human resources by utilizing system integrated applications. MSPCL implemented ERPNext in 2021 in response to DHI directives to increase operational efficiency and reduce operating expenditures because the production process was fully manual, printing of papers occurred at every phase, and test reports were printed all the time. ERPNext is an open-source system that Thimphu TechPark's all-Bhutanese team customized and installed. MSPCL began adopting ERPNext in the second week of October 2022.

Herb Drying Dehumidifier received from KIPA Project

In 2021, MSPCL implemented the IP Sharing ODA project with support from the Korean Invention Promotion Association (KIPA), and the Korean Intellectual Property Office (KIPO) of South Korea through the Department of



Intellectual Property under the erstwhile MOEA. In the initial phase, MSPCL received support to develop the Menjong Sorig brand and product brand identities and acquired three smart herb drying machines worth around Nu. 2.95M. In 2022, KIPA further supported with aftercare project to develop and acquire an additional Dehumidifier for drying herbs at the Lingshi drying site worth Nu. 0.92M (USD 11,000). Recently on 22nd December 2022, the additional machine has been transported by chopper to Lingshi.

3. BOARD OF DIRECTORS

Mr. Thinley Namgyel



Dasho Thinley Namgyel is the current Chairman of MSPCL. He is the Secretary of Ministry of Agriculture & Livestock since 2021. He was also the Secretary of Gross National Happiness Commission in 2016. He also serves as a member of the Boards in Royal Monetary Authority, Druk Holding & Investments, State mining Corporation Limited, and Bhutan Health Trust Fund. He did his master's degree in Business Administration from University of Canberra, Australia.

Mr. Pemba Wangchuk



Dasho Pemba Wangchuk is the non-executive director of MSPCL Board. He is currently the Acting Secretary of Ministry of Health. He was serving as the Director General of Department of Traditional Medicine and officiating as the Secretary in the current post. He served as the DG of RSTA, Dasho Dzongda (Governor) of 3 districts of Chukha, Tsirang and Haa and Joint Secretary of MoH- PPD. He did his Master in Health Management, Planning and Policy from University of Leeds, United Kingdom.

Mr. Karma Thinley



Dasho Karma Thinley is the Independent non-executive director of MSPCL Board. He was appointed as Zimpon Wogm in the office of Gyalpoi Zimpon in 2007. He is currently the Project Director of the Royal Academy Construction Project, Pangbisa, Paro. He did his Masters in Forestry from the Australian National University.

Mr. Kinga Jamphel



Mr. Kinga Jamphel is the non-Executive director of MSPCL Board. Currently, he is the Director of Department of Medical Services, Ministry of Health. Previously, he was the Registrar of Bhutan Medical and Health Council. He did his Master in Business Administration from University of South Australia and Laurea in Pharmacy (Pharm. D) from Bologna University (Italy).

Mr. Passang Wangchen Norbu



Mr. Passang Wangchen Norbu is the Independent non-executive director of MSPCL Board. He is the Advisor to Department of Forest and Park Services, Ministry of Agriculture and Livestock erstwhile Ministry of Agriculture and Forest. He did his Master of Sciences in Forest Survey from International Institute for Aerospace Survey and Earth Sciences from Netherlands. He was also the Board Director when MSPCL was corporatized as a State owned enterprise.

Mr. Ngawang Norbu



Mr. Ngawang Norbu is the non-executive director of MSPCL Board. He is currently the Associate Director of Innotech Department, Druk Holding & Investments. He did his master in Engineering (Electrical and Informaton Engineering) from King Mungkut's University of Technology North Bangkok, Thailand.

Mr. Sherab Tenzin



Mr. Sherab Tenzin is the Interim CEO (1st October 2022-31st December 2022) of MSPCL. He is the Director of Quality Assurance and Research Department. He worked as Pharmacist and Production In-Charge and then as the Head of MSPCL until it was corporatized. He has more than 22 years of experience in quality assurance, production planning, supervision and teaching on the job. He did his Master of Science in Good Manufacturing Practice from Swinburne University of Technology, Melbourne, Australia and B.Sc. Pharmacy from University of Santo Tomas, Manila, Philippines.

4. MANAGEMENT TEAM



Mr. Sherab Tenzin
Interim CEO



Mr. Tashi

Head of Production and Engineering Department



Mr. Samten

General Manager, Research & Development



Ms. Cheten Yangzom

Accounts Officer



Ms. Tenzin Wangmo

Head of Corporate Service Department



Ms. Dechen Zangmo

Company Secretary/Sr. Legal Officer

5. DIRECTORS' REPORT

Dear Shareholders,

On behalf of the Board of Directors and the Management of Menjong Sorig Pharmaceuticals Corporation Limited (MSPCL), it is my privilege and honor to present the Directors' Report for the year ending December 31, 2022.

Subsequent to the transfer of Menjong Sorig Pharmaceuticals Corporation Limited (MSPCL) from the Ministry of Finance to Druk Holding & Investments Limited (DHI) on 9th April 2021, many things have been harmonized and streamlined as per DHI standards. The company's primary mandate is to supply Traditional Medicines (TM) to the Department of Medical Supplies and Health Infrastructure (DMSHI) based on Sowa Rigpa literature. Apart from the primary mandate, the company continued to diversify its production to produce numerous herbal products and health supplements. The company manufactured close to 25 different herbal products under four different brands viz. Tsheringma, Menzang, Drezang and Zephel.

1. Operational Highlights

A total of 9.079 MT of Traditional Medicines were supplied to DMSHI despite lockdowns in the beginning of the year. In terms of commercial product, Nu. 13.34 million worth was sold against the target of Nu 25 million in 2022. One of the reasons for low revenue under Health Supplements was due to loss of export market for CordyActive capsules.

Production of Traditional Medicine

#	Particulars	2022	2021	Variance
1	Traditional Medicines (TMs)	9.079 MT	13.569 MT	-33.1%

Production of Commercial Products

Particulars	Unit	2022	2021	Variance
Tsheringma Tea	Boxes	12,438	11,790	5.50%
Capsule	Bottles	4,571	5,295	-13.67%
Powders	KG	581	1,410	-58.79%
Pills	KG	453	3,976	-88.61%
Incense Stick	Rolls	5,601	3,353	67.04%

2. Financial Highlights

2.1 Revenue, Expenditure, PAT and Dividend Trend

Revenue

The company recorded net sales revenue of Nu. 75.67 million for the year, of which Nu. 62.33 million was from Traditional Medicines and Nu. 13.34 million from Health Supplements. This resulted in sales revenue growth of 5.04% when compared to sales revenue of Nu. 72.04 million for the year 2021. The increase in revenue from TMs was due to price revision in July 2022. The sales revenue from the Health Supplements were from the most sought products such as Tsheringma Tea, Turmeric Capsules, Shilajit, CordyActive and also from the seasonal demand for mendrup-powder. Further, with Nu. 2.46 million generated from the other source of income, the total income for the year 2022 was Nu. 77.68 which is an increase by 0.73% in overall net revenue.

Particulars	2022	2021	Variation
Traditional Medicines	62.33	55.21	12.89%
Commercial Product	13.34	16.83	-20.74%
Other Income	2.46	5.80	-57.59%
TOTAL	75.67	72.04	

Expenditure

The total expenditure for the year increased by 4.82% to Nu. 73.53 million against Nu. 70.15 million for the year 2021. The increase was mainly on account of 83.58 % increase under other expenses for Corporate Social Responsibility (CSR) expense. The employee benefit expenses for the year decreased by 4.37% compared to 2021 and the consumption of raw and packaging materials by 10.22% and manufacturing expenses by 11.89%.

Profit After Tax (PAT)

With the increase in overall sales revenue, the company was able to make positive Profit after Tax (PAT) of Nu. 8.46 million after adjustment of Nu. 4.31 million prior year loss. PAT for the year has decreased by 8.04%, from 2021 PAT of Nu. 9.199 million to 2022 PAT of Nu. 8.459 million.

Particulars	2022 (In Million Nu)	2021 (In Million Nu)	Variance
Total Income	77.684	77.124	0.73%
Total Expenditure	73.529	70.146	4.82%
EBITA	13.320	16.236	-17.96%
Depreciation & Amortization	9.165	9.259	-1.02%
Profit Before Tax (PBT)	4.155	6.977	140.45%
Deferred Tax	-4.310	-2.221	87.08%
Profit After Tax (PAT)	8.459	9.199	-8.04%

3. Audit Highlights

Statutory Audit

Based on the appointment made by RAA, M/s. Dilli Yok & Associates (Chartered Accountants), Thimphu, Bhutan, audited the Company's books of accounts for the financial year 2022. The management is pleased to inform that there is no qualified report for the year 2022.

Royal Audit Authority

The Royal Audit Authority (RAA) audited the books of accounts of MSPCL covering the period 2017-2021. Except for couple of observations which are recommendatory in nature, there were no serious observations. Following are the observations reported for compliance:

a. Idle Stock worth Nu. 3.13 million

The auditors have observed that an ethanol amounting Nu 3.313 million was in stock which was purchased for production of hand sanitizers in the year 2020. Hand sanitizers and face masks were the only preventive measures as advocated by the MoH. However, with the initiative of the Government, hand sanitizers were

made abundantly available at a very low cost or freely distributed in public places. Further, the relaxation of COVID-19 protocols and subsidence of the pandemic, hand sanitizers did not have much use.

Considering the justifications provided, the auditors recommended the Management to stock the ethanol at a safe place to avoid the risk of fire hazard and to expedite for disposal.

b. Ambiguity in discount provided

The Sales and Credit Policy 2019 of MSPCL allows CEO to provide 20% discount, however, the basis was found to be generic resulting in misuse of authority if not properly classified. Further, it was noted that 50% discount to DHI and DHI companies on hand sanitizers was also provided without the approval from the Board.

Noting the justifications provided by the Management, it was agreed to revise Sales and Credit Policy for more clarity.

c. Mismatch of Indent and Purchase

The auditors have observed that as the two agencies follow different Budget year, the raw materials were procured based on past trend while DMSHI place order for traditional medicines based on the budget allocated by the Ministry of Finance. This has led to inaccurate forecasting of raw material requirement vis-à-vis the production of medicines.

As a result of following two different procurement cycles, the access/shortage of raw materials have occurred. Hence, the auditors have recommended to escalate the issue and take up the matter at appropriate level for priority intervention and explore possibility for alignment of procurement plan between MSPCL and DMSHI to optimize the procurement of raw materials for production of traditional medicines which would invariably help in better management of Company's cash flows.

4. Dividends

No dividend was declared for the current financial year due to conservation of profits and continued investment in the business

5. Corporate governance

The company complies with the provisions of the Corporate Governance Code and Ownership Policy formulated and implemented by its owner, Druk Holding & Investments Limited (DHI), the Companies Act 2016, and other regulatory obligations in general.

DHI identifies and appoints all members of the Board of Directors, who are then confirmed in general meetings. The DHI plans and implements an orientation program for new Board members in order to prepare them for the Board's roles and obligations. MSPCL's Board of Directors, which included the Chief Executive Officer, met seven times in 2022, excluding a Mid Term Review meeting, a Compact Negotiation meeting, and an annual general meeting.

MSPCL has three Board committees in place: The Board Audit Committee, The Board HR Committee, and the Board Tender Committee, with three, one, and zero meetings held in 2022, respectively. The quorum requirements were upheld in accordance with the statutes.

6. Challenges and Way Forward

6.1. The lockdown in first quarter of 2022 affected production and sale of traditional and herbal medicinal products. With pandemic under control, company expects to do better business.

6.2. Sourcing of Raw Materials

Sourcing of raw materials has been one key constraint as production is dependent on availability of wild crafted medicinal plants, herbs and animal by-products which are difficult to get from the open market and in some cases seasonal. Besides this, many of the high altitude medicinal plants which were abundantly available in the past are getting scarce or rare maybe due to climate change or over extraction. Also, the highland communities have shifted their interest to high value herbs like cordyceps which gives them much higher income than medicinal plants and herbs collection. To address raw material shortages and seasonality, management has developed a contingency plan that will mitigate challenges such as the unavailability, seasonality, import restrictions, quality failure, timely sourcing, wastages at collection sites, and a lack of drying capacity at Lingshi.

6.3. Absence of GMP Certificate

The factory is housed in the erstwhile Pharmaceutical and Research Unit (PRU) premises and despite its improvement, the setting does not meet Good Manufacturing Practices (GMP) as assessed by Drug Regulatory Authority (DRA) and hence (GMP) Certification was not issued. In the absence of GMP Certificate, the company was not able to attract export markets as well as export products through proper channel. A proposal to construct a new GMP facility is in the pipeline but the challenge has been to get appropriate land for the construction. Current status: A complete project report has indeed been submitted to the gup of Dagala Gewog for the lease of land at Chamgang. The Gewog has referred the subject to the RCUd because the project is significant and requires RCUd clearance. The matter is still under discussion.

6.4. TMs Dependent on Government Budget

One of the biggest challenges is supplying traditional medicines to the DMSHI, MoH. Firstly, there is no assurance since their demand is dependent on government budget allocation. The demand varies from year to year depending on budget approved by Ministry of Finance and therefore raw material stocking is risky. Due to uncertain demand and seasonality nature of raw materials, there is always mismatch between demand and supply. The company is pursuing for long term contract for supply of Traditional Medicines with the Ministry of Health.

7. Acknowledgement

I, on behalf of the Board of Directors and the management, would like to express our deep appreciation and sincere gratitude to the Royal Government of Bhutan, Druk Holding & Investments Limited (DHI), Department of Forests & Park Services (DoFPS), Ministry of Health, Ministry of Finance, Drug Regulatory Authority, National Environment Commission, National Land Commission Secretariat, Dzongkhag administrations, Thromdes and local governments, rural communities and other concerned government and private agencies for their guidance, continued cooperation and support, feedback and encouragement which have been valuable for directing the course of the Company affairs and achievement of its various goals and objectives.

The Board would also like to extend appreciation for the leadership and guidance provided by DHI Board, Chair and CEO of DHI to the company towards fulfilling its

very important mandates of making natural resources affordable, available and accessible.

Furthermore, the Board would also like to acknowledge the hard work and efforts of the management team and employees of MSPCL and thank them for their unfailing dedication and commitment towards achievement of the Company's vision, goals and objectives.

TASHI DELEK!

For and on behalf of the Board.



(Thinley Namgyel)

CHAIRMAN

6. CORPORATE GOVERNANCE REPORT

Board Directors

The Board of Directors are given the critical duty of overseeing the general operations, strategic course, and operational effectiveness of MSPCL. It is given the necessary powers, authorities, and obligations to that end. The Chief Executive Officer of MSPCL oversee the management of the organization, and functional heads served as its members to handle the day-to-day operations of the Company.

Board Composition

The MSPCL Board of Directors comprised of seven members, including the Chairman and CEO. The Board Charter - Sections 2.2 and 2.3 of the CG Code - defines the size, composition, and number of independent Directors. None of the Directors served on the boards of more than three additional DHI-owned companies. Except when the CEO's terms and conditions were being reviewed, the CEO attended all board meetings. The CEO briefed the Board on the company's operations, management, and performance. Other members of the management team attended when needed to present the board with necessary information. The Company Secretary assisted the Board.

Name of Director	Role	Profile	Date of appointment/ Reappointment
Mr. Thinley Namgyel	Chairman	Secretary, Ministry of Agriculture & Livestock	9 th April 2021
Ms. Tashi Wangmo	Independent Non Executive	Secretary, Ministry of Labour and Human Resource	15 th September 2021 (Replacing Dasho Kesang Deki). Retired from the Board on 15 th April 2022
Mr. Pemba Wangchuk	Non-Independent Non executive	Acting Secretary, Ministry of Health	9 th April 2021
Mr. Karma Thinley	Independent Non Executive	Zimpoen Wogma, Office of Gyalpoi Zimpoen	9 th April 2022
Mr. Kinga Jamphel	Non-Independent Non-executive	Director, Department of Medical Services, MoH	15 th April 2022 (Replacing Dasho Tashi Wangmo)
Mr. Pasang Wangchen Norbu	Independent Non Executive	Advisor to Department of Forest and Park Services, MoAL	7 th June 2021 (Replacing Dasho Phub Rinzin)
Mr. Ngawang Norbu	Non Independent Non executive	Associate Director, DoIT, DHI	9 th April 2021
Mr. Thukten Choeda	Executive	CEO, MSPCL	Appointed on 18 th December 2017
Mr. Sherab Tenzin	Executive	Officiating CEO	-

Board Meetings

In total, seven Board meetings were held in 2022, with the quorum requirements met and the gaps between meetings not exceeding three months, as required by the Companies Act of 2016 and the DHI CG Code.

#	Meeting Number	Held on Date
1	33 rd Board Meeting	16 th February 2022
2	34 th Board Meeting	13 th March 2022
3	35 th Board Meeting	30 th May 2022
4	36 th Board Meeting	18 th July 2022
5	37 th Board Meeting	1 st September 2022
6	38 th Board Meeting	29 th September 2022
7	39 th Board Meeting	17 th November 2022

Board Directors' Attendance:

Meeting Date	16th February 2022	13th March 2022	30th May 2022	18th July 2022	1st September 2022	29th September 2022	17th November 2022	Total	
Meeting Number	33	34	35	36	37	38	39		
Name of Directors									
Mr. Thinley Namgyel	✓	✓	✓	✓	✓	✓	✗	6	
Ms. Tashi Wangmo (Retired)	✓	✓	Retired from the MSPCL Board						
Mr. Karma Thinley	✓	✗	✓	✓	✗	✗	✓	4	
Mr. Pemba Wangchuk	✓	✓	✓	✓	✗	✓	✓	6	
Mr. Kinga Jamphel (replaced)	Not appointed		✓	✓	✓	✓	✓	5	
Mr. Pasang Wangchen Norbu	✓	✓	✓	✓	✓	✓	✓	7	
Mr. Ngawang Norbu	✓	✓	✓	✓	✓	✓	✓	7	
Mr. Thukten Choeda (Resigned)	✓	✓	✓	✓	✓	✓	Resigned	6	
Mr. Sherab Tenzin (Interim CEO)							✓	1	

All Board Meetings in 2022 were held at the Company's conference hall in Kawangiangsa, Thimphu, and additionally used virtual meeting platforms due to the Covid-19 pandemic. The agenda and supporting documentation for Board Meetings are normally distributed to Board Members at least five working days in advance of the meetings. However, meeting this deadline is difficult on rare situations, such as when the Board Meeting is called on short notice and/or when papers take a long time to finalize for a variety of reasons.

BOARD COMMITTEES

The Board may, from time to time, form Board Committees to assist it in carrying out its tasks and obligations. To assist or enable the Board to make appropriate decisions, the Board delegated specific tasks to the subcommittees:

The following Board Committees are in place:

1. Board Audit Committee (BAC);
2. Board HR Committee (BHRC); and
3. Board Tender Committee (BTC).

Each Committee's members and Chairperson are appointed by the Board. The Committees are made up of non-executive members of the Board, with one of the independent directors serving as Chairman of the Committee. Each Board Committee acts within the framework of clearly stated terms of reference that have been approved by the Board.

Board Audit Committee (BAC):

The Board Audit Committee was formed to oversee the internal control system and internal audit operations. In 2022, the committee met three times on the following dates:

1. 12th BAC Meeting was held on 25th February 2022
2. 13th BAC Meeting was held on 17th June 2022
3. 14th BAC Meeting was held on 9th November 2022

Meeting Date:	25th February	17th June	9th November	Total
Meeting Number	12th BAC	13th BAC	14th BAC	
Members:				
Mr. Karma Thinley	✓	✓	✗	2
Dasho Tashi Wangmo	✓	Resigned from the Board		
Mr. Ngawang Norbu	✓	✓	✓	3

Mr. Kinga Jamphel	Not appointed	✓	✓	2
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Board HR Committee (BHRC)

The Board HR Committee was formed to make decisions on HR-related issues that fall outside the purview of management. On September 8, 2022, the Committee met only once.

Meeting Date:	8 th September	Total
Meeting Number:	3 rd BHRC	
Members:		
Dasho Pemba Wangchuk	✓	1
Mr. Pasang Wangchen Norbu	✓	1
Mr. Ngawang Norbu	✓	1
Mr. Thukten Choeda	✓	1

Board Tender Committee (BTC):

The Board Tender Committee was formed to make choices and authorize works/procurements that are outside the management's power. There hasn't been yet a committee meeting.

Annual General Meeting

The Shareholder, Board Directors, and key members of the management team attended the 5th AGM on March 13, 2023, at the DHI Board Room. The following business was transacted during the 5th AGM:

- i. Ratification of the minutes of the 4th Annual General Meeting
- ii. Action Taken Report (ATR)
- iii. Consideration of audited accounts for the financial year ended 31st December 2022, auditors' report and directors' report
- iv. Declaration of dividend, if any
- v. Consideration of appointment/retirement of Board Directors
- vi. Appointment of, and fixing the remuneration of statutory auditors
- vii. Declaration of remuneration paid to the Directors and the CEO for the year 2022 only
- viii. Ratification of new CEO's appointment

- ix. Consideration of the Annual Compact Evaluation Report and declaration of Performance Based Variable Allowance (PBVA) based on the outcome of the Annual Compact 2022.

Board Directors' Remuneration

Each Board member received fees and reimbursement for reasonable costs related to their participation in Board meetings and Board committee meetings. Details of financial remunerations paid to Directors including CEO and Company Secretary is set out below:

Board Directors' Remuneration

	As at 31 st December, 2022	As at 31 st December, 2021
	Amount in Nu.	Amount in Nu.
Chief Executive Officer		
Salary	1,141,687.00	1,487,256.00
Contribution to Provident Fund	111,375.00	145,128.00
Board Meeting Sitting Fees	60,000.00	60,000.00
Leave Travel Concession	15,000.00	15,000.00
Leave Encashment Benefits	145,750.00	80,625.00
Bonus	-	-
Performance Base Variable Allowance (PBVA)	193,875.00	193,875.00
Total	1,667,687.00	1,981,884.00
Non-Executive Directors	520,000.00	322,250.00

RISK MANAGEMENT:

According to the Company's Risk Management Policy, the risk register is prepared at the start of the year by identifying prospective risks and accurately program mitigation solutions. According to the DHI risk management system, the company's risks are grouped into five major categories: operational risk, regulatory compliance risk, financial risk, and strategic risk.

All Board Members, Management, and Workers of the Company are individually accountable for protecting the Company from any risk linked with it that would otherwise jeopardize the Company's performance or reputation. The risk register is kept with the Board's approval at the start of the year. It identifies all potential hazards as well as mitigation plans/measures to curtail or avoid their impacts in the future. The register is periodically evaluated and updated on its implementation efficiency, and if extra actions are judged necessary, management decides on additional measures.

Because raw materials are collected from high and low altitudes, there is a risk of herb plant extinction, resulting in unavailability/timely sourcing of raw materials, product quality failure, lack of drying capacity, frequent machine breakdown, and policy/international convention restrictions on certain RM (Export of goods), among other things. Further mitigations are put in place as needed to meet additional risks.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

MSPCL's CSR in 2022 was as follows:

I. CSR-Legal Compliance

A contract for Access and Benefit Sharing (ABS) was made between Menjong Sorig Pharmaceutical Corporation Ltd, National Biodiversity Centre and Namther Menrig Tshogpa, under Langthel Gewog, Trongsa and Tserem Yuegyeal Ngomen Tshogpa in Lingzhi Gewog. Recognizing the benefits



that the country may reap from regulating access to its genetic resources and ensuring fair and equitable benefit sharing. MSPCL shares 7% of sales of the two products viz. Rhododendron hand sanitizer and Turmeric soap (currently halted), to each *Tshogpa* of which 2% of the monetary benefits goes to the **Bhutan Access and Benefit Sharing Fund**. MSPCL also provides the following as additional benefits in kind:

- a Sustainable harvesting training;
- b Tools for harvesting and post-harvest care; and
- c Farmer educational/exposure tour.



a. Lingshi Drying Centre



b. Greenhouse near the centre

II. CSR- Charitable contribution

As a part of CSR, MSPCL as one of the DHI-Owned companies, contributed Nu 2.80 million to the National Resilience Fund to help the government to combat COVID-19.

BOARD AND CEO EVALUATION

DHI conducts an annual online questionnaire-based assessment in which the Chairman and CEO provide input on the performance of individual board directors at DHI-owned companies. The Board Directors' dedication and preparedness for the meeting, professional and ethical attributes, teamwork, and contribution to the meeting are among the important concerns considered.

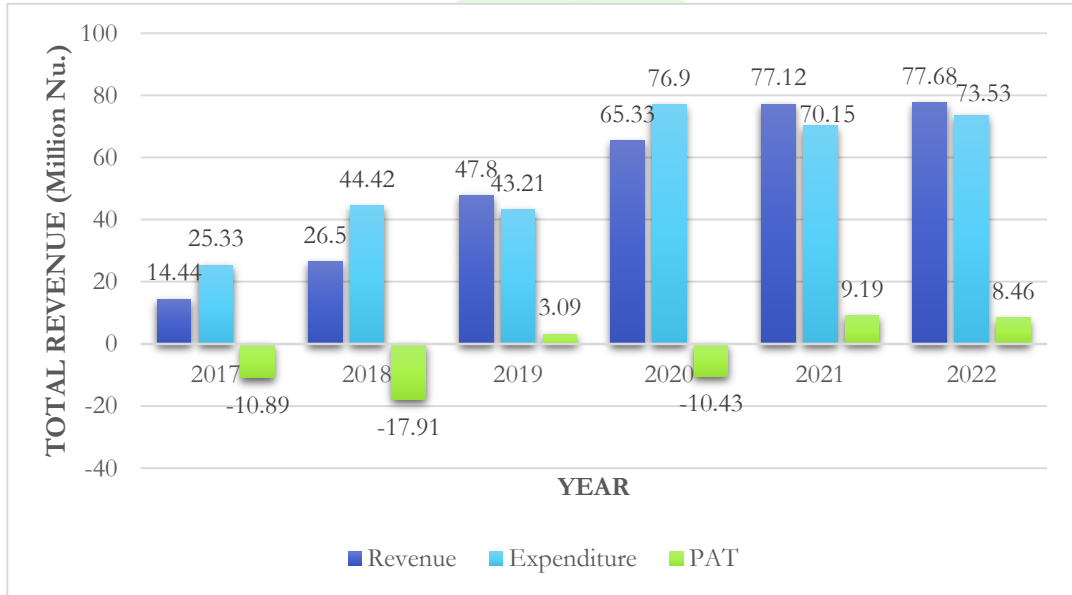
The annual performance review of DHI-owned CEOs is divided into two parts:

- A leadership assessment based on a questionnaire that accounts for 20% of the entire evaluation; and
- A yearly compact performance accounting for 80% of the weight.

All Directors take the DHI leadership evaluation, which is conducted online. The combined score is used to pay out the CEO's performance-based incentives and is also taken into account when the CEO's contracts are renewed.

7. FINANCIAL REVIEW

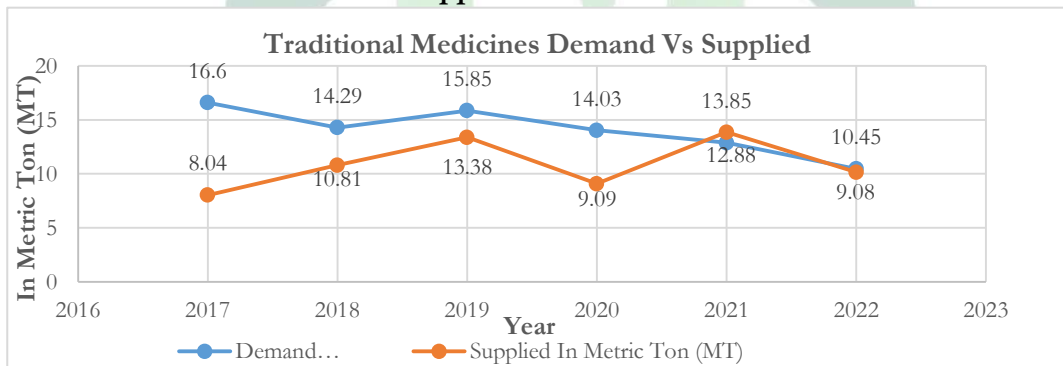
I. Overall Revenue and Profit After Tax (PAT)



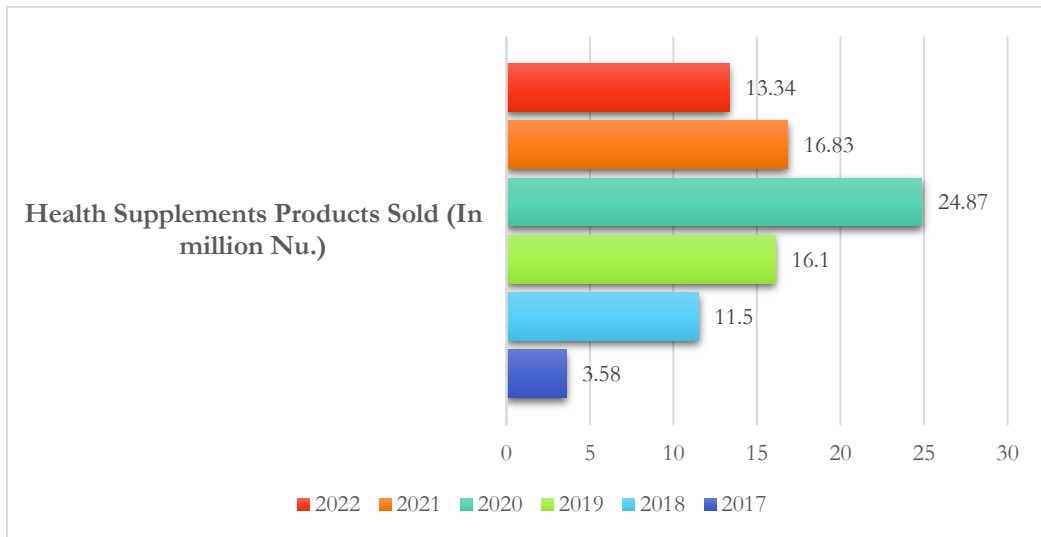
* The stated figures from 2017 to 2022 are from the Consolidated Accounts.

II. Comprehensive Revenue Generator :

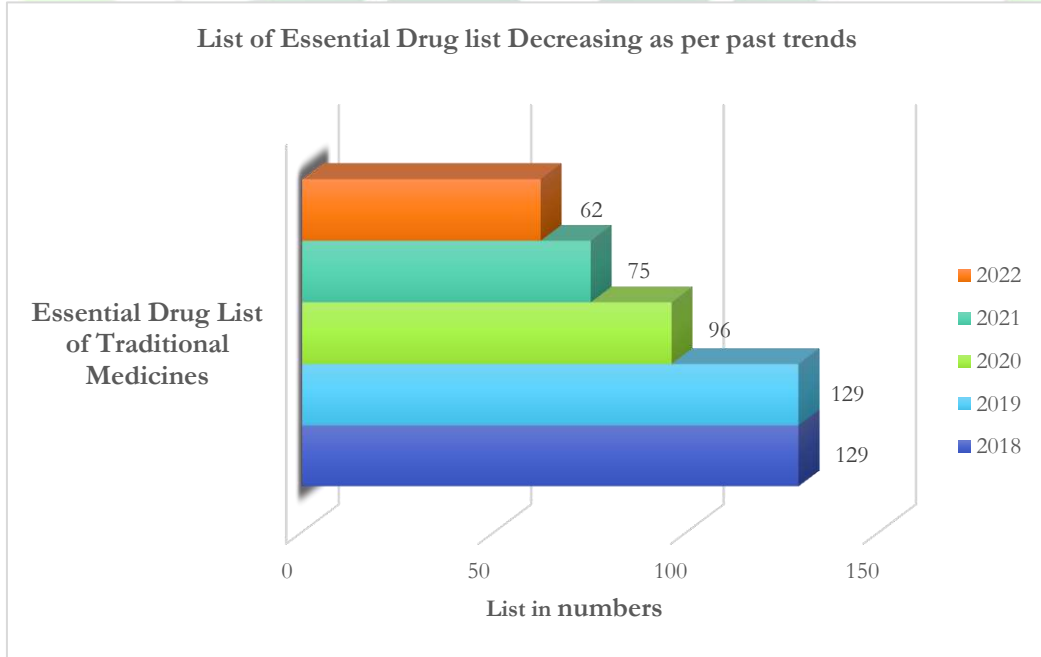
1. Traditional Medicines supplied to DMSHI



2. Sale of Health Supplement Products



III. Essential Drug List (EDL)



8. INDEPENDENT AUDITORS' REPORT

To,
The Members of
Menjong Sorig Pharmaceuticals Corporation limited (MSPCL)

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of **Menjong Sorig Pharmaceuticals Corporation limited** (the Company), which comprise the Statement of Financial Position as at 31 December 2022 and 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 give a true and fair view of the financial position of the Company as at 31 December 2022 and of its financial performance and its cash flows, for the year then ended in accordance with Bhutanese Accounting Standard (BAS).

Basis for Opinion:

We conducted our audit in accordance with the 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.

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

The management is responsible for the preparation and fair representation of the financial statements in accordance with the Bhutanese Accounting Standards (BAS) and for such internal control as management determines is necessary to enable the preparation of



financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Auditing Standards and the General Terms of Reference in Bhutan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in



our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other Legal and Regulatory Requirements

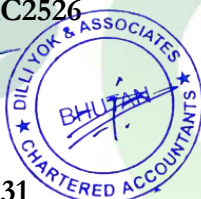
As required by Section 266 of the Act (the Minimum Audit Examination and Reporting Requirements), we enclose in the Annexure 'A' a statement on the matters specified therein to the extent applicable.

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

- a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- b) In our opinion proper books of account as required by law have been kept by the Company in so far as it appears from our examination of those books.
- c) The Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Cash Flows and the Statement of Changes in Equity dealt with by this report are in agreement with the books of account.
- d) In our opinion, the Company has complied with other legal and regulatory requirements.

Dilli Yok & Associates
Chartered Accountant
Firm License No: CRC2526

CA Dilli Ram Bista
Membership No.542831
Place: Thimphu
Date: 13/04/23



Annexure “A” to Auditor’s Report

MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENTS

(To the Extent Applicable)

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

General:

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

In the case of a Manufacturing company:

1. The Company has generally maintained computerized records showing full particulars of its Property, Plant & Equipment (PPE) including quantitative details and situation of PPE. The company had also maintained the fixed assets registered. On our verification, proper location and identification mark has been mentioned on each item of Property, Plant & Equipment. No material discrepancies were noticed on physical verification.
2. As examined by us, none of the assets were re-valued during the year hence this clause is not applicable



3. As informed to us by the management and on our verification, physical verifications were conducted at least twice a year in respect of finished goods and raw materials.
4. As per our observations, the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
5. On the basis of our verification, we found that the Stock Registers of Finished Goods and Raw Materials were regularly updated and no as such material discrepancies were noticed on physical verification of stocks as compared to the book records. Except some of the goods were expired as per the date on the product but as per the explanation made by the management, the goods are being tested and reused if their quality of the goods are meeting their requirements as per their testing. Some of the good which are expired are given below.

Sl. No.	Nature of goods	Name of the product	Units
1	Finished Products	Shugdru Dhinpa	280
2	Finished Products	Sked Smen Dang Byjor Gupa	58
3	Finished Products	Dringdhey Chugang gaypa	59
4	Raw Materials	Brang Tsi (Honey)	168

As it is reused again after the final testing, no adjustments has been made in the financial statements.

6. In our observations, the Company has a reasonable system of recording receipts, issues and consumption of materials and stocks and allocating materials consumed to the respective jobs, commensurate with its size and nature of its business.
7. As per the explanations made by the management, quantitative reconciliation for the closing stock is carried out at least at the end of accounting year.
8. In our observations, no exercise is being carried out to determine the obsolete, damaged, slow moving and surplus finished goods/inventories.
9. The said clause is not applicable because of the clause 8.



10. According to the information and explanations given to us, the Company has a system of obtaining approval of the Board/ appropriate authority for writing off amounts due to material loss/ discrepancies in physical/book balances of Inventories if any.
11. As per the examination and information provided by the management, the valuations of inventories, including the finished goods, raw materials, and work in progress are appropriate in accordance with generally accounting principal. The method adopted in the previous year was followed during the year.
12. In our examination, the company has not availed the Loan, hence prejudice in interest and other terms and conditions of the loan etc. are not applicable.
13. In our verification, the companies have not given the loan to any other party.
14. In our verification, the loans/advances granted to officers/staff are in keeping with the provisions of service rules and no excessive/frequent advances are granted and accumulation of large advances against particular individual is avoided. The company recovers the advances to staff with the same financial in which the advance is given.
15. As per the evidences provided by the management, the company has established adequate system of internal controls to ensure completeness, accuracy and reliability of accounting records, carrying out the business in an orderly and efficient manner, to safeguard the assets of the company as well as to ensure adherence to the rules/regulations and system and procedures.
16. Yes, there is a reasonable system of authorization at proper levels, and an adequate system of internal control commensurate with the size of the company and nature of its business, on issue of stocks and allocation of employee to the jobs.
17. In our opinion and according to the information and explanations given to us, there is adequate system of competitive bidding, commensurate with the size of the Company and the nature of its business, for the purchase of goods and services including stores, plant and machinery, equipment and other assets



- 18(a) In our opinion and according to the information and explanations given to us, we have not come across any cases of transactions of purchases and sales of goods and services made in pursuance of contracts or arrangements entered into with the directors or any other parties related to the directors or with companies or firms in which the directors are directly or indirectly interested.
- 18(b) this clause is not applicable in view of observation in clause (a) above.
19. According to the information and explanations given to us, no personal expenses have been debited to the Statement of Comprehensive Income.
20. In our verification and explanations made by the managements, no unserviceable or damaged stores, raw materials or finished goods were determined during the financial year.
21. As per the explanations made by the management, there is a reasonable system of ascertaining and identifying point of occurrence of breakage/damages raw materials, packaging materials and finished products i.e. while in transit, during processing, during loading/ unloading, in storage and during handling etc. so that responsibility could be fixed and compensation sought from those responsible.
22. As informed, the company is maintaining reasonable records for production of finished goods, by-products and they have maintained the adequate physical safeguards exist to prevent unauthorized or irregular movement of goods from the company.
23. As per information and explanations given to us and on our verification The Company is maintaining reasonable records for sales of scraps where ever applicable.
24. As per the evidence and explanations, The Company is regular in depositing rates and taxes, duties, royalties, provident funds, and other statutory dues with the appropriate authority. The provision for corporate tax is adequate and that necessary adjustments have been made to compute amount of tax as per the prevailing tax laws, rules and regulations of Bhutan.



25. Undisputed amounts payable in respect of rates, taxes, duties, royalties, provident funds and other statutory deductions were outstanding, as per the last day of the financial year concerned as below:

Sl No.	Nature of due	Amount
1	TDS Payable	15,624.47
	Total	15,625.47

26. The Company has a reasonable system of allocating man-hours utilized to the respective jobs, commensurate with the size and nature of its business.
27. In our observations and explanations made by the management, there is a reasonable system of price fixation taking into account the cost of production and market conditions
28. In our observation, the credit sales policy is reasonable and proper credit rating of customers are carried out.
29. As explanations made by the management, we have been given to understand that there is no as such established commission agent of the Company and hereby the clause is not applicable.
30. The Company has a reasonable system for continuous follow up with Debtors and other parties for recovery of outstanding amounts including periodic determination of age-wise break up of outstanding dues.
31. The management of liquid resources particularly cash/bank and short term deposits etc. are adequate and that excessive amount are not lying idle in non-interest bearing accounts.
32. The activities carried out by the company are lawful and intra-vires to the Articles of Incorporation of the company.



33. The investment decisions are made subject to prior approval of the Board and investment in new projects are made only after ascertaining the technical and economic feasibility of such new ventures.
34. The company has established budgetary control system.
35. As explained by the management, input-output relationship can be established, standard costing system is established and the variance analysis carried out on periodic intervals and corrective actions are taken if warranted.
36. In our verification, the details of remuneration, commission and other payments made in cash or in kind to the Board of Directors including the Chief Executive Officer or any of their relatives (including spouse(s) and child/children) by the company directly or indirectly are disclosed in the Financial Statements.
37. In our verification, the directives of the Boards have been complied with.
38. On the basis of information received from the Management, and on the basis of our verification of records and documents, price sensitive information, to the best of our knowledge, have not been transmitted by any officer of the Company, to any other person with the intent to benefit themselves.
39. In our verification, proper records are kept for inter unit transactions and it's been reconciled.
40. There are no machinery/equipment that have been acquired on lease or leased out to others.

Computerized Accounting Environment

1. The Company is using software Tally 9.0 ready-made package for general Financial Accounting and in the transit with implementation of ERP Next developed by TTPL.
2. Adequate safeguard measures and back up facilities exist.
3. Though the company had maintained the back up in their systems and Google drive, the company had not maintained other back up in different locations.
4. The operational controls are adequate and automatic to ensure correctness and validity of input data and output information.



5. In our opinion and according to the information and explanations given to us, the measures taken by the Company to prevent unauthorized access over the computer installations and files are adequate.

Other requirements:

1. Going concern problems

The Company's present operational and financial data indicates that the Company is financially healthy and we have no reason to believe that the Company is not a going concern entity. Accordingly, the financial statements have been prepared on the going concern assumption.

2. Ratio Analysis

Refer To **Exhibit-III**

3. Compliance with the Companies Act of Bhutan 2016

As confirmed by the Management and as verified from accounts and information provided, we are of the opinion that the Company has complied with provisions of The Companies Act of Bhutan 2016.

4. Adherence to Laws, Rules and Regulations

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

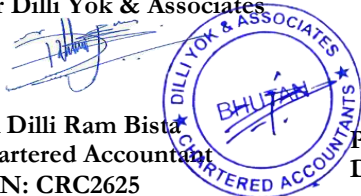
Dilli Yok & Associates
Chartered Accountant
Firm License No: CRC2526
CA Dilli Ram Bista
Membership No.542831
Place: Thimphu
Date: 13/04/23



Statement of Financial Position for the year ended 31st December, 2022

PARTICULARS	Note No.	As At	As At
		31-12-22	31-12-21
		Nu.	Nu.
A. ASSETS			
I. Non-Current Assets			
Property, Plant & Equipment	1	53,681,517.93	59,816,217.90
Intangible Assets	2	80,857.49	100,894.93
Deferred Tax Asset	3	14,841,256.71	10,535,932.64
Total Non-Current Assets		68,603,632.13	70,453,045.47
II. Current Assets			
Inventories	4	42,495,552.60	41,100,066.97
Other Current-Assets	5	40,501,376.00	39,183,460.00
Trade Receivables	6	1,734,659.77	3,924,451.57
Cash & Cash Equivalents	7	24,851,662.31	19,807,332.70
Short Term Loans & Advance	8	4,894,246.66	2,602,782.79
Total Current Assets		114,477,497.34	106,618,094.03
TOTAL ASSETS (I + II)		183,081,129.47	177,071,139.50
B. EQUITY AND LIABILITIES			
I. Shareholder's Equity	9		
Shareholder's Equity		182,427,700.00	182,427,700.00
Retained Earnings		(16,460,268.62)	(19,918,628.75)
Total Shareholders' Equity		165,967,431.38	162,509,071.25
II. Liabilities			
Non-Current Liabilities			
Deferred Income	10	2,321,922.54	2,555,166.62
Employee Related Expenses - Non-Current	11	8,005,710.00	4,780,184.00
Total Non-Current Liabilities		10,327,632.54	7,335,350.62
III. Current Liabilities			
Deferred Income	10	245,520.09	245,520.09
Trade & Other Payables	12	1,399,051.18	740,280.86
Other Current Liabilities	13	135,885.68	223,379.68
Employee Related Expenses – Current	14	5,005,608.60	6,017,537.00
Total Current Liabilities		6,786,065.55	7,226,717.63
TOTAL EQUITY & LIAB (I + II + III)		183,081,129.47	177,071,139.50
Notes on Financial Statements forms integral part of Accounts	23		

For Dilli Yok & Associates



CA Dilli Ram Bista
Chartered Accountant
FRN: CRC2625

Place: Thimphu
Date: 13/04/23

Chairman

Chunley
Chief Executive Officer
[Signature]
Director
[Signature]

Statement of Comprehensive Income for the year ended 31st December, 2022

PARTICULARS	Note No.	As At	As At
		31-12-22 (Nu.)	31-12-21 (Nu.)
REVENUE			
Net Sales	15	75,223,225.91	71,319,971.88
Other Income	16	2,460,988.89	5,803,687.85
Total Revenue		77,684,214.80	77,123,659.73
EXPENDITURE			
Changes in Finished Goods & Work-in-Progress	17	1,330,840.03	(2,412,382.23)
Raw Materials & Packaging Materials Consumed	18	21,414,293.36	23,852,866.71
Impairment of Loss on Trade Receivables	06	203,663.93	0.00
Manufacturing Expenses	19	3,721,270.31	4,223,617.35
Employee Benefit Expenses	20	29,530,112.60	30,880,579.08
Finance Cost	21	207,660.78	5,385.65
Loss/(Gain) on foreign currency fluctuation (net)		(12,171.46)	(2,994.86)
Depreciation & Amortization Expenses	01&02	9,165,281.41	9,258,547.41
Other Expenses	22	7,968,627.79	4,340,609.10
Total Expenditure		73,529,578.74	70,146,228.21
Profit/(Loss) before Tax		4,154,636.06	6,977,431.52
Tax Expense			
Current Tax		-	-
Deferred Tax:	3	4,305,324.07	2,221,264.73
Net Profit/(Loss) for the Year		8,459,960.13	9,198,696.25
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss</i>			
Re-measurement of post-employment benefit obligations			
Actuarial gain/loss		(1,201,600.00)	(172,361.00)
Income tax relating to above item		360,480.00	51,708.30
Other comprehensive income, net of tax		(841,120.00)	(120,652.70)
Total comprehensive income		7,618,840.13	9,078,043.55
Earnings per equity share			
Basic and diluted		4.64	5.04
Notes on Financial Statements forms integral part of Accounts	23		

For Dilli Yok & Associates

CA Dilli Ram Bista

Chartered Accountant

FRN: CRC2625

Place: Thimphu Date: 13/04/23



Chairman

Chief Exec

Director

Statement of changes in equity for the year ended 31st December, 2022

Figures in Nu.

PARTICULARS	Share Capital	Capital Reserve	Retained Earnings	Total Equity
Balance as at January 1, 2021	182,427,700.00	-	(28,944,964.00)	153,482,736.00
Net profit/Loss for the year			9,198,696.25	9,198,696.25
Other Comprehensive Income (Net of tax)			(120,652.70)	(120,652.70)
Income Tax on Other Comprehensive Income (OCI)			(51,708.30)	(51,708.30)
Balance as at December 31, 2021	182,427,700.00	-	(19,918,628.75)	162,509,071.25
Balance as at January 1, 2022	182,427,700.00	-	(19,918,628.75)	162,509,071.25
Net Profit/(Loss) for the year	-	-	8,459,960.13	8,459,961.13
Other Comprehensive Income (net)			(841,120.00)	(841,120.00)
Income Tax on Other Comprehensive Income (OCI)			(360,480.00)	(360,480.00)
Less: Dividend paid to shareholder			(3,800,000.00)	(3,800,000.00)
Balance as at December 31, 2022	182,427,700.00	-	(16,460,268.62)	165,967,431.38

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

Dilli Yok & Associates
Chartered Accountant
Firm License No: 1041252

CA Dilli Ram Bista
Membership No. 542831, Place: Thimphu



Chairman

Chief Executive Officer

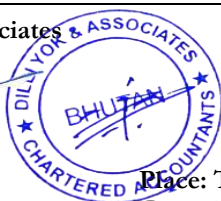
Director

Cash flow statement of the year ended 31st December, 2022

1 PARTICULARS	As At 31-12-22	As At 31-12-21
	Nu	Nu
I. CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before taxes and extraordinary item for the	4,154,636.06	6,977,431.52
Adjustments:		
Depreciation	9,165,281.41	9,258,547.41
Provision for Gratuity	1,011,928.40	-
Amortization of Deferred income	(233,244.08)	(146,733.29)
Interest on Fixed Deposit	(1,189,164.31)	(1,240,546.34)
Operating Profit before Working Capital Changes(A)	12,909,437.47	12,909,437.47
(Increase)/Decrease in Inventories	(1,395,485.63)	2,401,301.66
(Increase)/Decrease in Sundry Debtors	2,189,791.80	(294,964.60)
(Increase)/Decrease in Other Current Assets	(1,279,466.26)	430,688.50
Increase/(Decrease) in Current & Non-Current Liabilities	(440,652.08)	(2,076,836.80)
Increase / (Decrease) in Working Capital (B)	(925,812.17)	(1,395,485.63)
Less: Tax paid (C)	(0.00)	(473,086.00)
NET CASH FLOW FROM OPERATING ACTIVITIES(A+B+C)	11,983,625.30	3,187,910.67
II CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(30,10,544.00)	(3,404,419.56)
Fixed Deposit with T-Bank	(4,05,01,376.00)	(39,183,460.00)
Maturity of Fixed Deposits	39,183,460.00	25,000,000.00
Interest on Fixed Deposit	1,189,164.31	1,240,546.34
NET CASH FLOW FROM INVESTING ACTIVITIES	(3,139,295.69)	(16,347,333.22)
III CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid to Shareholder	(3,800,000.00)	
NET CASH FLOW FROM FINANCING ACTIVITIES	(3,800,000.00)	-
NET INCREASE IN CASH AND CASH EQUIVALENTS (I+II+III)	5,044,329.61	(1,511,531.16)
CASH & CASH EQUIVALENT AT THE BEGINNING OF THE YEAR	19,807,332.70	21,318,863.86
CASH & CASH EQUIVALENT AT THE END OF THE YEAR	24,851,662.31	19,807,332.70

For Dilli Yok & Associates

CA Dilli Ram Bista
Chartered Accountants
FRN: CRC2625



Place: Thimphu
Date: 13/04/23

Chairman

Chief Executive Officer

Director

Notes Forming Parts of the Financial Statements as at 31st December, 2022

Note No. – 23

NOTES ON FINANCIAL STATEMENTS

A. General Information of the Company

Menjong Sorig Pharmaceuticals Corporation Limited was founded on 01-Jul-2017 by the Royal Government of Bhutan. The Company has been incorporated and registered under the Companies Act of Kingdom of Bhutan, 2016 with limited liability. The Company was incorporated on October 5th 2017 vide Registration No. **U20171003THI0610**. The registered office of the Company is located at Thimphu, Bhutan. The company was then transferred to Druk Holding and Investments Limited as a fully owned company in the year 2021.

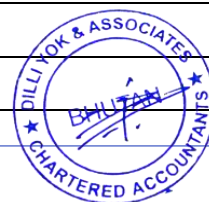
The company is manufacturer of the Traditional Medicines & Health Supplements.

Health department of the Government is main customer of organization. This is not because it is a state-owned enterprise but because of the technical fact that it can handle the volume and intrinsic quality.

B. Transition of Bhutanese Accounting Standard (BAS)

Menjong Sorig Pharmaceuticals Corporation Limited was founded on 01-Jul-2017 by the Royal Government of Bhutan. The Company has been incorporated and registered under the Companies Act of Kingdom of Bhutan, 2016 with limited liability. The Company has opted and implemented full BAS as applicable to the company from the first year of its Incorporation.

SL.NO	Bhutanese Accounting Standard ('BAS')	
1	BAS 1	Presentation of Financial Statement
2	BAS 2	Inventories
3	BAS 7	Cash Flow Statements
4	BAS 8	Accounting Policies, Changes in Accounting Estimates & Errors
5	BAS 10	Events After Balance Sheet Date
6	BAS 12	Income Taxes



7	BAS 16	Property Plant & Equipment
8	BAS 18	Revenue
9	BAS 19	Employee Benefits
10	BAS 20	Accounting for Govt Grant & Discloser of Govt Assistance
11	BAS 21	The effect of changes in foreign Exchange rates
12	BAS 23	Borrowing Cost
13	BAS 24	Related Party Discloser
14	BAS 33	Earnings Per Share
15	BAS 37	Provisions, Contingent Liability & Contingent Assets

C. Significant Accounting Policies

1. Basis of Preparation:

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

The Financial Statements present the Company’s financial position as on 31st December, 2022 and 31st December, 2021 as well as its earnings (Loss), comprehensive income (Loss), Cash Flows and Changes in Equity for the year ended 31st December, 2022 and 31st December, 2021. The preparation of Financial Statements is in conformity with BFRS that requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statement are:

- Property, plant and equipment: Critical judgments are expected for period of use, condition of the assets, technological advances, regulation, and residual values.
- Actuarial valuation of employee benefits: expected uptake of the gratuities and the discount rate used in the valuation.
- The functional currency of preparation is the Bhutanese Ngultrum.

2. Basis of Measurement:

The Financial Statements have been prepared under the accrual, historical cost basis and going concern convention expect for the defined benefit liability (actuarial valuation of gratuity in the financial position for which the measurement basis is detailed in their respective accounting policies).

3. Critical Accounting Judgments, Estimates and Assumptions:

The management made certain estimates and assumptions regarding the future estimates and judgments which are evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Although these estimates are based on management's best knowledge of current event and actions, actual results ultimately may differ from those estimates.

4. Property, Plant and Equipment:

Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Financing costs relating to acquisition of fixed assets are also included to the extent they relate to the period till such assets are ready to be put to use. As per the provision of BAS - 16, the management has chosen Cost Model as an accounting policy and applied the policy to entire class of property, plant and equipment.

5. Impairment of Assets:

The carrying amounts of assets are reviewed at each Statement of Financial Position date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its estimated recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the assets. The exercise on all the fixed assets has been carried out in the Year 2021 as to determine whether assets are impaired as per BAS 36 - Impairment of Assets.

6. Depreciation:



As of the reporting date, the depreciation on Property, Plant and Equipment (PPE) is provided on straight-line method based on the useful life (taking Residual value to be Nil). The management has assessed the useful life which represents the expected utility of the assets to the company based on the vendor's recommendation. Actual results, however, may vary due to technical or commercial obsolescence, particularly with respect to manufacturing equipment. However, the management will review the useful life, depreciation methods and residual values of depreciable assets at each reporting date as required by BAS - 16.

Nature of the Asset	Useful Life
Building	35 years
Plant and Machinery	12 years
Furniture and Fixtures	7 years
Office Equipment's, Intangible Assets	5-7 years
Vehicles	10 years
Tools and implements	5 years
Lab & Production Equipment's	8 Years

Gain and loss on disposal are determined by comparing the proceeds with the carrying amount and are recognized within 'Other Income' or 'Other Expenses' as the case may be, in the income statement.

7. Intangible Assets:

Acquired ERP Next software licenses are capitalized on the basis of the costs incurred to acquire and bring it to use the specific software. These costs are amortized over their estimated useful life of 5-7 years. Costs associated with maintaining computer software programs are recognized as an expense as incurred.

On transition to BFRS, the Company has elected to measure its intangible assets cost or amortized cost in accordance with BFRS as the deemed cost of the intangible assets.

8. Investment:

- a. The Current Investment are valued at lower of cost and fair market value.



- b. The long-term Investments in Government and/or other Cities including private placements are valued at cost as reduced by incentive or diminution in value of permanent nature.
- c. Provision is made where there is permanent fall in valuation of Long-Term Investment.

2. Financial Assets:

2.1 Initial Measurement

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

2.2 Classification and Subsequent Measurement

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

- Financial Assets Measurement at Amortized Cost;
- Financial assets measured at fair value through other comprehensive income (FVTOCI); and
- Financial assets measured at fair value through profit and Loss (FVTPL)

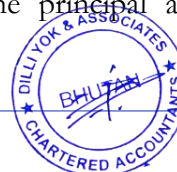
The classification of financial assets depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

Management determines the classification of its financial assets at initial recognition.

Financial Assets Measurement at Amortized Cost:

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

- a. The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows; and
- b. Contractual terms of the asset give rise on specified dates to cash flow's that are solely payments of principal and interest (SPPI) on the principal amount outstanding.



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

Financial Instruments Measured at Fair Value through Other Comprehensive Income:

A financial instrument shall be measured at fair value through other Comprehensive Income if both of the following conditions are met

- a. The objective or the business model is achieved by both collecting contractual cash flows and selling financial assets; and
- b. The asset's contractual cash flow represents SPPI.

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

Financial Instruments Measured at Fair Value through Profit & Loss:

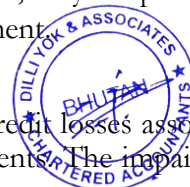
Fair value through profit and loss is the residual category. Any financial instrument which does not meet the criteria for categorization as at amortized cost or fair value through Other Comprehensive Income is classified at FVTPL, Financial Instruments included within FVTPL category are measured initially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

2.3 Trade and Other Receivables

Trade and Other Receivable are initially recognized at fair value of the amount 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 asset. Receivable are reviewed regularly for impairment.

2.4 Impairment of Financial Assets

The Company assesses on a forward-looking basis the expected credit losses associated with its assets carried at amortized cost and FVOCI debt instruments. The impairment



methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables only, as per Notification of MEA on BASE phase-III, corporate is temporarily allowed to comply with “incurred loss model” instead of expected credit loss model. Accordingly, the allowance for doubtful debts was recognized.

2.5 Derecognition of Financial Assets

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

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

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

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

3. Inventories and Parts and Supplier

Raw materials, work in process and finished goods are measured at the lower of cost or net realizable value. Cost is calculated on Weighted Average Method Basis and comprises expenditure incurred in the normal course of business in bringing such inventories to their present location and condition. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase. The cost of work in process and finished goods includes the cost of raw materials, direct labor and a systematic allocation of fixed and variable production overhead incurred in converting materials into finished goods. The allocation of fixed production overhead to the cost of conversion is based on the normal capacity of the manufacturing facilities.



Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated selling expenses. Parts and supplies are valued at the lower of cost or net realizable value, the later being determined based on replacement cost. Obsolete, slow moving and defective items of inventories, parts and supplies are identified at the time of physical verification and where necessary, adjustment is made for the same.

4. 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.

5. Cash and Cash Equivalents

Financial Liabilities:

5.1 Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, borrowings, payables. All financial liabilities are recognized initially at fair value and, in the case of borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade & other payables and borrowings.

5.2 Subsequent Measurement

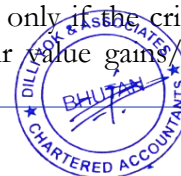
The measurement of Financial Liabilities depends on their classification, as described below:

Financial Liabilities at Fair Value through Profit or Loss

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

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

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in BFRS - 9 are satisfied. For liabilities designated as FVTPL, fair value gains or losses



attributable to changes in own credit risk is recognized in OCI. These gains/ losses are not subsequently transferred to P&L. However, the Company may transfer the cumulative gain or loss with equity. All other changes in fair value of such liability are recognized in the statement of profit or loss. The Company has not designated any financial liability as at fair value through profit and loss.

5.4 Borrowings

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

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

5.5 Trade and Other Payables

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

5.6 Derecognition

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



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

6. Offsetting Financial Instruments

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

7. Provisions and Contingent Liabilities

Provisions are recognized 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.

8. Current and Deferred Income Tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement except to the extent that it relates to items recognized in Other Comprehensive Income. In this case, the tax is also recognized in Other Comprehensive Income. The current income tax charge is calculated on the basis of the tax laws enacted at the balance sheet date in Bhutan. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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



liability is settled.

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

9. Revenue Recognition:

Revenue is generally recognized when it is probable that the economic benefits will flow to the entity, when the amount of revenue can be measured reliably and the following conditions are met.

For Sale of Goods: When the product is dispatched to customers and subsequent endorsement of title to the property in the goods. Sales are accounted for net of discount and returns.

For Interest, Rental & Other Income is recognized on Accrual basis.

10. Land Lease

Management considers its lease of land to be operating lease. The payments made under operating lease are recognized in the income statement on a straight-line basis over the term of the lease.

11. Government Grants:

Grants from Government and Non-Government sources are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Grants related to non-current assets are treated as Deferred Income in the Statement of Financial Position and are recognized to the Statement of Comprehensive Income on a systematic basis over the useful life of the related assets.

The company received capital grant amounting Nu. 2,947,420 comprising three herb drying machine from KIPA, South Korea through the initiative of DoIP, MoEA, Bhutan. While two of the machines are commissioned and put to use, one machine is yet to be commissioned. The grant for the year is analyzed as below:

Particulars	Carrying Amount	Depreciation	Net Amount
Herbal Drying Machine	1,097,532.32	93,695.84	1,003,836.48
-do-	805,534.39	68,515.08	737,019.31

-do-	897,320.00	71,033.16	826,586.84
Total Net Assets	2,800,386.71	233,244.08	2,567,442.63
Grants Carrying Amount			2,567,442.63

12. Retirement Benefits:

BAS - 19 Employee Benefits and BAS - 26 Accounting and Reporting by' Retirement Benefit Plans are applicable for Financial Statements covering periods beginning on or after 1st January 2016. However, the early application was permitted by the standard.

Under Defined Contribution Scheme

- i) Eligible employees receive the benefits from the provident fund, which is defined benefit plan. Both the employee and corporation make monthly contribution to National Pension and Provident Fund (NPPF) which is equal to a specified percentage of the covered employees' salary. The Provident Fund administered by NPPF, and such contributions are charged to Income Statement when paid to the NPPF.

Under Defined Benefit Scheme

- i) The Company operates a gratuity scheme for employees, whereby employees receive one month's final salary for each year of completed service. The employee must complete five (5) years of service before the gratuity is payable and the limitation of the scheme has been removed from October 2019. The cost of defined benefit scheme and the present value of the related obligations are determined using actuarial valuations. The determination of benefits expense and related obligations requires assumptions such as the expected return on assets available to fund, future obligations, the discount rate to measure obligations, expected mortality, the salary escalation rate and the expected experience of employee turnover. Actual results will differ from results which are estimated based on assumptions. All assets held to provide for the future liability are in the form of bank deposits, as required by the Income Tax Act. The assets are therefore subject to the financial risks associated with such deposits.
- ii) Employee benefits are also including Leave encashment, transfer grant, repatriation allowance and carriage charges which are actuarially determined and disclosed in Note No. (11) of Notes to Financial Statements (Under Defined Benefit Plan).
- iii) Gratuity is provided for all the employees on the basis of Actuarial Valuation carried out by Actuaries.

- iv) Leave Travel Concession is provided for all the employees on the basis of one month's basic pay or Nu. 15,000 whichever is lower and accounted for on accrual basis.
- v) No bonus was declared during the year as the Company couldn't meet the set Compact Target.
- vi) Leave Encashment is provided for all the employees on the basis of actuarial valuation carried out by actuaries.
- vii) Transfer Grants are provided for the retiring employees and to the employees who are leaving the company. The payment is made as per the valuation carried out by actuaries.
- viii) Contribution to Provident Fund administered by National Pension and Provident Fund is charged to Statement of Comprehensive Income as and when they fall due.

13. Foreign Currency Transaction:

Transactions denominated in foreign currencies are translated into the functional currency of that entity using the exchange rates prevailing at the date of each transaction as per BAS - 21. Foreign exchange gains or losses arising on the settlement of monetary items or on the translation of monetary items at rates different from those at which they were translated on initial recognition during the period are recognized as gain/loss on Foreign Exchange in the period in which they arise.

14. Earnings per share ('EPS'):

As per BAS - 33 Earnings per Share, Basic earnings per share are calculated by dividing the earnings by the weighted average number of common shares outstanding during the period, Diluted Earnings per Share is same as Earnings per Share for the Company, since there is no dilutive effect of Outstanding Stock Options.

15. Event After Balance Sheet:

Material event occurring after the Statement of Financial Position date are taken into cognizance.

16. Comparative Information

Wherever necessary, certain comparative information has been reclassified in order to provide more appropriate basis for comparison.



D. NOTES TO FINANCIAL STATEMENTS

1. Provision for Impairment Loss on Trade Receivables

As per IFRS – 9, the Company is required to apply Expected Credit Loss Model for recognizing the allowance for doubtful debts. As per notification of MEA on Base Phase – III, Corporate are temporarily allowed to comply with “Expected Credit Loss Model” instead of Incurred Loss Model. Accordingly, the allowance for doubtful debts was recognized. The Expected Credit Loss is summarized as below:

Particular	31 st December, 2022	31 st December, 2021
Opening balance of loss provision	-	-
ECL loss allowance	203,663.93	-
Write-off	-	-
Total ECL	203,663.93	0.00

2. Inter-corporate loan recognized as fair value

Under the provision GAAP, loans are recorded at their transaction value. Under IFRS, all financial liabilities are required to be recognized as fair value. Accordingly, the Company has fair valued the loan under IFRS at the date of initial recognition. Difference between the fair value and transaction value of the financial liability was adjusted with shareholder’s equity.

3. The Authorized Share Capital of the Company is Nu.182,427,700.00 (1,824,277.00 Equity Shares @ Nu.100 each). The Capital Structure is summarized as below:
Reconciliation of the number of shares outstanding:



Particulars	As at 31 st December 2022		As at 31 st December 2021	
	No. of Shares	Amount (Nu.)	No. of Shares	Amount (Nu.)
Ordinary Shares of Nu.100 each				
At beginning of the year	1,824,277	182,427,700.00	1,824,277	182,427,700.00
Allotted during the year	-	-	-	-
At closing of the year	1,824,277	182,427,700.00	1,824,277	182,427,700.00

4. All Statutory Record and Books of Accounts are maintained at Registered Office at Kawangjansa, Thimphu, Bhutan.

5. Defined Contribution Plan

The admissibility of pension benefits to an employee shall be governed by the pension rules and regulations of the NPPF. On separation from his service, an employee shall be entitled to receive the full accumulation, including interest accrued of provident fund which is created through a monthly deduction from his/her salary and an equal contribution (15% of the basic pay) by the employer. Since the PF is managed by the NPPF, payment shall be governed by the rules and regulations of the NPPF.

The amount expensed with respect to the provident fund matching contributions for the year ended 31st December 2022 and 2021 were Nu.2.48 million and Nu.2.57 million respectively.

6. Defined Benefit Plan

Valuation in respect of Gratuity as per BAS – 19 Employee Benefits for accounting and disclosure of employee benefits has been carried out by independent actuary, Consulting Infinity, Thimphu, Bhutan.

a. Reconciliation of Changes in Present Value of Defined Benefit Obligation on Carriage Charges

Particulars	31.12.2022	31.12.2021
DBO at the beginning of period	412,424.00	0
Add: Current service cost	142,100.00	111,206.00
Add: Past service cost	-	-
Add: Interest cost	27,194.00	(8,400.00)



Less: Benefits paid by the plan	-	-
Less: Benefits paid by the employer	(145,000.00)	(105,800.00)
Actuarial (gain) or losses due to experience adjustment	290,661.00	414,618.00
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	727,379.00	412,424.00

b. Reconciliation of Changes in Present Value of Defined Benefit Obligation on Earned Leave

Particulars	31.12.2022	31.12.2021
DBO at the beginning of period	1,819,037.00	1,413,263.00
Add: Current service cost	159,731.00	405,774.00
Add: Past service cost	-	-
Add: Interest cost	135,920.00	(12,869.00)
Less: Benefits paid by the plan	-	-
Less: Benefits paid by the employer	(240,075.00)	(1,574,121.00)
Actuarial (gain) or losses due to experience adjustment	(964,805.00)	1,534,976.00
Actuarial (gain) or losses due to change in financial assumptions	-	52,103.00
Actuarial (gain) or losses due to change in demographic assumptions	-	-
DBO at the end of period	909,808.00	1,819,037.00



c. **Reconciliation of Changes in Present Value of Defined Benefit Obligation on Gratuity**

Particulars	31.12.2022	31.12.2021
DBO at the beginning of period	4,503,876.00	4,183,460.00
Add: Current service cost	1,056,939.00	913,975.00
Add: Past service cost	-	-
Add: Interest cost	333,240.00	328,007.00
Less: Benefits paid by the plan	-	-
Less: Benefits paid by the employer	(676,755.00)	(166,740.00)
Actuarial (gain) or losses due to experience adjustment	1,201,600.00	(910,471.00)
Actuarial (gain) or losses due to change in financial assumptions	-	3,317.00
Actuarial (gain) or losses due to change in demographic assumptions	-	152,326.00
DBO at the end of period	6,418,900.00	4,503,876.00

d. **Reconciliation of Changes in Present Value of Defined Benefit Obligation on Repatriation Allowance**

Particulars	31.12.2022	31.12.2021
DBO at the beginning of period	163,566.00	-
Add: Current service cost	82,227.00	42,890.00
Add: Past service cost	-	-
Add: Interest cost	11,410.00	(559.00)
Less: Benefits paid by the plan	-	-
Less: Benefits paid by the employer	(41,884.00)	(13,968.00)
Actuarial (gain) or losses due to experience adjustment	213,417.00	135,203.00
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	428,736.00	163,566.00

e. **Reconciliation of Changes in Present Value of Defined Benefit Obligation on Transfer Grant**

Particulars	31.12.2022	31.12.2021
DBO at the beginning of period	379,854.00	-
Add: Current service cost	199,743.00	95,590.00
Add: Past service cost	-	-

Add: Interest cost	24,188.00	(3,581.00)
Less: Benefits paid by the plan	-	-
Less: Benefits paid by the employer	(154,997.00)	(89,522.00)
Actuarial (gain) or losses due to experience adjustment	639,016.00	377,367.00
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	1,087,804.00	379,854.00

7. During the year the Company has assessed the carrying amount of the assets vis-à-vis their recoverable value and no impairment is envisaged at the Statement of Financial Position date.

E. NOTES ON ACCOUNTS

1. The company has been formed after corporatization of erstwhile Menjong Sorig Pharmaceuticals unit under the department of Traditional Medicines w.e.f 01-Jul-2017. All assets & liabilities of erstwhile Menjong Sorig Pharmaceuticals became the Assets & Liabilities of the Company. However, building pertaining to Land is transferred in the name of Company but transfer of ownership of lands is still to be decided. As per Land Act 2007 definition of Land includes Building as well. Though the company has accounted the building in its books of Accounts but the ownership of the building is still undecided.

2. Tax Expense:

The company has incurred loss, as a result there is no provision of Income Tax. The reconciliation between Profit/(loss) between SCI & as per Income Tax Act is provided below:

Particulars	As At 31.12.2022
Profit/ (Loss) before tax	4,154,636.06
Tax calculated at domestic tax rates	NIL
Income tax effect due to:	
<i>Other non-deductible expenses:</i>	
Bonus	-
ECL Loss Allowance on Trade Receivables	203,663.93
Gratuity	1,390,179.00
Performance base Variable Allowance	2,087,862.60



Depreciation as per books	9,165,281.41
Depreciation as per Income Tax Act	(10,343,610.35)
Profit/(Loss) as per Income Tax Act	6,658,013.64
Less: PVBA/Bonus expenses regulated (10%*ANP)	665,801.36
Net Profit/(Loss) as per Income Tax Act	5,992,211.28
Less: Carry forward of loss for the previous	-19,918,628.75
Net Taxable income/(Loss)	-13,926,416.37
Tax 30% on NTI	-

3. Deferred Income Tax Assets (Net)

The analysis of deferred income tax assets and liabilities and gross movement is as under:

Particulars	31/12/2022	31/12/2021
Opening Balance	(10,535,932.64)	(8,314,667.91)
Charged to Statement of Comprehensive Income (Refer Note 3.1.1)	(4,305,324.07)	(2,221,264.73)
Closing Balance	(14,841,256.71)	(10,535,932.64)

The movement in deferred income tax assets and liabilities during the year ended December 31, 2022 is as under:

Deferred Tax Asset	As at January 1, 2022	Adjustment to Statement of Comprehensive Income	As at December 31, 2022
Property, plant and equipment	8,95,732.23	13,08,039.92	22,03,772.15
Total	8,95,732.23	13,08,039.92	22,03,772.15



Deferred income tax asset	As at January 1, 2021	Adjustment to Statement of Comprehensive Income	As at December 31, 2021
Carry Forward of Loss	(1,14,31,664.87)	(56,13,363.99)	(1,70,45,028.86)
Total	(1,14,31,665)	(56,13,363.99)	(1,70,45,028.86)



NOTES TO STATEMENT OF FINANCIAL POSITION**NOTE NO. 1****PROPERTY, PLANT & EQUIPMENT AND INTANGIBLE ASSETS****PROPERTY, PLANT & EQUIPMENT**

DESCRIPTION	GROSS BLOCK			DEPRECIATION/AMORTIZATION				NET BLOCK		
	AS AT 01-01-2022	ADDITIONS	SAL L E/ A DJ	AS AT 31-12-2022	AS AT 01-01-2022	FOR THE YEAR	SAL E/A DJ.	AS AT 31-12-2022	AS AT 31-12-2022	AS AT 31-12-2021
Building & Civil Structures	34,210,831.97	51,200.00	-	34,262,031.97	7,011,682.64	1,629,125.48	-	8,640,808.13	25,621,223.84	27,199,149.33
Plant & Machinery	17,981,052.46	683,344.75	-	18,664,397.21	7,316,214.90	1,780,884.72	-	9,097,099.62	9,567,297.59	10,664,837.56
Furniture & Fixtures	2,209,430.53	20,756.00	-	2,230,186.53	769,857.81	302,328.17	-	1,072,185.98	1,158,000.55	1,439,572.72
Lab & Production Equipment	34,563,238.17	1,903,208.25	-	36,466,446.42	19,544,375.16	4,260,262.90	-	23,804,638.06	12,661,808.36	15,018,863.01
Tools & implements	682,626.97	-	-	682,626.97	653,680.04	6,090.00	-	659,770.04	22,856.93	28,946.93
Vehicles	5,704,250.18	-	-	5,704,250.18	2,007,994.83	533,093.74	-	2,541,088.56	3,163,161.62	3,696,255.35
Office Equipment	3,818,351.52	352,035.00	-	4,170,386.52	2,049,758.53	633,458.96	-	2,683,217.49	1,487,169.03	1,768,592.99
TOTAL	99,169,781.80	3,010,544.00	-	102,180,325.80	39,353,563.90	9,145,243.97	-	48,498,807.87	53,681,517.93	59,816,217.90
NOTE NO. 2 - INTANGIBLE ASSETS - COMPUTER SOFTWARES										
Tally ERP 9	63,720.00	-	-	63,720.00	31,058.79	9,105.59	-	40,164.38	32,661.21	32,661.21
Rance lab Software	76,500.00	-	-	76,500.00	8,266.28	10,931.85	-	19,198.13	68,233.72	68,233.72
TOTAL	140,220.00	-	-	140,220.00	39,325.07	20,037.44	-	59,362.51	100,894.93	100,894.93
GRANT TOTAL	99,310,001.80	3,010,544.00		102,320,545.80	39,392,888.97	9,165,281.41		48,558,170.38	53,762,375.42	59,917,112.83



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2022

Particulars	As At 31-12-2022	As At 31-12-2021
NOTE NO. 3		
<u>DEFERRED TAX ASSET</u>		
Opening Balance	10,535,932.64	8,314,667.91
Charged to Statement of Comprehensive Income	4,305,324.07	2,221,264.73
	14,841,256.71	10,535,932.64
NOTE NO. 4		
<u>INVENTORIES</u>		
Raw Materials	27,904,131.98	25,177,806.33
Work-In-Progress	1,658,844.39	2,438,646.47
Finished Goods	12,932,576.23	13,483,614.17
	42,495,552.60	41,100,066.97
NOTE NO. 5		
<u>OTHER-CURRENT ASSETS</u>		
<u>Investment</u>		
FD with T-Bank (1 year maturity)	35,997,500.00	35,000,000.00
Fixed Deposit for Gratuity	4,503,876.00	4,183,460.00
	40,501,376.00	39,183,460.00
NOTE NO. 6		
<u>TRADE & OTHER RECEIVABLES</u>		
(Unsecured - Considered Good)		
Sundry Debtors	1,938,323.70	3,924,451.57
ECL Loss Allowance on Trade Receivables	(203,663.93)	(0.00)
	1,734,659.77	3,924,451.57
NOTE NO. 7		
<u>CASH & CASH EQUIVALENTS</u>		
Cash in Hand	43,890.00	4,300.00
<u>Balances with Banks</u>		
In Current Accounts with BOB Ltd, Thimphu	24,807,772.32	19,803,032.70
	24,851,662.31	19,807,332.70
NOTE NO. 8		
<u>SHORT TERM LOANS & ADVANCES</u>		
<u>Unsecured - Considered Good:</u>		
Accrued Interest on Fixed Deposit	348,434.86	441,096.52
Advance to Suppliers	1,836,545.36	-
Advance to Staff	75,000.00	
Security Deposits	25,536.00	25,536.00
Tax Deducted at Source:		
2022	2,608,730.44	
2021	923,101.07	2,136,150.27
	4,894,246.66	2,602,782.79

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2022.

PARTICULARS	As At 31/12/2022	As At 31/12/2021
<u>NOTE NO. 9</u>		
<u>SHARE CAPITAL</u>		
<u>Authorized</u>		
50,00,000 Equity Shares of Nu. 100 each	500,000,000.00	500,000,000.00
<u>Subscribed</u>		
1,824,277 Equity Shares of Nu. 100 each	182,427,700.00	182,427,700.00
<u>Issued & Paid up</u>		
1,824,277 Equity Shares of Nu. 100 each	182,427,700.00	182,427,700.00
<u>NOTE NO. 9.1</u>		
<u>Reconciliation of Equity Outstanding</u>		
At the beginning of the year		
- No. of Shares	1,824,277.00	1,824,277.00
- Amount (in Nu.)	182,427,700.00	182,427,700.00
At the end of the year		
- No. of Shares	1,824,277.00	1,824,277.00
- Amount (in Nu.)	182,427,700.00	182,427,700.00
<u>NOTE NO. 9.2</u>		
The company has only one class of equity shares having a par value of Nu. 100/- per share. Each shareholder is eligible for one vote per share and having equal rights in all respect.		
<u>NOTE NO. 10</u>		
<u>DEFERRED INCOME</u>		
As at January 1		
Received/Addition	2,800,686.71	2,947,420.00
Less: Transferred to Other Income	(233,244.08)	(146,733.29)
As at December 31	2,567,442.63	2,800,686.71
Deferred Income analyzed as follows:		
Current Portion	245,520.09	245,520.09
Non-current portion	2,321,922.54	2,555,166.62
Total	2,567,442.63	2,800,686.71



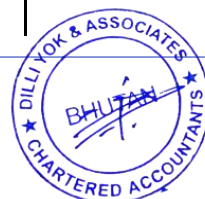
PARTICULARS	As At 31/12/2022	As At 31/12/2021
<u>NOTE NO. 11</u>		
<u>EMPLOYEE RELATED EXPENSES – NON-CURRENT</u>		
Gratuity	5,967,472.00	4,086,597.00
Carriage Charges	463,729.00	291,078.00
Travelling Allowance	393,441.00	118,293.00
Transfer Grant	1,001,068.00	284,216.00
	8,005,710.00	4,780,184.00
<u>NOTE NO. 12</u>		
<u>TRADE & OTHER PAYABLES</u>		
Audit Fees	50,000.00	50,000.00
Commission	8,769.50	10,795.20
Telephone & Internet Charge	1,764.40	1,314.10
Consultancy Fees payable	25,000.00	-
Electricity Charge	45,380.00	53,855.09
Overtime Allowance	10,930.00	-
Travelling expenses	69,600.00	-
Security Deposit	267,400.00	65,580.00
Retention Money	7,635.00	76,675.46
Outstanding Utilities	6,595.00	-
TDS Payable	15,624.47	9,641.22
Sundry Creditors	890,352.81	472,419.79
	1,399,051.18	740,280.86
<u>NOTE NO. 13</u>		
<u>OTHER CURRENT LIABILITIES</u>		
Advance from Customer	135,885.68	223,379.68
	135,885.68	223,379.68
<u>NOTE NO. 14</u>		
<u>EMPLOYEE RELATED EXPENSES – CURRENT</u>		
Gratuity	451,428.00	417,279.00
Provision for Carriage Charge	83,650.00	121,346.00
Provision for Transfer Grant	86,736.00	95,639.00
Provision for Travelling Allowance	35,295.00	45,273.00
Provision for Leave Encashment Benefits	909,808.00	1,819,037.00
Provision for Leave Travel Concession	803,596.00	831,329.00
Provision for Performance Based Variable Allowance (PBVA)	2,635,095.600	2,687,634.00
	5,005,608.60	6,017,537.00

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2022.

NOTES TO STATEMENT OF COMPREHENSIVE INCOME	YEAR ENDED 31-12-2022	YEAR ENDED 31-12-2021
NOTE NO. 15		
<u>SALE OF GOODS</u>		
Traditional Medicines	62,332,061.91	55,207,925.05
Health Supplements	13,341,634.00	16,831,525.83
	75,673,695.91	72,039,450.88
Less: Discount Allowed	(450,470.00)	(719,479.00)
Net Sales	75,223,225.91	71,319,971.88
NOTE NO. 16		
<u>OTHER INCOME</u>		
Amortization of Deferred income (note no. 10)	233,244.08	146,733.29
Discount Received	-	48,328.32
Excess provision on PBVA written back	-	3,399,810.00
Interest on Fixed Deposit	1,189,164.31	1,240,546.34
Liquidity Damages	153,410.95	432,880.00
Miscellaneous Income	519,125.32	-
Pre-processing Charges	12,250.00	240,192.00
Rental Income	8,580.00	4,290.00
Sale of Raw Materials	345,214.23	290,907.90
	2,460,988.89	5,803,687.85
NOTE NO. 17		
<u>INCREASE / (DECREASE) IN WORK-IN-PROGRESS & FINISHED GOODS</u>		
<u>Inventories (At Commencement)</u>		
Work - in - Progress	2,438,646.47	3,515,491.86
Finished Goods	13,483,614.17	9,994,386.55
Total (A)	15,922,260.64	13,509,878.41
<u>Inventories (At Close)</u>		
Work - in - Progress	1,658,844.39	2,438,646.47
Finished Goods	12,932,576.23	13,483,614.17
Total (B)	14,591,420.61	15,922,260.64
Grand Total (B - A)	(1,330,840.03)	2,412,382.23

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2022.

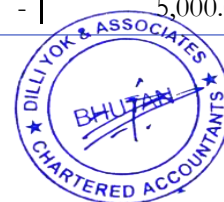
	YEAR ENDED 31-12-22	YEAR ENDED 31-12-21
NOTE NO. 18		
<u>RAW MATERIALS & PACKAGING MATERIALS CONSUMED</u>		
Opening Stock	25,177,806.33	29,991,490.22
Add: Purchases	24,140,619.01	19,039,182.82
	49,318,425.34	49,030,673.04
Less: Closing Stock	27,904,131.98	25,177,806.33
	21,414,293.36	23,852,866.71
NOTE NO. 19		
<u>MANUFACTURING EXPENSES</u>		
BST, Custom Duty, Taxes & Royalty	213,953.31	15,714.19
Carriage Inward & Freight Charges	486,090.35	184,439.80
Other Consumable Goods	556,060.90	444,430.00
Electricity Charges	539,342.28	646,261.13
Incense Stick Contract Manufacturing Charges	120,568.00	53,040.00
Overtime Allowances	396,838.00	381,939.00
Laboratory Consumables	39,184.00	25,197.85
Repair & Maintenance of Machinery	29,004.00	185,678.38
Repair & Maintenance of Properties	328,206.47	629,658.00
Travelling Expenses – Production	839,873.00	1,070,243.00
Uniform & Liveries	105,380.00	430,170.00
Wages	66,770.00	156,846.00
	3,721,270.31	4,223,617.35
NOTE NO. 20		
<u>EMPLOYEE BENEFIT EXPENSES</u>		
Contribution to Provident Fund	2,480,228.00	2,566,097.00
Gratuity	1,390,179.00	1,241,983.00
Leave Encashment Benefit	569,905.00	1,979,894.08
Leave Travel Concession	786,691.00	828,472.00
Medical Expenses	13,200.00	-
Performance Base Variable Allowance	2,087,862.60	2,687,634.00
Salary	20,572,092.00	21,339,352.00
Carriage Charge (Personal Effect)	459,955.00	102,806.00
Transfer Grant	862,946.00	92,010.00
Transfer/Retirement Travelling Allowance	307,054.00	42,331.00
	29,530,112.60	30,880,579.08
NOTE NO. 21		
<u>FINANCE COST</u>		



Bank Charges	207,660.78	5,385.65
	207,660.78	5,385.65

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2022.

	YEAR ENDED 31-12-2022	YEAR ENDED 31-12-2021
<u>NOTE NO. 22</u>		
<u>OTHER EXPENSES</u>		
Advertisement & Publicity	-	125,509.50
Audit Fee	50,000.00	50,000.00
Audit Expenses	2,200.50	2,000.00
Board Meeting Expenses	17,364.00	55,900.00
Board Sitting Fees	520,000.00	389,750.00
Brand Management Fees	159,112.59	
Carriage Outward	-	44,965.23
Consultancy Fees	50,000.00	10,000.00
Corporate Social Responsibility (CSR)	2,869,761.00	25,000.00
General Expenses	25,690.00	47,380.00
Fines & Penalties	93,810.00	-
Hospitality & Entertainment Expenses	52,587.00	42,601.00
Human Resource Development Expenses	150,681.05	199,190.00
Insurance Premium	3,720.00	2,295.00
Land & Building Tax	49,914.00	40,014.00
License & Environmental Renewal Fees	7,490.27	4,000.00
Liquidated Damage Charges	691,920.36	-
Loss on Disposal of Equipment	8,956.32	
Commission	-	2,370.20
Marketing & Promotion of Products	757,684.00	607,800.00
Office Expenses	208,990.50	374,529.00
Petroleum, Oils and Lubricants Expenses	395,140.48	253,263.05
Postage & Telegram	9,500.00	10,115.00
Printing & Stationeries	537,460.00	668,670.00
Renewal & Registration Fees of Products	-	38,000.00
Repair & Maintenance of Vehicles	111,639.00	92,158.00
Security Service Charges	345,800.00	196,000.00
Telephone, Internet & Fax Charges	402,052.72	372,382.32
Trademark Registrations Fees	-	5,000.00



Travelling Expenses - Adm.	412,074.00	656,811.00
Utilities Charges	35,080.00	24,905.80
	7,968,627.79	4,340,609.10

F. Additional information to the financial statements

F.1. Quantitative analysis

a) Details of Sales

Items	As At			As At		
	31st December, 2022			31st December, 2021		
	Unit	Qty.	Amount (Nu.)	Unit	Qty.	Amount (Nu.)
Tsheringma Tea	Box	12438	4,467,400.00	Box	11790	2,778,020.00
Capsule	Bottle	4571	4,025,415.00	Bottle	5295	6,434,310.00
Powders	Kg	581	1,696,690.00	Kg	1409.5	2,399,632.50
Pills	Kg/pcs.	453	201,585.00	Kg/pcs.	3976	410,995.50
Incense Stick	Roll	5601	1,312,600.00	Roll	3353	596,740.00
Others		2937	819,544.00		4966.5	4,211,827.83
Ointment	Kg	3647	818,400.00			
Traditional Medicines			62,332,061.91			55,207,925.05
Total::			75,673,695.91			72,039,450.88

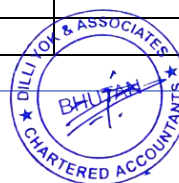
b) Purchase of Raw and Packaging & Labelling Materials

Items	As At			As At		
	31st December, 2022			31st December, 2021		
	Unit	Qty.	Amount (Nu.)	Unit	Qty.	Amount (Nu.)
skya-sgog-Nye-Shag	kg	7.49	32,678.05		22.20	118,982.21
Ghi-vang	kg	1.585	9,725,700.00	kg	1.38	8,769,144.00
dri-zang	-do-	20	962,790.00	-do-	5.50	264,309.50
drag-zhun-khandra	-do-	49	277,500.23	-do-	228.90	1,380,791.22
mu-tig	-do-	22	146,456.00	-do-	22.00	112,310.00
d.byar-rtsva-dgun-'bu	-do-	0.7	310,000.00	-do-	-	-
dom-m.khris	-do-	1.192	596,000.00	-do-	0.65	281,884.33

Other Raw Materials			9,791,610.14			5,278,878.57
Bottle	nos.		344,104.50	nos.	73200	1,061,064.00
Box	-do-		902,000.00	-do-	127	67,260.00
Label	-do-		304,930.30	-do-	117950	414,896.49
Pet Jar	-do-		572,624.80	-do-	25000	1,113,150.00
Other Packaging Materials			174,225.00			176,512.50
Total			24,140,619.02			19,039,182.82

c) Consumption of Raw and Packaging & Labelling Materials

Items	As At 31 st December, 2022			As At 31 st December, 2021		
	Unit	Qty.	Amount (Nu.)	Unit	Qty.	Amount (Nu.)
skya-sgog-Nye-Shag	kg	4.85	21,160.02	Kg	24.81	134,366.85
ja-nag-nak-tsi	-do-	0.1	899.00	-do-	0.04	315.55
ghi-vang	-do-	1.15	7,504,500.00	-do-	1.32	8,488,364.00
d.ngul-thal	-do-	0.3484	43,898.40	-do-	0.45	57,065.40
dri-zang	-do-	8.015	421,994.55	-do-	14.04	854,582.30
drag-zhun-khandra	-do-	93.18	556,448.10	-do-	253.94	1,594,236.68
mu-tig	-do-	10.25	62,995.75	-do-	47.00	177,310.00
mu-men	-do-	1.17	8,631.09	-do-	0.03	257.46
zang-thel	-do-	0.1	412.20	-do-	0.26	1,077.08
g.ser-thal	-do-	-	-	-do-	0.00	14,176.96
dza'-ti num	-do-	0.3	742.50	-do-	1.67	4,134.49
dom-m.khris	-do-	0.536	268,000.00		1.03	439,181.21
d.byar-rtsva-dgun-'bu	-do-	0.7	306,000.00		4.19	1,507,320.00
tsen-dhen-karpo	-do-	84.72	766,716.00		77.81	704,154.26
dzi dring	-do-	0.0047	4,385.10		0.00	466.50
Other Raw Materials	-do-		9,616,488.97			7,729,789.32
Bottle	nos.	37296	718,742.21	nos.	50264	648,166.79
Box	-do-	13324	61,617.66	-do-	12858	154,965.70
Label	-do-	55645	214,232.70	-do-	76133	242,152.26
Pet Jar	-do-	14612	602,134.45	-do-	21868	807,021.40
"Other Packaging & Labelling			413,855.91			293,762.50
Total			24,140,619,01			23,852,866.70



d) Closing Stock of Raw and Packaging & Labelling Materials

Items	As At 31 st December, 2022			As At 31 st December, 2021		
	Unit	Qty.	Amount (Nu.)	Unit	Qty.	Amount (Nu.)
skya-sgog-Nye-Shag	kg	2.64	11,518.03	kg	-	-
ja-nag-nak-tsi	-do-	4.03	36,229.70	-do-	4.13	37,172.75
Ghi-vang	-do-	0.66	4,487,400.00	-do-	0.22	1,438,560.00
d.ngul-thal	-do-	1.64	206,841.60	-do-	1.99	250,740.00
dri-zang	-do-	14.05	674,695.45	-do-	2.06	99,182.20
drag-zhun-khandra	-do-	-	-	-do-	44.18	260,849.99
mu-tig	-do-	11.75	83,460.25	-do-	-	-
mu-men	-do-	-	-	-do-	1.17	8,595.68
zang-thel	-do-	2.89	11,912.58	-do-	2.99	12,344.15
g.ser-thal	-do-	0.05	183,462.30	-do-	0.05	190,069.74
dza'-ti num	-do-	72.55	179,561.25	-do-	72.85	180,300.04
dom-m.khris	-do-	0.70	349,500.00	-do-	0.04	22,000.00
d.byar-rtsva-dgun-'bu	-do-	0.05	16,200.00	-do-	0.04	16,200.00
tsen-dhen-karpo	-do-	-	-	-do-	84.72	766,706.05
dzi dring	-do-	0.04	33,774.60	-do-	0.04	37,693.20
Other Raw Materials			13,689,360.27			13,827,454.74
Bottle	nos.	89303	1,526,837.02	nos.	91,359.00	1,915,953.73
Box	-do-	67867	961,983.80	-do-	37,615.00	354,332.03
Label	-do-	64209	159,211.85	-do-	80,265.00	310,086.59
Pet Jar	-do-	30452	1,288,627.80	-do-	33,032.00	1,394,943.45
"Other Packaging & Labelling			4,003,555.48			4,054,622.00
Total			27,904,131.98			25,177,806.33



e) Closing Stock of Finished Goods

Items	As At 31 st December, 2022			As At 31 st December, 2021		
	Unit	Qty.	Amount (Nu.)	Unit	Qty.	Amount (Nu.)
Tsheringma Tea	Box	1539	541,700.00	Box	5853	1,530,417.00
Capsule	Bottle	753	1,555,680.00	Bottle	3157	4,592,094.90
Powders	Kg	182	525,545.00	Kg	648.05	1,256,080.77
Pills	Kg/pcs.	-	-	Kg/pcs.	32057	1,316,457.90
Incense Stick	Roll	-	-	Roll	976	160,210.50
Others		7051	714,055.00			2,174,417.10
Ointment	Kg	1530	327,000.00			
Traditional Medicines			9,268,596.23			2,453,936.00
Total			12,932,576.23			13,483,614.17

f) Closing Stock of Work-in-Progress

Items	As At 31 st December, 2022			As At 31 st December, 2021		
	Unit	Qty.	Amount (Nu.)	Unit	Qty.	Amount (Nu.)
Capsule	-do-	100	181,861.67	-do-	270	491,026.50
Ointment	-do-	200	28,860.24	-do-	0	-
Pills	-do-	440	539,358.03	-do-	895	1,097,103.27
Powder	-do-	-	-		50	24,367.20
Tablet	-do-	330	908,764.45	-do-	300	826,149.50
		-	-		-	-
Total			1,658,844.39			2,438,646.47



F.2. Related Party Disclosures

Related Party	Type of Transactions	Amounts involved (Nu.)	Closing Balance (Nu.)
Construction Development CL	Sales of Health Supplements	18,080.00	
Druk Holding & Investment Ltd.	Sales of Health Supplements	38,402.00	4,508.00
Bhutan Power Corp Ltd.	Sales of Health Supplements	50,680.00	
Tangsibji Hydroelectricity	Sales of Health Supplements	48,000.00	
Bhutan Telecom Limited	Sales of Health Supplements	60,320.00	
Druk Green Power Corp Ltd.	Sales of Health Supplements	2,800.00	
State Mining Corp Ltd.	Sales of Health Supplements	31,085.00	
Druk Holding & Investment Ltd.	Equity share held by DHI		182,427,700.00
Druk Holding & Investment Ltd.	Dividend paid to shareholder	3,800,000.00	
Bhutan Telecom Ltd.	Telephone and fax charges	402,052.72	1,764.40
Bhutan Power Corp Ltd	Electricity charges paid	539,342.28	45,380.00
Bhutan Power Corp Ltd	Intragroup deposits-Security deposit		
Bank of Bhutan Limited	Current account deposit		24,851,662.31
Bank of Bhutan Limited	Bank charges	207,660.78	
Construction Development CL	Sales of Health Supplements	18,080.00	
Druk Holding & Investment Ltd.	Sales of Health Supplements	38,402.00	4,508.00
Bhutan Power Corp Ltd.	Sales of Health Supplements	50,680.00	
Total		5,198,422.78	207,331,014.71



Our Product Brands



TSHERINGMA



Neutraceuticals Brand



ZEPHEL



OTC & Pharmaceuticals Brand



MENJONG SORIG



MENZANG



Cosmetics & Toiletries Brand



DREZANG



Essence & Fragrance Brand