

# ANNUAL REPORT

2017

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**STCBL**



State Trading Corporation of Bhutan Ltd.

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STCBL



State Trading Corporation of Bhutan Ltd.

A **dhi** Company

Annual Report - 2017

# The Year in Review



In the last five years, STCBL has achieved tremendous growth thereby increasing the net worth of the company from Nu 274.95 million in 2013 to Nu 439.20 million currently. The company in 2017 generated Nu 2.25 billion, and registered a net profit of Nu 81.29 million – an increase of 4.65% as compared to 2016.

On the flipside, the introduction of the Goods and Services Tax in India in 2017 and the alteration in the valuation and collection of Bhutan Sales Tax on import of vehicles pushed STCBL on the back-foot while adversely affecting the company's revenue. Yet, despite the hiccups, the STCBL team with its unwavering commitment, performed impeccably by realigning strategies to achieve targets. As such, it gives me immense pleasure to inform our shareholders that the company was able to declare 20% dividend for 2017.

The STCBL management in 2017 also initiated a pilot project as part of its Corporate Social Responsibility to benefit and uplift Larsarp Village – a remote and underprivileged community of 15 households. The project is aimed to replace the current shed-like houses of the residents of the village by modest housing structures that will be constructed and phased out over a period of three years. The primary school in the village will stand to benefit from the project too.

STCBL was also honored in 2017 by Volvo Eicher Commercial Vehicle Limited and presented with the '28 Years Award'. In addition, five Toyota technicians were certified by Toyota Motors Corporation for Automotive Mastery in the 21<sup>st</sup> Century.

For the year ahead in 2018, the company has forecasted optimistic financial targets provided the economic environment remains favorable. At present, the forecast stands at an 8% growth for vehicle sales and a 10% growth for non-vehicle sales – amounting to a total target revenue of Nu 2.44 billion.

On that note, on behalf of the staff and management of STCBL, I would like to express my gratitude to all the customers and partners and to the Board for their guidance and support.

Tashi Delek!

A handwritten signature in black ink, appearing to read 'Yeshey Selden'.

Yeshey Selden  
**Managing Director**





## VISION

‘PARAGON  
TRADING  
HOUSE IN THE  
REGION’

# Company Profile

**S**TCBL was established in 1968 under the purview of the Royal Government of Bhutan with the primary mandate to assist the Government in procuring essential commodities required for developmental projects.

In 1984, the company was declared autonomous and budgetary support by the RGoB was withdrawn. In 1996, STCBL was registered as a limited company under the Companies Act of the Kingdom of Bhutan.

## MISSION

‘PROVIDING QUALITY  
PRODUCTS AND  
SERVICES THROUGH  
EFFICIENT AND  
ETHICAL BUSINESS  
PRACTICES.’

# Core Values

## Productivity

The ability to maximize the effective usage of time and effort to achieve ideal results in any endeavour.

## Integrity

Being honest and having strong moral principles; moral uprightness, not compromising the right choice for the easy choice.

## Loyalty

A strong feeling of support and allegiance to STCBL and what it stands for.

## Accountability

Means a deep comprehension and appreciation for one's personal duties and responsibilities, taking recognition of one's role regardless of positive or negative outcomes.

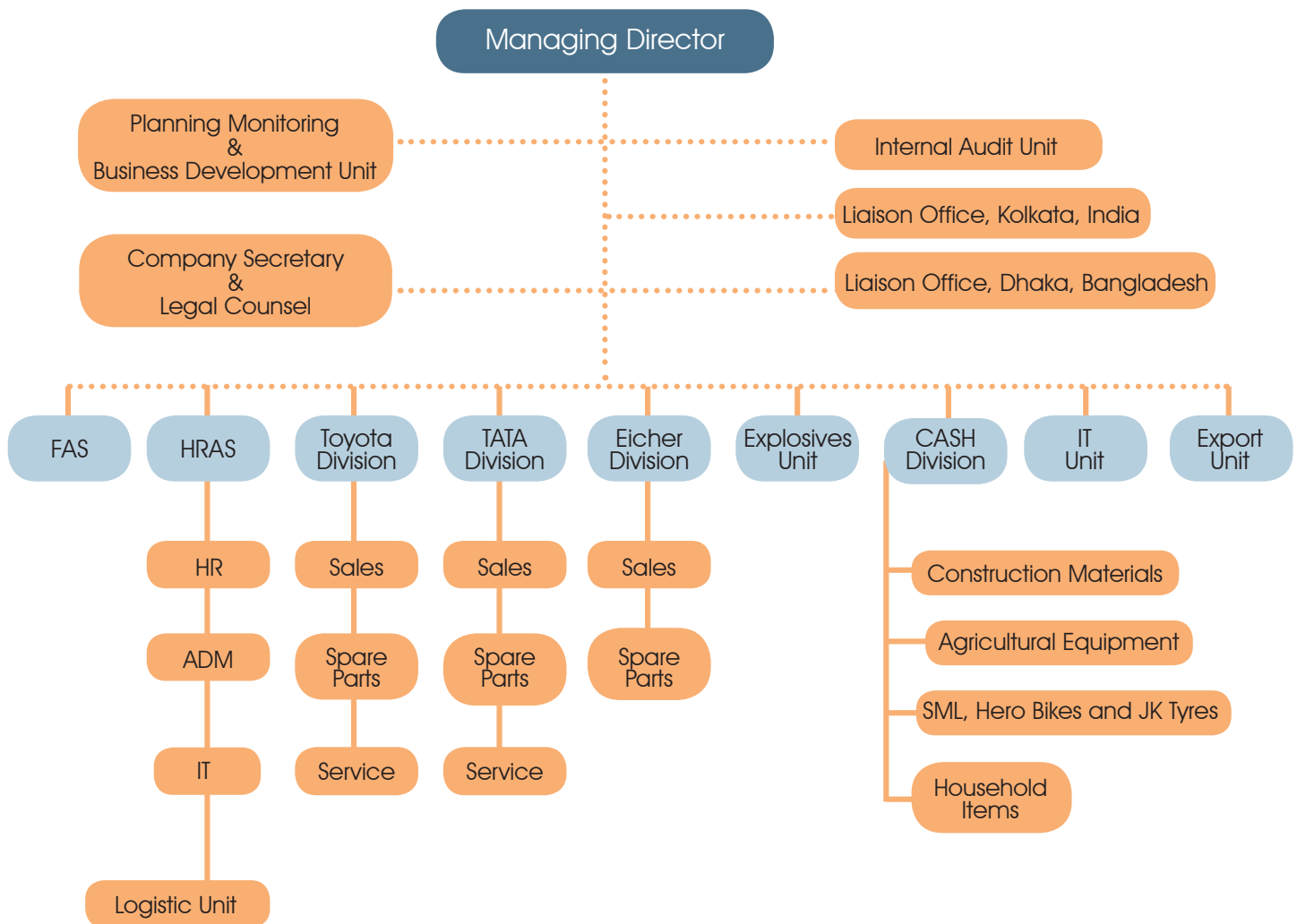
## Respect

A feeling of appreciation and understanding for co-worker's ability, qualities, or achievements resulting in an atmosphere where the freedom of being honest, candid and content are present throughout the workplace.

## Company's Growth In The Past 5 Years

| Particulars                            | Year     |        | Growth   |        |
|--|----------|--------|----------|--------|
|  | 2017     | 2013   | Absolute | %      |
| Net worth (Nu. Million)                | 439.20   | 274.95 | 164.25   | 60%    |
| Fixed Assets (Nu. Million)             | 118.80   | 87.34  | 31.46    | 36%    |
| Capital Work In Progress (Nu. Million) | 199.49   | 1.35   | 198.14   | 14677% |
| Balance Sheet Size (Nu. Million)       | 950.8    | 440.11 | 510.78   | 116%   |
| Revenue (Nu. Million)                  | 2,285.79 | 550.68 | 1,735.11 | 315%   |
| Profit (Nu. Million)                   | 81.29    | 4.59   | 76.7     | 1671%  |
| Net Ratio                              | 3.56%    | 0.83%  | 2.72%    | 327%   |
| Earnings Per Share (Nu. Million)       | 4.52     | 0.26   | 4.26     | 1638%  |
| Return on Investment                   | 19%      | 2%     | 0.17     | 850%   |

# Organizational Structure



# Board of Directors



## Dasho (Dr.) Ugen Dophu

### Chairman

Dasho Dr. Ugen Dophu is the Chairman of the STCBL Board. He holds a master's degree in Public Health from Chulalongkorn University, Bangkok, a diploma on STD/AIDS from Songkhla University, Hyatai, Bangkok, a diploma on Tropical Diseases from Karolinska Institute Stockholm, Sweden, and an MBBS degree from Sir Solimullah Medical College, Dhaka. He has worked in various capacities as GDMO, District Medical Officer, Hospital Superintendent, Dy. Superintendent, Medical Director, Director, and Director General in the Department of Medical Services, Ministry of Health. Currently, he is the Secretary in the Ministry of Health.



## Dasho Rinchen Dorji

### Managing Director, RSA Pvt. Ltd.

Dasho Rinchen Dorji is the Managing Director of RSA Pvt. Ltd. He has served as Director in the Department of Industries, and as Managing Director of Penden Cement Authority and the Dungsom Cement Project. He has also served as the Director General in the Ministry of Health. Currently, he heads his company - RSA Poly Products Pvt. Ltd. established in 2002.



## Mr. Dorji Tshering

### Director, Dept. of Occupational Standards, MoLHR.

Mr. Dorji Tshering is the Director of the Department of Occupational Standards in the Ministry of Labour and Human Resources. Prior to his current post he served as the Director, Chief HR Officer and Deputy Chief HR Officer in the Royal Civil Service Commission. He earned his Master's in Geography from Delhi School of Economics, Delhi University, and his PG Diploma from the University of New England, Armidale, Australia. He has served as the Board Member of TEC, NPPF and as the Board Director of Druk Air.



## Mr. Dorji Kadin

### Director, Corporate Services, BoBL

Mr. Dorji Kadin is the Director of Corporate Services in the Bank of Bhutan Ltd. He earned his Master's in Business Administration from the Asian Institute of Management in Manila, Philippines. His PG Diploma in International Business was acquired from Flinders University in Australia, and his Bachelor in Commerce (Honors) from Sherubtse College, Kanglung. He has served as the Chief Finance Officer and Chief Strategy Officer in BoBL.



### Ms. Karma Choden

Company Secretary, Druk Holding and Investments Ltd.

Ms. Karma Choden is the Company Secretary of Druk Holding and Investments Limited. Prior to DHI, she served as Sr. Legislative Officer in the National Assembly Secretariat. She earned her LL.M from Queensland University of Technology in Brisbane, Australia, and her Post Graduate Diploma in National Laws from the Royal Institute of Management, Semtokha. She has also completed her B.A.LL.B (Honors) from Govt. Law College, Mumbai.



### Ms. Tashi Pem

Director, RCSC

Ms. Tashi Pem has a Master's of Science in Economics from Kagawa National University, Japan. She has also done her Administrative Management Program from the Royal Institute of Management, Thimphu, and her Bachelor's in Commerce (Honors) from Sherubtse College, Kanglung. She has served as Assist. Planning Officer, Sr. Tax officer, Assist. Director, Dy. Commissioner, Jt. Collector, Offtg. Collector (JC) and Collector in the Sales Tax Division in the Department of Revenue and Customs, Thimphu. Currently she is the Director of the Royal Civil Service Commission.



### Mr. Lhundub Dorji

Managing Director, E.W Construction Pvt. Ltd

Mr. Lhundub Dorji is the Managing Director of E.W Construction Pvt. Ltd. He has also served as Director of Works and Housing - Central Urban Development, and as the Managing Director of Bhutan Government Transport Service.



### Ms. Yeshey Selden

Managing Director, STCBL

Ms. Yeshey Selden is the Managing Director of STCBL. She began her career in the Ministry of Economic Affairs in 1995. She left the ministry after serving for 16 years and joined the Druk Holding and Investments Ltd. She received her Master of Public Administration in Economic Policy from Columbia University, New York. She earned her Bachelor in Commerce degree (with honors) from Lady Shri Ram's College for Women, Delhi University.

# STCBL Management



**Ms. Yeshey Selden**  
Managing Director



**Ms. Menuka Chhetri**  
Chief Finance Officer



**Mr. Chador Wangdi**  
Director, Toyota Division



**Mr. Ugyen Chada**  
General Manager, TATA Division



**Ms. Ugyen Choden**  
General Manager, Eicher  
Division



**Mr. Kinley Gyeltshen**  
General Manager, HRAS



**Mr. Dechen Wangdi**  
Deputy General Manager,  
CASH Division



**Hari Krishna Chimorya**  
Head, IT Unit



**Ms. Amrita Rai**  
Head, Explosives Unit



# Directors' Report

**D**ear Shareholders,  
It gives me immense pleasure to present to you - on behalf of the board of directors and the management and staff of the State Trading Corporation of Bhutan - the Director's Report for the year 2017.

## Operational Highlights

Let me begin by putting it on record that STCBL's headquarter has now been shifted from Phuentsholing to Thimphu since November last year. The current structure in Phuentsholing that served as the headquarters for the Company will now function as a regional office.

Let me also put on record that STCBL has performed remarkably well this year too, despite challenges posed to the Company like the implementation of Goods and Services Tax in India, the change in the valuation of the Bhutan Sales Tax, and reduction of vehicle loan by the financial institutions.

There are areas still that can be improved further. And delving into these grey areas, the management has come up with guidelines and have put key initiatives underway to improve critical operational activities. These initiatives include:

## Internal Processes

The Corporate Strategic Plan 2018-2020 has been developed given the successful implementation of the first edition. In line with its objectives, the 2018-2020 HR Master Plan has also been simultaneously formulated. In keeping with the times, the Service Rules and Regulations 2014 have been revised through meetings conducted by the Board Committee. Likewise, to keep in-tune with the changing needs of customers so as to better the overall services provided to them, the Credit and Collection Manual 2014 has been revised.

To cut costs and save up to Nu 3.75 million the management has decided to foster commercial paper worth Nu 100 million at a much lower rate. Let me also add that the success of the introduction of the monthly physical verification of the spare parts units in 2016 has improved the Company's inventory management. As such, the discrepancy as of the fourth quarter in 2017 stands at Nu 13,209.91 – it is a steep drop of 72.36% compared to that 2016.

## HR Capacity Building

In regard to capacity building, five Toyota technicians have been certified by Toyota Motors Corporation, Japan, in the Technical Education for Automotive Mastery in the 21<sup>st</sup> Century. The Technicians had to undergo various examinations to receive their certificates.



Till date, 166 out of 185 employees have undergone trainings to enhance their skill-sets for which Nu. 6.23 million was spent on trainings and development.

## New Products and Services

In the innovation front, in keeping with providing value to our customers, new vehicle models like the Toyota Fortuner, the Innova Crysta and the Toyota Coaster Bus were launched. New products such as JK tyres, Eternia Aluminium windows, RFL pipes were also introduced during the Annual STCBL trade fair in October 2017. Services such as angle welding was also introduced in the Tata Service Center while the Eicher Division introduced its heavy-duty Pro 8049 tractor-trailor.

## Awards and Recognition

In 2017, the Department of Revenue and Customs, Ministry of Finance, recognized STCBL as one of the Top Ten Compliant Tax Payers in the country. The Company was also honoured by Volvo Eicher Commercial Vehicle Limited, and awarded the '28 Years Award' for its committed partnership with Eicher. The Spare Parts Division for Eicher also bagged the 'Best Distributor Sales Representative in Lubes Sales' and 'Best Lubes Sales Award.' The division was also pronounced the Regional Champions of the Eicher Skill Contest. The Tata Vehicles Division too did the Company proud when it was awarded the Highest Country Market Share 2016 followed by the Highest Retail in Medium & Heavy Commercial Vehicle segment during the Annual Tata Conference held in March 2017

## Financial Performance Highlights

### Income and Expenditure

Nu 2.25 billion in revenue was achieved by STCBL with a slight decline of 12.47% as compared with the previous year. This was mainly due to the implementation of Goods and Services Tax and the valuation of Bhutan Sales Tax on point of sales from August 11, 2017. However, on the expenses front, a saving of 12.79% was calculatedly made. The finance cost too decreased by 22.47% solely because of the issuance of commercial paper. Other expenses have also taken a downward spiral of 9.85% as compared to 2016. This can be attributed to the decrease in entertainment and miscellaneous expenses and decrease in infrastructure maintenance. The company registered a net profit of Nu 81.29 million, an increase of 4.65% over 2016.

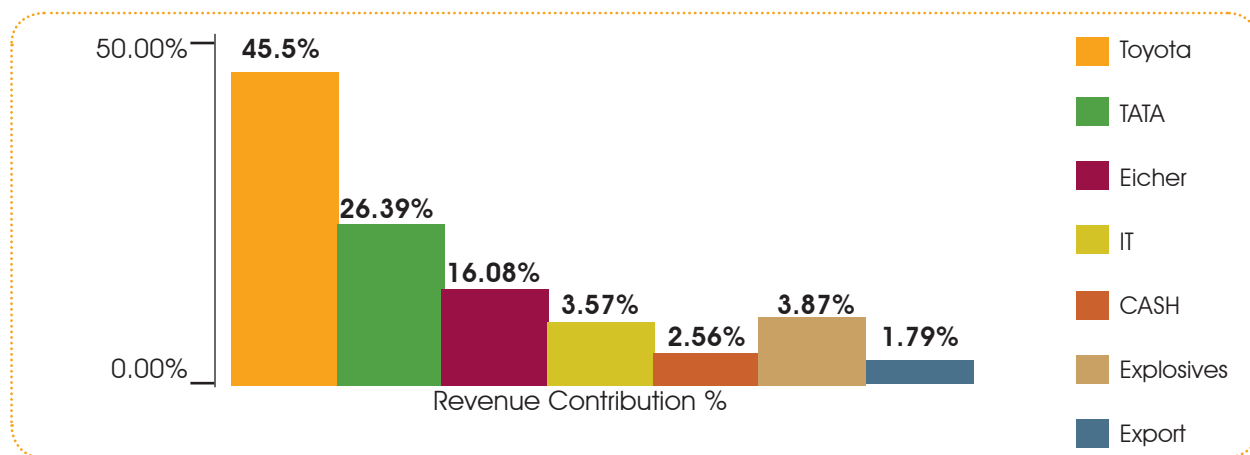
## Financial Facts and Figures

The table below highlights the key financial facts and figures of the company for 2017.

| PARTICULARS                            | 2017     | 2016     |
|--|----------|----------|
| Revenue (Nu. million)                  | 2,285.78 | 2,598.96 |
| Expenses (Nu. million)                 | 2,167.95 | 2,485.91 |
| Profit After Tax (Nu. million)         | 81.29    | 77.67    |
| Share Capital & Reserves (Nu. million) | 439.20   | 390.31   |
| Long Term Liabilities (Nu. million)    | 100.60   | 64.76    |
| Net Worth (Nu. million)                | 439.20   | 390.31   |
| Earnings Per Share                     | 4.52     | 4.32     |
| Return on Capital Employed             | 18.51    | 19.90    |
| Current Ratio                          | 1.52     | 1.44     |
| Trade Receivable Turnover Ratio        | 37.66    | 11.93    |
| Inventory Turnover Ratio               | 5.11     | 5.43     |
| Net Profit Ratio                       | 3.56%    | 2.99%    |
| Fixed Asset                            | 118.80   | 85.97    |
| Capital Work in Progress               | 199.49   | 147.70   |

As all of you are well aware, STCBL consists of seven product portfolios out of which three are vehicle divisions and four are non-vehicle units. What you may not be aware of is that the revenue from vehicle sales has declined by -18%. However, a growth of 24% is visible in non-vehicle products as compared to 2016, factoring the Goods and Services Tax impact. Nonetheless, the net worth of the company has improved by 13% as compared to 2016 and translates to Nu 439.20 million.

*The chart below illustrates the business portfolio of the Company and its contribution to the Company's revenue:*



I take pride in informing all stakeholders that 89.54% or Nu 2,011.48 million was collected of the sales amount of Nu 2,246.44 million during the year. And, the trade receivables accumulated from 2007 to 2016, and amounting to Nu 115.19 million, was reduced to Nu 37.26 million.

The Company achieved a score of 99.5% in the Annual Company Compact Evaluation.

## Statutory Audit Report

M/s Dutta Ghosh and Associates was appointed as the statutory auditors for a period of three years, from 2015 to 2017 by the Royal Audit Authority (RAA). The firm audited the accounts from 11th January to 13th February 2018 in accordance with the auditing standard prescribed by the Accounting and Auditing Standard Board of Bhutan and the relevant provisions of The Companies Act of Bhutan 2016. The Auditors' Report for the accounts does not have any qualifications on the accounts of the Company. The report also highlights that internal control systems of the company have been strengthened compared to previous year.

## Dividend

After viewing the financial performance of the company, the board decided to declare the dividend of 20%.

## Corporate Governance

In STCBL, the Mission, Vision and Core Values continue to guide the company to sought out new frontiers and improve existing services. And the best of corporate governance and management practices are continuously adopted and implemented with the support extended from DHI and the Registrar of Companies, Ministry of Economic Affairs.

The STCBL Board constitutes of seven Board Directors including the Managing Director. The main function of the Board is to provide strategic guidance and monitor the performance of the company on a quarterly basis. In 2017, the Board met five times to review the Company's performance and to provide strategic and necessary inputs. There is an existing Board Level Audit Committee (BLAC) to study and resolve audit issues of the company. The Board Level Committee was also formed keeping in mind works such as tender awards, recruitment for executive category etc.

## Corporate Social Responsibility

In 2017, the management undertook a noble initiative of going beyond philanthropy to devoting time and money to a bigger cause. Larsarp Village, a cut-off and economically underprivileged community consisting of 15 households in Chhukha Dzongkhag, was chosen as the beneficiary of STCBL's pilot project. The project will ensure that the current shed-like houses of the residents of the village are replaced by modest housing structures that will be constructed and phased out over a period of three years. Each phase is estimated to amount to approximately Nu 1.5 million.

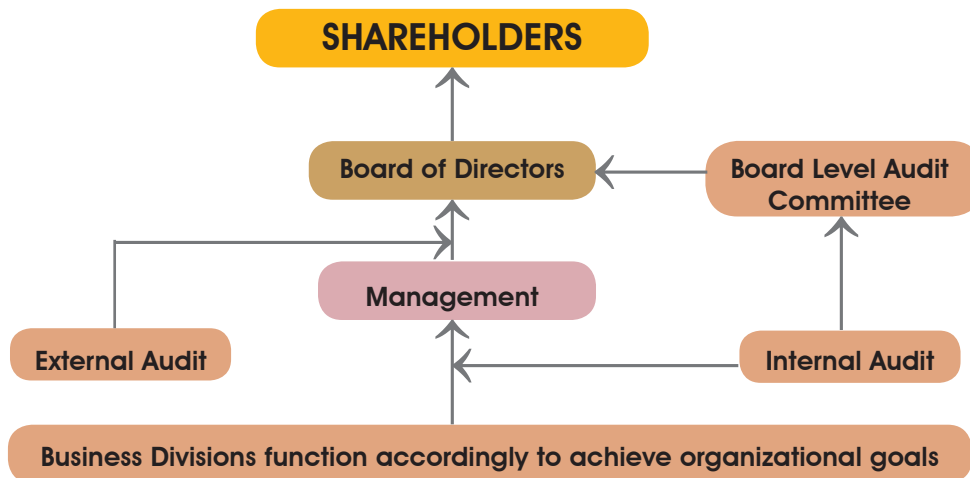
As the village also consists of a Primary School – Chimuna, STCBL has pledged to provide the school with mattresses for the boarders and school uniforms for all the students. Further, to inculcate the habit of hygiene and sanitation and to save the children from going distances to carry out daily ablutions and to relieve themselves, STCBL has committed to construct separate toilets and bathrooms for the little boys and girls there.

For the purpose, a successful need assessment study has been carried out in December 2017, by the STCBL team in collaboration with a team from Chhukha Dzongkhag comprising of a Kidu Officer, the Gup of Lokchina Gewog, the Gewog Administration Officer, and other officials of the dzongkhag.

Besides the Corporate Social Responsibility Project, three desktops and one printer worth Nu. 122,000.00 were donated to Tarayana Foundation.

In order to support and promote sports in the country, Nu. 50,000.00 was donated to National Volleyball Championship organized by Bhutan Volleyball Federation and Weozer Events.

## STCBL Corporate Governance



## Challenges and the Way Forward

As far as 2018 is concerned, the Company's revenue targets look optimistic despite minor glitches such as growing competition and new entrants in the market. Considering that the economic environment remains favorable, the revenue for 2018 is projected at Nu 2.44 billion, with an 8% growth in vehicle sales and an increase of 10% in non-vehicle business portfolios. As such, the net profit is projected at Nu 66.15 million - a decrease of 19% in comparison to the previous year.

The challenge for STCBL - the only state owned enterprise in the trading sector - will be to meet the increasing demands of our valued clients in a small market that is shared by the many private players. But amidst all that competition, STCBL will continue to provide quality goods and services by means of efficient and ethical business practices. The Company will, like it has done over the years, continue to explore other avenues also in the manufacturing sector and make its presence felt in dzongkhags other than Thimphu and Chhukha. Also, STCBL will further deliver on customer satisfaction by expanding and establishing showrooms for construction, household items and service centers.

It is with joy that I announce to all of you that 2018 is a special year for all of us, as it will mark the 50<sup>th</sup> year of STCBL's existence.

## Acknowledgements

On behalf of the Board of Directors and the Management of STCBL, I would like to express my sincere gratitude to the Royal Government of Bhutan, Druk Holding and Investments, the Ministry of Economic Affairs, the Ministry of Finance, the Road Safety and Transport Authority, the Financial Institutions, and to all the Shareholders and our valued customers for your support and good wishes. Thank you, for your trust and faith in us.

Tashi Delek!

(Dasho Dr. Ugen Dophu)  
Chairman, STCBL Board

# Corporate Governance Report

In STCBL, the best of corporate governance and management practices are adopted and implemented with the support extended from DHI and the Registrar of Companies, Ministry of Economic Affairs. The STCBL Board constitutes of seven Board Directors including the Managing Director. The Board provides strategic guidance and monitors the performance of the company on a quarterly basis. In 2017, the Board met five times to review the Company's performance and to provide necessary inputs. The Board Level Audit Committee (BLAC) convenes to study and resolve audit issues of the company.

## Board Directors

| Sl.No | Name                       | Address   | Date of appointment            | Status           | Term              |
|-------|----------------------------|---|--------------------------------|------------------|-------------------|
| 1     | <b>Dasho Dr.Ugen Dophu</b> | Secretary, Ministry of Health, Thimphu                | 11 <sup>th</sup> March 2016    | Independent      | Second            |
| 2     | <b>Dasho Rinchen Dorji</b> | Managing Director, RSA Pvt. Ltd., Phuntsholing        | 11 <sup>th</sup> March 2016    | Non- independent | Fourth            |
| 3     | <b>Ms. Karma Choden</b>    | Company Secretary, DHI, Thimphu                       | 05 <sup>th</sup> March 2018    | Non- independent | Second            |
| 4     | <b>Ms.Tashi Pem</b>        | Director, RCSC, Thimphu                               | 14 <sup>th</sup> August 2014   | Independent      | First/<br>Retired |
| 5     | <b>Mr. Dorji Tshering</b>  | Director, DoS, MoLHR, Thimphu                         | 8 <sup>th</sup> March 2017     | Independent      | First             |
| 6     | <b>Mr. Dorji Kadin</b>     | Director, Corporate Service, BoBL, Thimphu            | 8 <sup>th</sup> March 2017     | Non- Independent | First             |
| 7     | <b>Mr. Lhundup Dorji</b>   | Managing Director, E.W Construction Pvt. Ltd. Thimphu | 24 <sup>th</sup> November 2017 | Non- Independent | First             |
| 8     | <b>Ms. Yeshey Selden</b>   | Managing Director, STCBL, Thimphu                     | 8 <sup>th</sup> July 2016      |                  |                   |

## Board Committees

The Company had three Board Level Committees for 2017. They are as follows:

1. Board Level Audit Committee
2. Board Level Tender Committee
3. Board Level HR Committee

| Sl.No | Name of the Committee Meeting        | Number of Meetings conducted | Date of the Meeting  | Members Present  | Leave of Absence |
|-------|--------------------------------------|------------------------------|--|--|------------------|
| 1     | Board Level Audit Committee Meeting  | 2                            | 1. 15 <sup>th</sup> July 2017<br>2. 18 <sup>th</sup> November 2017   | 1. Ms. Tashi Pem (chairman)<br>2. Ms. Karma Choden<br>3. Dorji Kadin<br>4. Yeshey Selden<br>5. Ugyen Wangdi                                  | None             |
| 2     | Board Level Tender Committee Meeting | 1                            | 1. 3 <sup>rd</sup> May 2017  | 1. Mr. Dorji Tshering (Chairman)<br>2. Dorji Kadin<br>3. Ms. Yeshey selden<br>4. Ms. Menuka Chhetri<br>5. Mr. Chador Wangdi (person concern) | None             |
| 3     | Board Level HR Committee Meeting     | 7                            | 1. 23 <sup>rd</sup> June 2017<br>2. 1 <sup>st</sup> July 2017<br>3. 14 <sup>th</sup> July 2017<br>4. 16 <sup>th</sup> September 2017 | 1. Mr. Dorji Tshering (chairman)<br>2. Ms. Tashi Pem<br>3. Ms. Karma Choden<br>4. Ms. Yeshey Selden<br>5. Mr. Kinley Gyeltshen (GM, HRAS)    | None             |
|       |                                      |                              | 5. 5 <sup>th</sup> October 2017<br>6. 15 <sup>th</sup> November 2017<br>7. 2 <sup>nd</sup> December 2017                             | 1. Mr. Dorji Tshering (chairman)<br>2. Ms. Karma Choden<br>3. Ms. Yeshey Selden<br>4. Mr. Kinley Gyeltshen (GM, HRAS)                        | 1. Ms. Tashi Pem |

## Board Meetings

Five Board Meetings were held in 2017.

The details of the Board Attendance are as follows:

| Board Meeting No | Date                           | Members Present   | Leave of Absence   |
|------------------|--------------------------------|---|--|
| 100              | 8 <sup>th</sup> March 2017     | <ol style="list-style-type: none"> <li>1. Dasho Dr.Ugen Dophu</li> <li>2. Dasho Rinchen Dorji</li> <li>3. Mr. Sonam Dorji</li> <li>4. Ms.Tashi Pem</li> <li>5. Ms. Karma Choden</li> <li>6. Ms. Yeshey Selden</li> </ol>        | <ol style="list-style-type: none"> <li>1. Mr. Kapil Sharma</li> </ol>                              |
| 101              | 12 <sup>th</sup> April 2017    | <ol style="list-style-type: none"> <li>1. Dasho Dr. Ugen Dophu</li> <li>2. Mr. Dorji Tshering</li> <li>3. Mr. Dorji Kadin</li> <li>4. Ms. Karma Choden</li> <li>5. Ms. Yeshey Selden</li> </ol>                                 | <ol style="list-style-type: none"> <li>1. Dasho Rinchen Dorji</li> <li>2. Ms. Tashi Pem</li> </ol> |
| 102              | 16 <sup>th</sup> July 2017     | <ol style="list-style-type: none"> <li>1. Dasho Dr. Ugen Dophu</li> <li>2. Mr. Dorji Tshering</li> <li>3. Mr. Dorji Kadin</li> <li>4. Ms. Tashi Pem</li> <li>5. Ms. Karma Choden</li> <li>6. Ms. Yeshey Selden</li> </ol>       | <ol style="list-style-type: none"> <li>1. Dasho Rinchen Dorji</li> </ol>                           |
| 103              | 24 <sup>th</sup> November 2017 | <ol style="list-style-type: none"> <li>1. Dasho Dr. Ugen Dophu</li> <li>2. Mr. Dorji Tshering</li> <li>3. Mr. Dorji Kadin</li> <li>4. Ms. Tashi Pem</li> <li>5. Ms. Karma Choden</li> <li>6. Ms. Yeshey Selden</li> </ol>       | <ol style="list-style-type: none"> <li>1. Dasho Rinchen Dorji</li> </ol>                           |
| 104              | 29 <sup>th</sup> December 2017 | <ol style="list-style-type: none"> <li>1. Dasho Dr.Ugen Dophu</li> <li>2. Dasho Rinchen Dorji</li> <li>3. Mr. Lhundub Dorji</li> <li>4. Mr. Dorji Kadin</li> <li>5. Mr. Dorji Tshering</li> <li>6. Ms. Yeshey Selden</li> </ol> | <ol style="list-style-type: none"> <li>1. Ms. Karma Choden</li> </ol>                              |

## Annual General Meeting

The 20<sup>st</sup> AGM for the Company was held on 05<sup>th</sup> March 2018 at the STCBL Conference Hall. The AGM passed the following resolutions:

- Approved the Audited Accounts for Financial Year Ended 2017 along with Auditors Report and Directors' Report,
- Dasho Dr. Ugen Dophu retired as a Chairman of STCB Board, and
- The meeting approved and declared 20% dividend for the year 2017.

# Auditors Report



**INDEPENDENT AUDITOR'S REPORT**

**TO THE SHAREHOLDERS OF STATE TRADING CORPORATION OF BHUTAN  
LIMITED**

**Opinion:**

We have audited the Financial Statements of State Trading Corporation of Bhutan Limited ('the Company') which comprise the statement of financial position as at 31<sup>st</sup> December, 2017, the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flow for the year then ended and the 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<sup>st</sup> December 2017 of its financial performance and its cash flows for the year then ended in accordance with the Bhutanese Accounting Standards (BAS).

**Basis of Opinion:**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the relevant International Ethics Standards Boards for Accountants' Code of Ethics for Professional Accountants (IESBA Code) requirements that are relevant to our audit of the financial statements in Bhutan and we have fulfilled our other responsibilities in accordance with these requirements and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Royal Audit Authority  
Thimphu : Bhutan  
Dairy No... 58458  
Date... 12/12/17

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

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

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

**Report on Other Legal and Regulatory Requirements:**

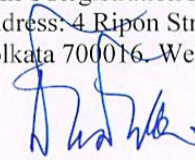
As required by section 266 of the Companies Act of Bhutan 2016 and on the basis of such check and records of the Company as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified therein to the extent applicable.



Further as required by section 265 of the Act we report that –

- a) We have obtained all the information and explanations to the best of our knowledge and belief were necessary, for the purpose of our audit;
- b) In our opinion, proper books of accounts have been kept by the Company so far as it appears from our examination of those books;
- c) Company's financial statements are in agreement with the books of accounts and returns; and
- d) The Company has complied with other legal and regulatory requirements.

For **Dutta Ghosh & Associates**  
Chartered Accountants  
Firm's Registration No. 309088E  
Address: 4 Ripon Street, Second Floor,  
Kolkata 700016, West Bengal, India



**Dipak Kumar Dutta**  
Partner  
Membership No: 016333



Place: Thimphu  
Date: 5<sup>th</sup> March 2018



**STATE TRADING CORPORATION OF BHUTAN LIMITED****ANNEXURE**

Referred to in paragraph 3 of our audit report of even date

**MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENTS**

1. The Fixed Assets Register maintained by the Company indicating quantitative details and situation of fixed assets has been updated. Fixed Assets of the company have been physically verified during the year by the management and updation of fixed asset register in the ERP is verified.
2. The Company has conducted the physical verification of the spare parts inventory quarterly, fixed asset of company and vehicle inventory once in a year.
3. The procedures for the physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
4. Shortage found during physical verification has been transferred to staff advance account with selling price and shown under other income.
5. The Company has not taken loans, secured or unsecured from companies, firms or other parties and/or from companies under the same management during the year under review.
6. The Company has not granted any loans, secured or unsecured to companies, firms or other parties and/or to companies under the same management.
7. There is case of advances given by the Company to employees.
8. Advances granted to officers/staff are generally in keeping with the provisions of service rules and no excessive/frequent advances are granted and there is no accumulation of large advances against any particular individual.
9. According to information and explanation given to us and as observed during the course of our audit, in our opinion, internal control systems of the Company have been strengthen compare to previous year in many areas.

1



10. The Company generally follows the system of competitive bidding for the purchase of goods and services.
11. (a) According to the information and explanations given to us, the Company has entered into transaction for sale and services of holding and fellow subsidiaries (Refer note no 20.9 are reasonable having regards to the prevailing market prices of its services or at the prices which the transaction for similar services are made with other parties.
- (b) In our opinion the sales and services transaction with related parties as referred to in paragraph 13 (a) above, were not prejudicial to the interest of the other shareholders and the Company.
14. According to the information and explanations given to us and the records of the Company examined by us, the Company is generally regular in depositing rates and taxes, provident funds and other statutory dues with the appropriate authorities. Provision for tax is adequate and necessary adjustments have been made to compute the tax provision. The company has determined the deferred tax during the year.
15. According to the information and explanations given to us, and the records of the Company examined by us, as on the last day of the financial year, there was no undisputed amount payable in respect of rates, taxes, duties, royalties and other statutory dues.
16. According to the information and explanations given to us, and records of the Company examined by us, no personal expenses have been debited to the Profit and Loss account other than those payable under contractual obligations/service rule.
17. Quantitative reconciliation is carried out at the end of the accounting year in respect of major items of traded goods.
18. According to the information and explanations given to us, the Corporation has a system of obtaining approval of the Board/appropriate authority for writing off amounts due to material loss of inventories. During the year all shortages found on physical verification has been debited to staff advance account at selling price
19. *In our opinion and according to the information and explanations given to us, the Company has consistent credit sales policy but we have found some lapses in adherence of the same in strict manner.*





**STATE TRADING CORPORATION OF BHUTAN LIMITED****ANNEXURE**

Referred to in paragraph 3 of our audit report of even date

**MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENTS**

1. The Fixed Assets Register maintained by the Company indicating quantitative details and situation of fixed assets has been updated. Fixed Assets of the company have been physically verified during the year by the management and updation of fixed asset register in the ERP is verified.
2. The Company has conducted the physical verification of the spare parts inventory quarterly, fixed asset of company and vehicle inventory once in a year.
3. The procedures for the physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
4. Shortage found during physical verification has been transferred to staff advance account with selling price and shown under other income.
5. The Company has not taken loans, secured or unsecured from companies, firms or other parties and/or from companies under the same management during the year under review.
6. The Company has not granted any loans, secured or unsecured to companies, firms or other parties and/or to companies under the same management.
7. There is case of advances given by the Company to employees.
8. Advances granted to officers/staff are generally in keeping with the provisions of service rules and no excessive/frequent advances are granted and there is no accumulation of large advances against any particular individual.
9. According to information and explanation given to us and as observed during the course of our audit, in our opinion, internal control systems of the Company have been strengthen compare to previous year in many areas.

1



20. According to the information and explanations given to us, the Company does not make any sales through commission agents and hence, this paragraph is not applicable.
21. *Write off amounting 344,127.00 pertaining to the year 2013's account relating to a case for the year 2006 RAA's memo is still pending.*
22. According to the information and explanation given to us and the records of the Company examined by us, in our opinion the financial activities carried out by the Company are lawful and intra-vires to the Articles Incorporation of the Company.
23. In our opinion and according to the information and explanations given to us, Company has a system of approval of the Board for all major capital investment decisions.
24. In our opinion and according to the information and explanations given to us, the Company has established an effective budgetary control system.
25. The details of remuneration, commission and other payments made to the Managing Director cum Chief Executive Officer of the Company are disclosed in Note 20.10 to Financial Statements.
26. According to the information and explanation given to us, the officials of the Company are refrained from transmitting any price sensitive information which is not made publicly available. Unauthorized to their relatives/friends/associates or close persons which will directly or indirectly benefit them.
27. According to the information and explanations given to us, as the Company is engaged in trading activity and accordingly paragraph 16, 17, 21, 24, 25, 26 and 34 are not applicable.





## COMPUTERISED ACCOUNTING ENVIRONMENT

1. According to the information and explanations given to us, the organizational and system development controls and other internal controls (systems) are adequate relating to the size and nature of computer installation *but needs stricter management control and improvement.*
2. According to the information and explanations given to us, the Company does not have adequate safeguard and back up facilities. The Company stores information in server located in the head office only. It does not have any off-site back up facility to safeguard the company records and recoup the sensitive information from any natural or other disasters. We recommend conducting a system audit in the Company at least once in a year by a qualified system auditor.
3. *According to the information and explanations given to us, disaster recovery plans are not in place in the Company.*
4. According to the information and explanations given to us, measures taken by the Company to prevent unauthorized access over the computer installation and files are generally adequate.

## GENERAL

### 1. Going Concern

Based on the net asset position reflected by the Company's Statement of Financial Position as at 31<sup>st</sup> December 2017 audited by us in accordance with the generally accepted auditing standards, Bhutanese Accounting standard to the extent applicable and on the basis of such other tests as we considered necessary in this regard, in our opinion, going concern will depend upon Government Policies and successful diversification of Company's business activities for which it is stated to us the management is taking appropriate steps.

### 2. Ratio Analysis

The significant ratios indicating the financial health and profitability of the Corporation are given below:





| Sl No | Ratio   | 2017  | 2016  | Remarks  |
|-------|---|-------|-------|--|
| 1     | Current Ratio = Current Assets/ Current Liabilities                         | 1.52  | 1.44  | Current Liabilities has been decrease in 2017 as compare to 2016 |
| 2     | Acid Test Ratio = Current Assets other than inventories/Current Liabilities | 0.90  | 0.47  | Current Liabilities has been decrease in 2017 as compare to 2016 |
| 3     | Fixed Assets Turnover Ratio = Sales / Fixed Assets                          | 18.91 | 29.85 | Due to increase in Assets  |
| 4     | Inventory Turn Over Ratio = Cost of Goods Sold/ Inventory                   | 5.11  | 5.43  | Due to increase in Inventory                                     |
| 5     | Trade Receivable Turn Over Ratio = Debtors x 365/ Sales                     | 37.66 | 11.93 | Due to increased in Trade Receivable                             |
| 6     | Return on Investment = Profit after tax x 100/capital Employed              | 18.51 | 19.90 | Due to increased in capital employed                             |
| 7     | Net Profit Ratio = Net Profit x 100/Sales                                   | 3.56  | 2.99  | Due to increased in Profit after Tax                             |
| 8     | Earning per Share = Profit after Tax/ No. of Equity Shares                  | 4.52  | 4.32  | Due to increased in Profit after Tax                             |

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

We have verified compliance of the Companies Act of Bhutan, 2016 (the Act) and applicable Bhutanese Accounting Standards partially implemented during the year and noted that the Company generally has complied with the various provisions of the Act and applicable Bhutanese Accounting Standards *except one* are fully implemented during the year.

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

The audit of the Company is governed by the Companies Act of Bhutan, 2016 (the amendment thereto) the "Act", Bhutanese Accounting Standards to the extent applicable and implemented. The scope of audit is limited to examination and reviews of the financial statements as produced to us by the management.

5



In the course of audit we have considered the compliance of provisions of the said Act, its Articles of Incorporation and Bhutanese Accounting Standard to the extent applicable.

#### 5. Proprietary Audit

While conducting the statutory audit of STCBL for the year 2017, we have vis-à-vis considered the propriety aspects of the conduct of the business in various areas of operation. During such propriety audit conducted by us we have not encountered any material concerns in terms of the following –

1. Lapses in deployment of the funds of the Company and its assets in the economical manner.
2. Excessive and some unjustified expenses incurred during the year.
3. Irregular expenses incurred.
4. Non compliance with the rules and regulations of the Bhutanese Government.

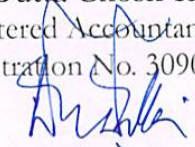
However we have observed one incident which has affected the propriety of the Company:

1. Blockage of huge amount of funds of the company in the form of inventory of vehicles. Proper action and control mechanism must be enforced in the Company to stop accumulation of idle inventories in the company to strengthen the Working Capital flow in the organization.

#### 6. Outstanding Advances to the Government Employees:

In accordance with the records of the Company examined by us and the information and explanations given to us, the Company has not granted any advances to the officials and employees of the Government/Joint Sector Corporations and Financial Institutions and other Government Agencies.

For Dutta Ghosh & Associates  
Chartered Accountants Firm's  
Registration No. 309088E

  
Dipak Kumar Dutta  
Partner  
Membership No: 016333



Place: Thimphu  
Date: 5<sup>th</sup> March, 2018



STATE TRADING CORPORATION OF BHUTAN LIMITED  
PHUENTSHOLING BHUTAN  
STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2017

*Amounts in Ngultrum (BTN)*

| I. EQUITY AND LIABILITIES          | Notes | December 31, 2017     | December 31, 2016     |
|------------------------------------|-------|-----------------------|-----------------------|
| <b>[1] Shareholders' Fund</b>      |       |                       |                       |
| (a) Share Capital                  | 1.1   | 180,001,600.00        | 180,001,600.00        |
| (b) Reserves And Surplus           | 1.2   | 259,197,108.81        | 210,304,385.71        |
| <b>[2] Non-current liabilities</b> |       |                       |                       |
| (b) Long-Term Borrowings and loans |       | 100,604,711.64        | 64,761,822.77         |
| <b>[3] Current Liabilities</b>     |       |                       |                       |
| (a) Short-Term Provisions          | 2     | 9,527,600.18          | 10,823,672.17         |
| (b) Trade and other Payables       | 3     | 53,590,305.35         | 149,179,189.41        |
| (c) Short-Term Borrowings          | 4     | 156,101,749.72        | 182,840,473.76        |
| (d) Other Current Liabilities      | 5     | 191,704,693.36        | 200,244,083.79        |
| (e) Current Tax Liabilities        | 11    | 164,413.17            | -                     |
| <b>Total</b>                       |       | <b>950,892,182.23</b> | <b>998,155,227.61</b> |

**II. ASSETS**

|  |      |                       |                       |
|--|------|-----------------------|-----------------------|
| <b>[1] Non-current assets</b>            |      |                       |                       |
| (a) Property, Plant and Equipment        | 6.1  | 118,803,334.80        | 85,966,889.33         |
| (b) Capital Work-in-progress             | 6.2  | 199,486,787.32        | 147,697,066.42        |
| (c) None Current Investment for Gratuity | 7    | -659,742.39           | 38,107.44             |
| (c) Deferred Tax Assets                  |      | 7,011,738.48          | 6,869,544.36          |
| <b>[2] Current assets</b>                |      |                       |                       |
| (a) Inventories                          | 8    | 254,553,890.05        | 525,667,235.44        |
| (b) Trade and Other Receivables          | 9    | 241,541,652.62        | 93,557,852.85         |
| (c) Cash and Bank Balance                | 10   | 35,739,773.06         | 43,425,908.98         |
| (c) Current Tax Assets                   | 11   | -                     | 8,577,966.79          |
| (f) Other Current Assets                 | 12   | 94,118,727.79         | 86,058,641.50         |
| (g) Assets classified as held for sale   | 12.1 | 296,020.50            | 296,020.50            |
| <b>Total</b>                             |      | <b>950,892,182.23</b> | <b>998,155,227.61</b> |

**Significant Accounting Policies** 19  
**Notes to Accounts** 20

The notes to accounts referred to above form an integral part of Statement of Financial Position

For Dutta Ghosh & Associates  
Chartered Accountants  
Firm's Registration no. 309088E

Dipak Kumar Dutta  
(Partner)  
Membership No. 016333

Place: Thimphu, Bhutan  
Date: 05-03-18



On behalf of Board

Chairman

Director Karma Choden

CEO

STATE TRADING CORPORATION OF BHUTAN LIMITED  
PHUENTSHOLING BHUTAN  
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2017

*Amounts in Ngultrum (BTN)*

|  |              | December 31, 2017       | December 31, 2016       |
|--|--------------|-------------------------|-------------------------|
| <b>INCOME</b>  | <b>Notes</b> |                         |                         |
| Revenue from operations  | 13           | 2,246,442,734.05        | 2,566,488,935.31        |
| Other income   | 14           | 39,345,363.18           | 32,472,677.79           |
| <b>Total Revenue (A)</b>   |              | <b>2,285,788,097.23</b> | <b>2,598,961,613.10</b> |
| <b>Expenses:</b>   |              |                         |                         |
| Cost of Materials Consumed   |              |                         | -                       |
| Purchases of stock-in-trade  | 15.1         | 1,721,436,024.84        | 2,510,725,005.79        |
| Changes in Inventories of stock - in trade                             | 15.1         | 271,113,345.39          | -203,355,773.95         |
| Other Direct Expenses  | 15.2         | 22,804,117.29           | 17,639,760.12           |
| Employee benefit expenses  | 16           | 68,034,813.06           | 70,273,085.44           |
| Finance Costs  | 17           | 13,165,642.67           | 16,980,172.51           |
| Other Expenses   | 18           | 61,409,988.91           | 68,119,764.84           |
| Depreciation and Amortization expense                                  | 6.1          | 9,990,834.70            | 5,528,781.41            |
| <b>Total Expenses (B)</b>  |              | <b>2,167,954,766.86</b> | <b>2,485,910,796.16</b> |
| <b>Profit before exceptional and extraordinary items and tax (A-B)</b> |              | <b>117,833,330.37</b>   | <b>113,050,816.94</b>   |
| Exceptional Items (PPI)  |              | -                       | -                       |
| <b>Profit before extraordinary items and tax</b>                       |              | <b>117,833,330.37</b>   | <b>113,050,816.94</b>   |
| Extraordinary Items  |              | -                       | -                       |
| <b>Profit Before Tax</b>   |              | <b>117,833,330.37</b>   | <b>113,050,816.94</b>   |
| <b>Tax Expense:-</b>   |              |                         | 35,397,781.78           |
| (1) Current Tax  |              | 35,349,999.11           | -                       |
| (2) Prior Year Tax   |              | 1,369,961.07            | -                       |
| (3) Deferred tax   |              | -142,194.12             | -809,591.96             |
| <b>Net Profit for the year</b>   |              | <b>81,255,564.31</b>    | <b>78,462,627.12</b>    |
| <b>Other Comprehensive Income</b>                                      |              |                         | 53,495.41               |
| Actuarial Gain/ (Loss) on employee benefit                             |              | 16,048.62               | -1,118,620.70           |
| Tax on other Comprehensive income                                      |              | -                       | 335,586.21              |
|  |              | 37,446.79               | -783,034.49             |
| <b>Other Comprehensive Income for the year, net of tax</b>             |              | <b>81,293,011.10</b>    | <b>77,679,592.63</b>    |
| <b>Total Comprehensive Income for the year</b>                         |              | <b>4.52</b>             | <b>4.32</b>             |
| Earning Per Share  |              |                         |                         |
| Significant Accounting Policies  | 19           |                         |                         |
| Notes to Financial Statement   | 20           |                         |                         |

The Schedules referred to above form an integral part of Statement of Comprehensive Income.

For Dutta Ghosh & Associates  
Chartered Accountants  
Firm's Registration no. 309088E



Dipak Kumar Dutta  
(Partner)  
Membership No. 016333

Place: Thimphu, Bhutan  
Date: 05-03-18



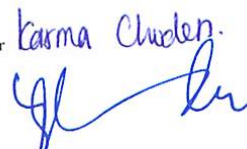
On behalf of Board



Chairman

Director

CEO

Karma Choden  


STATE TRADING CORPORATION OF BHUTAN LIMITED  
PHUENTSHOLING BHUTAN  
STATEMENT OF CASH FLOW FOR THE YEAR ENDED DECEMBER 31, 2017

*Amounts in Ngultrum (BTN)*

|   | December 31, 2017     | December 31, 2016     |
|---|-----------------------|-----------------------|
| <b>Cash flow from Operating Activities</b>                            |                       |                       |
| Net Profit Before Taxation  | 117,886,822.98        | 111,932,062.25        |
| Depreciation  | 9,990,834.70          | 5,528,781.41          |
| Loss/(gain) on fixed asset  | 220,669.43            | -981,275.24           |
| Interest on Borrowings  | 13,165,642.67         | 16,980,172.51         |
| Interest Income/Received  | -2,288,152.58         | -1,162,516.60         |
| Provision for employees Ex- gratia                                    | 3,214,950.28          | 5,155,656.95          |
| Provision for variable pay  | 5,013,659.49          | 3,962,734.84          |
| Provision for Doubtful Debts  | 4,941,789.06          | -                     |
| <b>Operating Profits Before WC Changes (A)</b>                        | <b>152,146,216.03</b> | <b>141,415,616.12</b> |
|   | <b>0.00</b>           |                       |
| <b>Working Capital Changes</b>  |                       |                       |
| (Increase)/Decrease in Inventory                                      | 271,113,345.39        | -201,600,556.69       |
| (Increase)/Decrease in Trade and Other Receivables                    | -147,983,799.77       | -21,232,294.63        |
| (Increase)/Decrease in other current Assets                           | -23,399,576.54        | -21,933,979.62        |
| (Increase)/Decrease in Assets classified as held for sale             | -                     | -                     |
| Increase/(Decrease) in other Current Liability                        | -8,539,390.43         | 89,861,307.77         |
| Increase/(Decrease) in Trade and other Payables                       | -95,588,884.06        | 85,128,328.85         |
| Increase/(Decrease) in Short Term Provision                           | 1,296,071.99          | -4,685,728.67         |
| Increase/(Decrease) in Short Term borrowing                           | -26,738,724.04        | 65,513,590.44         |
| <b>Total of Working Capital Changes (B)</b>                           | <b>-29,840,957.46</b> | <b>-8,949,332.55</b>  |
| <b>Cash generated from operations (A+B)</b>                           | <b>122,305,258.57</b> | <b>132,466,283.57</b> |
| Income Tax Paid   | 28,577,215.29         | 27,309,605.41         |
| <b>(i) Net Cash From Operating Activities</b>                         | <b>93,728,043.28</b>  | <b>105,156,678.16</b> |
| <b>Cash From Investing Activity</b>                                   |                       |                       |
| Interest Received   | 2,288,152.58          | 1,162,516.60          |
| Purchase of Fixed Assets  | -43,133,805.55        | -4,629,838.76         |
| Sale of asset   | 85,800.00             | 1,446,000.00          |
| Capital Work in Progress  | -51,789,720.90        | -95,658,408.35        |
| Deferred Tax Assets   | 160,586.64            |                       |
| Long Term Deposit   | 697,849.83            | 92,911.56             |
| <b>(ii) Net Cash From Investing activities</b>                        | <b>-91,691,137.40</b> | <b>-97,586,818.95</b> |
| <b>Cash Flow from Financing Activities</b>                            |                       |                       |
| Interest on Loans Paid  | -13,165,642.67        | -16,980,172.51        |
| Loan taken from bank  | 35,842,888.87         | 39,648,964.16         |
| Dividend Paid   | -32,400,288.00        | -27,000,240.00        |
| <b>(iii) Net Cash from Financing Activities</b>                       | <b>-9,723,041.80</b>  | <b>-4,331,448.35</b>  |
| <b>Net Increase/Decrease in Cash &amp; Cash Equivalent (i+ii+iii)</b> | <b>-7,686,135.92</b>  | <b>3,238,410.86</b>   |
| Cash & Cash equivalent in the beginning of the year                   | 43,425,908.98         | 40,187,498.12         |
| <b>Cash &amp; Cash equivalent at year ended</b>                       | <b>35,739,773.06</b>  | <b>43,425,908.98</b>  |

For Dutta Ghosh & Associates  
Chartered Accountants  
Firm Registration no. 309088E



Dipak Kumar Dutta  
(Partner)  
Membership No. 016333

Place: Thimphu, Bhutan  
Date: 05-03-18



On behalf of Board



Chairman

Director Kama Choden



CEO

**STATE TRADING CORPORATION OF BHUTAN LIMITED**  
**PHUENTSHOLING BHUTAN**  
**STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED DECEMBER 31, 2017**

(Amounts in Ngultrum (BTN))

|   | No. of Shares<br>(issued and<br>fully paid up) | Par value<br>per share | Total value<br>of shares | Retained earnings | Total          |
|---|--|------------------------|--------------------------|-------------------|----------------|
| <b>Balance as at 1 January 2017</b>     | 18000160                                       | 10                     | 180,001,600.00           | 210,304,385.71    | 390,305,985.71 |
| Profit after income tax                 | -  | -                      | -                        | 81,255,564.31     | 81,255,564.31  |
| Other comprehensive income for the year | -  | -                      | -                        | 37,446.79         | 37,446.79      |
| Dividends paid                          | -  | -                      | -                        | -32,400,288.00    | -32,400,288.00 |
| Proceeds from shares issued             | -  | -                      | -                        | -                 | -              |
| Issue of bonus shares                   | -  | -                      | -                        | -                 | -              |
| <b>Balance as at 31 December 2017</b>   | 18000160                                       |                        | 180,001,600.00           | 259,197,108.81    | 439,198,708.81 |

**STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED DECEMBER 31, 2016**

|   | No. of Shares<br>(issued and<br>fully paid up) | Par value<br>per share | Total value<br>of shares | Retained earnings | Total          |
|---|--|------------------------|--------------------------|-------------------|----------------|
| <b>Balance as at 1 January 2016</b>     | 18,000,160.00                                  | 10.00                  | 180,001,600.00           | 159,625,033.08    | 339,626,633.08 |
| Profit after income tax                 | -  | -                      | -                        | 78,462,627.12     | 78,462,627.12  |
| Other comprehensive income for the year | -  | -                      | -                        | -783,034.49       | -783,034.49    |
| Dividends paid                          | -  | -                      | -                        | -27,000,240.00    | -27,000,240.00 |
| Proceeds from shares issued             | -  | -                      | -                        | -                 | -              |
| Issue of bonus shares                   | -  | -                      | -                        | -                 | -              |
| <b>Balance as at 31 December 2016</b>   | 18,000,160.00                                  |                        | 180,001,600.00           | 210,304,385.71    | 390,305,985.71 |

For Dutta Ghosh & Associates  
Chartered Accountants  
Firm Registration no. 309088E



Dipak Kumar Dutta  
(Partner)  
Membership No. 016333

Place: Thimphu, Bhutan  
Date: 05-03-18



Chairman

Director

Kasma Choden



CEO



State Trading Corporation of Bhutan Limited  
Notes to Financial Statement for the year ended December 31, 2017

Amounts in Ngultrum (BTN)

December 31, 2016

|   |                |
|---|----------------|
| <b>I Share Capital</b>                  |                |
| Authorised                              |                |
| 50,000,000 equity shares of Nu. 10 each | 500,000,000.00 |

December 31, 2017

|  |                |
|--|----------------|
|  |                |
|  |                |
|  | 500,000,000.00 |

**1.1 Issued, Subscribed and Paid up:**

180000160 (Previous year-18000016 @ 100) equity shares of Nu. 10 each fully paid up.

Out of above, following bonus shares were allotted as fully paid up without payment being received in cash:

- (a) 200,003 equity shares were allotted by capitalisation of Reserve in year 2010 & 2011
- (b) 300,005 equity shares were allotted by capitalisation of Reserve in year 2012
- (c) 9,00,008 equity share were allotted by capitalisation of Reserve in the year 2013

( 50.98% of the share capital are held by Holding Company - Druk Holding and Investment Ltd.)

**Total**

|  |                |
|--|----------------|
|  |                |
|  | 180,001,600.00 |
|  | 180,001,600.00 |

|  |                |
|--|----------------|
|  |                |
|  | 180,001,600.00 |
|  | 180,001,600.00 |

**Reconciliation of number of share outstanding as at 31st December, 2017**

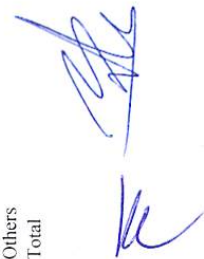
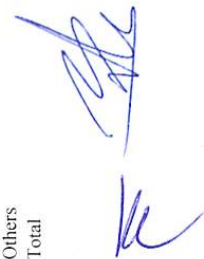
Equity Share at the beginning of the year  
Issued during the year as bonus share  
Equity Share at the end of the year

| December 31, 2017 |                | December 31, 2016 |                |
|-------------------|----------------|-------------------|----------------|
| No. of Shares     | Value          | No. of Shares     | Value          |
| 18,000,160.00     | 180,001,600.00 | 18,000,160.00     | 180,001,600.00 |
| 18,000,160.00     | 180,001,600.00 | 18,000,160.00     | 180,001,600.00 |

**Name of the Share Holders**  
Druk Holding Investment Limited (DHI)  
Bank of Bhutan Limited  
Others  
Total

| December 31, 2017 |               | December 31, 2016 |                |
|-------------------|---------------|-------------------|----------------|
| %age              | No. of Shares | %age              | No. of Shares  |
| 50.98             | 9,176,050.00  | 50.98             | 917,605.00     |
| 7.06              | 1,270,440.00  | 7.06              | 127,044.00     |
| 41.96             | 7,553,670.00  | 7.06              | 12,704,400.00  |
| 100.00            | 18,000,160.00 | 100.00            | 180,001,600.00 |





**State Trading Corporation of Bhutan Limited**  
**Notes to Financial Statement for the year ended December 31,2017**

*Amounts in Ngultrum (BTN)*

|   | December 31, 2017            | December 31, 2016            |
|---|------------------------------|------------------------------|
| <b>1.2 RESERVES AND SURPLUS</b>                                 |                              |                              |
| Opening Balance as per last Account (Retain earning)            | 210,304,385.71               | 159,625,033.08               |
| Add: Balance Transferred from Statement of Comprehensive Income | 81,293,011.10                | 77,679,592.63                |
|   | <u>291,597,396.81</u>        | <u>237,304,625.71</u>        |
| Less: Transfer for allotment of Bonus Share                     | -                            | -                            |
| Less: Dividend paid during the year                             | 32,400,288.00                | 27,000,240.00                |
| <b>Total</b>  | <u><u>259,197,108.81</u></u> | <u><u>210,304,385.71</u></u> |



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**State Trading Corporation of Bhutan Limited**  
**Notes to Financial Statement for the year ended December 31, 2017**

*Amounts in Ngultrum (BTN)*

**2. Short-Term Provisions**

|                                   | <b>December 31, 2017</b> | <b>December 31, 2016</b> |
|-----------------------------------|--------------------------|--------------------------|
| Provision for employees Ex-gratia | 4,513,940.69             | 6,860,937.33             |
| Provision for variable pay        | 5,013,659.49             | 3,962,734.84             |
| <b>Total</b>                      | <b>9,527,600.18</b>      | <b>10,823,672.17</b>     |

**3. Trade and other Payables**

|                                      | <b>December 31, 2017</b> | <b>December 31, 2016</b> |
|--------------------------------------|--------------------------|--------------------------|
| Sundry Creditors                     | 36,842,788.44            | 37,077,410.38            |
| Liability for Purchase               | 60,396.00                | 88,843,498.34            |
| Liability for Establishment Expenses | 3,395,265.61             | 2,020,106.66             |
| Audit Fees                           | 120,750.00               | 115,000.00               |
| Liabilities of Un-withdrawn Cheque   | 310,614.62               | 325,122.62               |
| Security Deposit                     | 2,787,632.17             | 6,007,395.81             |
| Unclaim Dividend                     | 1,398,805.91             | 1,319,169.00             |
| Retention money                      | 8,674,052.60             | 13,471,486.60            |
| <b>Total</b>                         | <b>53,590,305.35</b>     | <b>149,179,189.41</b>    |



**State Trading Corporation of Bhutan Limited**  
**Notes to Financial Statement for ther year ended December 31, 2017**

*Amounts in Ngultrum (BTN)*

**4. Short Term Borrowings**

|  | <b>December 31, 2017</b> | <b>December 31,2016</b> |
|--|--------------------------|-------------------------|
| Over Draft with Bank of Bhutan, Phuentsholing<br>OD a/c - 48 (Limit Nu. 130 Million) | 56,667,503.28            | 102,840,473.76          |
| Short Term Borrowing   | 99,434,246.44            | 80,000,000.00           |
| <b>Total</b>   | <b>156,101,749.72</b>    | <b>182,840,473.76</b>   |

**5. Other Current Liabilities**

|                             | <b>December 31, 2017</b> | <b>December 31,2016</b> |
|-----------------------------|--------------------------|-------------------------|
| Advance from Customers(old) | 49,659,622.73            | 43,346,832.25           |
| Advance from Customers(new) | 91,219,379.37            | 149,533,325.60          |
| Debtors Suspense            | 23,378,177.10            | 7,311,583.94            |
| Provident Fund              | 306,747.00               | 52,342.00               |
| Bhutan Sales Tax            | 27,140,767.16            | -                       |
| <b>Total</b>                | <b>191,704,693.36</b>    | <b>200,244,083.79</b>   |







Amounts in Ngultrum (BTN)

6.1 Property, Plant and Equipment - Tangible

| Particulars                        | Freehold Land        | Buildings and Civil Structures | Furniture           | Office equipment    | Vehicles             | Air Conditioner     | Zerox Copier | Voltage Stabilizer | Loose Tools         | Plant & Machineries | Total                 |
|------------------------------------|----------------------|--------------------------------|---------------------|---------------------|----------------------|---------------------|--------------|--------------------|---------------------|---------------------|-----------------------|
| <b>Gross Block</b>                 |                      |                                |                     |                     |                      |                     |              |                    |                     |                     |                       |
| Balance at 1 January 2016          | 29,460,800.56        | 48,023,045.61                  | 4,566,559.55        | 21,331,118.24       | 19,425,357.98        | 1,644,767.20        | 472,019.60   | 11,030.00          | 4,238,233.52        | 2,406,931.94        | 131,579,864.20        |
| Additions                          | -                    | -                              | 556,081.76          | 1,320,293.00        | 2,711,464.00         | 42,000.00           | -            | -                  | -                   | -                   | 4,629,838.76          |
| Adjustments/Disposals              | -                    | -                              | 1,898,087.60        | 14,792,740.87       | 8,080,159.85         | 673,810.62          | 472,019.60   | 11,030.00          | -                   | -                   | 25,927,848.54         |
| <b>Balance at 31 December 2016</b> | <b>29,460,800.56</b> | <b>48,023,045.61</b>           | <b>3,224,553.71</b> | <b>7,858,670.37</b> | <b>14,056,662.13</b> | <b>1,012,956.58</b> | -            | -                  | <b>4,238,233.52</b> | <b>2,406,931.94</b> | <b>110,281,854.42</b> |
| Balance at 1 January 2017          | 29,460,800.56        | 48,023,045.61                  | 3,224,553.71        | 7,858,670.37        | 14,056,662.13        | 1,012,956.58        | -            | -                  | 4,238,233.52        | 2,406,931.94        | 110,281,854.42        |
| Additions                          | 7,140,000.00         | -                              | 5,957,436.55        | 2,512,048.00        | 27,524,321.00        | -                   | -            | -                  | -                   | -                   | 43,133,805.55         |
| Adjustments/Disposals              | -                    | -                              | 163,265.68          | 860,654.56          | -                    | 53,900.00           | -            | -                  | -                   | -                   | 1,077,820.24          |
| <b>Balance at 31 December 2017</b> | <b>36,600,800.56</b> | <b>48,023,045.61</b>           | <b>9,018,724.58</b> | <b>9,510,063.81</b> | <b>41,580,983.13</b> | <b>959,056.58</b>   | -            | -                  | <b>4,238,233.52</b> | <b>2,406,931.94</b> | <b>152,337,839.73</b> |
| <b>Accumulated Depreciation</b>    |                      |                                |                     |                     |                      |                     |              |                    |                     |                     |                       |
| Balance at 1 January 2016          | -                    | 7,697,357.18                   | 3,401,559.93        | 17,752,151.01       | 10,135,404.12        | 1,240,978.26        | 472,019.60   | 11,030.00          | 2,541,265.93        | 997,675.42          | 44,249,441.46         |
| Adjustments                        | -                    | 1,871,255.68                   | 1,898,087.59        | 14,770,898.73       | 7,637,390.23         | 673,831.63          | 472,019.60   | 11,030.00          | -                   | -                   | 25,463,257.78         |
| Depreciation for the year          | -                    | 1,871,255.68                   | 310,717.65          | 1,358,655.33        | 870,108.08           | 168,735.45          | -            | -                  | 605,461.90          | 343,847.32          | 5,528,781.41          |
| <b>Balance at 31 December 2016</b> | <b>-</b>             | <b>9,568,612.86</b>            | <b>1,814,189.99</b> | <b>4,339,907.61</b> | <b>3,368,121.97</b>  | <b>735,882.08</b>   | <b>-</b>     | <b>-</b>           | <b>3,146,727.83</b> | <b>1,341,522.74</b> | <b>24,314,965.09</b>  |
| Balance at 1 January 2017          | -                    | 9,568,612.86                   | 1,814,189.99        | 4,339,907.61        | 3,368,121.97         | 735,882.08          | -            | -                  | 3,146,727.83        | 1,341,522.74        | 24,314,965.09         |
| Adjustments                        | -                    | 1,871,255.60                   | 114,676.21          | 602,727.60          | 53,900.00            | 53,900.00           | -            | -                  | -                   | -                   | 771,303.81            |
| Depreciation for the year          | -                    | 1,871,255.60                   | 330,909.77          | 980,093.94          | 5,770,329.78         | 88,945.56           | -            | -                  | 605,461.70          | 343,847.31          | 9,990,843.66          |
| <b>Balance at 31 December 2017</b> | <b>-</b>             | <b>11,439,868.46</b>           | <b>2,030,423.55</b> | <b>4,717,273.95</b> | <b>9,138,451.75</b>  | <b>770,927.64</b>   | <b>-</b>     | <b>-</b>           | <b>3,752,189.53</b> | <b>1,685,370.05</b> | <b>33,534,504.94</b>  |
| <b>Carrying Amount</b>             |                      |                                |                     |                     |                      |                     |              |                    |                     |                     |                       |
| At 31 December 2017                | 36,600,800.56        | 36,583,177.15                  | 6,988,301.03        | 4,792,789.86        | 32,442,531.38        | 188,128.94          | -            | -                  | 486,043.99          | 721,561.89          | 118,803,334.79        |
| At 31 December 2016                | 29,460,800.56        | 38,454,432.75                  | 1,410,363.72        | 3,518,762.76        | 10,688,540.16        | 277,074.50          | -            | -                  | 1,091,505.69        | 1,065,409.20        | 85,966,889.33         |

6.2 Capital Work in Progress - Tangible

| Sl. No | Particulars           | As at 01.01.17        | Addition during the year | Adjustment/ Deduction. | Total                 | Capitalised during the year | As at 31.12.17        |
|--------|-----------------------|-----------------------|--------------------------|------------------------|-----------------------|-----------------------------|-----------------------|
| 1      | Toyota 3 S facilities | 147,697,066.42        | 51,789,720.90            | -                      | 199,486,787.32        | -                           | 199,486,787.32        |
| 2      | Explosive - vehicle   | 1,399,542.00          | -                        | -                      | 1,399,542.00          | 1,399,542.00                | -                     |
|        | <b>TOTAL</b>          | <b>149,096,608.42</b> | <b>51,789,720.90</b>     | <b>1,399,542.00</b>    | <b>200,886,329.32</b> | <b>1,399,542.00</b>         | <b>199,486,787.32</b> |
|        | <b>Previous Year</b>  | <b>52,251,171.16</b>  | <b>95,445,895.26</b>     | <b>-</b>               | <b>147,697,066.42</b> | <b>-</b>                    | <b>147,697,066.42</b> |



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**State Trading Corporation of Bhutan Limited**  
**Notes to Financial Statement for the year ended December 31, 2017**

*Amounts in Ngultrum (BTN)*

**7. Non-Current Investment for Gratuity**

|   | <b>December 31, 2017</b> | <b>December 31, 2016</b> |
|---|--------------------------|--------------------------|
| Define Benefit Plan<br>(BNB and BDBL-Gratuity Fund) | 9,964,150.47             | 9,534,447.30             |
| less: Provision for Gratuity                        | 10,623,892.86            | 9,496,339.86             |
| <b>Total</b>  | <b>-659,742.39</b>       | <b>38,107.44</b>         |

**8. Inventories**

|                                     | <b>December 31, 2017</b> | <b>December 31, 2016</b> |
|-------------------------------------|--------------------------|--------------------------|
| Trading Stock                       | 257,755,173.93           | 443,188,414.58           |
| Goods-in transit                    | -                        | 85,680,104.74            |
|                                     | 257,755,173.93           | 528,868,519.32           |
| Less:                               | 3,201,283.88             | 3,201,283.88             |
| Provision for Obsolence & Shortages | 254,553,890.05           | 525,667,235.44           |
| <b>Total</b>                        | <b>-</b>                 | <b>-</b>                 |







**State Trading Corporation of Bhutan Limited**  
Notes to Financial Statement for the year ended December 31, 2017

*Amounts in Ngultrum (BTN)*

**9. Trade and Other Receivables**

|   | December 31, 2017            | December 31, 2016           |
|---|------------------------------|-----------------------------|
| Debts outstanding for a period exceeding six months |                              |                             |
| Considered Good                                     | 231,790,878.21               | 29,984,595.11               |
| Considered Doubtful                                 | 40,448,743.76                | 11,462,757.68               |
|   | <u>272,239,621.97</u>        | <u>41,447,352.79</u>        |
| Less: Provision for Doubtful Debts                  | 40,448,743.76                | 37,063,475.68               |
|   | <u>231,790,878.21</u>        | <u>4,383,877.11</u>         |
| Other debts, considered good(Other)                 |                              | 73,770,801.42               |
| Other debts, considered good(stone)                 | -                            | 5,735,482.90                |
|   | <u>231,790,878.21</u>        | <u>83,890,161.43</u>        |
| Earnest Money Deposits                              | 247,300.00                   | 290,000.00                  |
| Security Deposits                                   | 5,249,792.48                 | 6,546,854.93                |
| Other receivable                                    | 4,253,681.93                 | 2,830,836.49                |
| <b>Total</b>  | <u><u>241,541,652.62</u></u> | <u><u>93,557,852.85</u></u> |

**10. Cash and Bank Balance**

|  | December 31, 2017           | December 31, 2016           |
|--|-----------------------------|-----------------------------|
| <b>Cash and Cash Equivalents</b>       |                             |                             |
| 2005 BOB A/C 204..0016 Thimphu         | 2,027,182.66                | 14,380,032.50               |
| 1524 BOB A/C 207..0017 Thimphu         | -660,702.64                 | -1,203,183.95               |
| 2026 BOB A/C 207..0013 Thimphu         | 3,188,005.39                | 317,240.16                  |
| 2014 BOB - (GEN )                      | 650.83                      | 650.83                      |
| Bank of Bhutan FC Account              | 2,031,054.21                | 3,062,970.14                |
| Bhutan National Bank                   | 236,238.75                  | 12,333,661.21               |
| United Bank of India, Kolkata          | 524,444.62                  | -36,621.86                  |
| Druk PNB                               | 3,765,021.68                | 617,667.24                  |
| National Bank Limited                  | 449,685.94                  | 561,076.07                  |
| Margin money with BOBL against LC      | 22,693,683.00               | 12,073,000.00               |
| Cash in Hand including Cheques         | 247.64                      | 247.64                      |
| Restricted Cash for unclaimed dividend | 1,484,260.98                | 1,319,169.00                |
| <b>Total</b>                           | <u><u>35,739,773.06</u></u> | <u><u>43,425,908.98</u></u> |





**State Trading Corporation of Bhutan Limited**  
**Notes to Financial Statement for the year ended December 31, 2017**

*Amounts in Ngultrum (BTN)*

| 11. Current Tax Assets  | December 31, 2017           | December 31, 2016           |
|---|-----------------------------|-----------------------------|
| Advance Corporate Tax Paid                                      | 65,272,065.66               | 49,932,575.41               |
| Less: Provision for tax   | 65,436,478.83               | 41,354,614.62               |
| <b>Total</b>  | <b><u>-164,413.17</u></b>   | <b><u>8,577,960.79</u></b>  |
|   |                             |                             |
| 12. Other Current Assets  | December 31, 2017           | December 31, 2016           |
| Advance for direct cost   | -                           | 363,484.00                  |
| Total (A)   | -                           | 363,484.00                  |
|   |                             |                             |
| Advance recoverable in cash or in kind/for value to be received | 90,632,539.55               | 81,624,115.24               |
| Considered Bad or Doubtful:                                     | 1,800,000.00                | 1,800,000.00                |
| Total   | 92,432,539.55               | 83,424,115.24               |
| Less: Provision for Bad or Doubtful Advances                    | 1,800,000.00                | 1,800,000.00                |
| Total (B)   | 90,632,539.55               | 81,624,115.24               |
| Advances to staffs (C)  | 3,486,188.24                | 4,071,042.26                |
| Total (B+C)   | 94,118,727.79               | 85,695,157.50               |
| <b>Grand Total (A+B+C)</b>                                      | <b><u>94,118,727.79</u></b> | <b><u>86,058,641.50</u></b> |
|   |                             |                             |
| 12.1 Assets classified as held for sale                         | December 31, 2017           | December 31, 2016           |
| Land For Sales  | 1,184,082.00                | 1,184,082.00                |
| Less: Provision for Diminution in Value of Land                 | 888,061.50                  | 888,061.50                  |
| <b>Total</b>  | <b><u>296,020.50</u></b>    | <b><u>296,020.50</u></b>    |



**State Trading Corporation of Bhutan Limited**  
Notes to Financial Statement for the year ended December 31, 2017

*Amounts in Ngultrum (BTN)*

**13. Revenue from operation**

|  | December 31, 2017       | December 31, 2016       |
|--|-------------------------|-------------------------|
| <b>Trading:</b>                        |                         |                         |
| G.C.Sheet                              | 3,268,604.66            | 5,393,615.30            |
| Explosives                             | 88,680,586.76           | 79,394,230.75           |
| Bitumen                                | 34,432,561.33           | 60,502,553.33           |
| Eicher Spare Parts                     | 16,557,285.60           | 16,696,855.23           |
| Tata Spare Parts                       | 29,546,364.29           | 32,864,513.91           |
| Toyota Tyres & Tubes                   | 7,834,276.19            | 8,028,607.96            |
| Toyota Spare Parts                     | 78,256,265.95           | 69,237,379.90           |
| Tata Vehicles                          | 555,033,476.95          | 760,217,445.23          |
| Eicher Vehicles                        | 314,233,044.81          | 352,358,940.15          |
| Toyota Vehicles                        | 929,069,613.30          | 1,067,343,364.90        |
| Computer & Accessories                 | 31,738,293.84           | 35,177,518.64           |
| Two Wheelers                           | 3,339,252.34            | 5,413,819.28            |
| SML Vehicle                            | -6,150.00               | 1,333,938.00            |
| Kent Water Filter                      | 1,206,357.00            | 791,519.00              |
| Asian Paints                           | 75,775.50               | 717.50                  |
| Tractors and Power Tiller Sales        | 14,038,428.43           | 10,248,231.28           |
| Agricultural Machinaries & Accessories |                         | 10,322.00               |
| Agricultural product sales             | 149,025.00              | 290,224.19              |
| Apollo Tyres Sales                     | 31,629,122.03           | 14,163,934.00           |
| Ford spare parts                       |                         | 252,377.51              |
| Stone                                  | 33,856,491.65           | 26,986,331.96           |
| Household items                        | 1,103,934.80            | 440,073.30              |
| Franky Faber                           | 258,734.00              | 61,735.00               |
| American Tourister                     | 113,543.40              | 22,109.00               |
| Medical                                |                         | 20,455.23               |
| Shrachi Enbiolet                       | 311,920.00              | -                       |
| HVAC BHUTAN SPIRIT                     | 20,783,494.00           | -                       |
| JK TYRES                               | 1,564,148.00            | -                       |
| HVAC BNB                               | 29,133,521.20           | -                       |
| Tata Service Centre Income             | 11,440,120.02           | 9,433,461.70            |
| Toyota Service Centre Income           | 8,794,643.00            | 9,804,661.06            |
| <b>Total</b>                           | <b>2,246,442,734.05</b> | <b>2,566,488,935.31</b> |

**14. Other Income**

|  | December 31, 2017    | December 31, 2016    |
|--|----------------------|----------------------|
| Miscellaneous Income                   | 36,342,122.42        | 25,486,038.03        |
| Discount Received                      | 681,942.96           | 751,593.68           |
| Commission and Auction                 | 259,470.23           | 219,843.28           |
| Gains/(Losses) on Exchange Fluctuation | -30,807.61           | 446,692.73           |
| Interest                               | 2,288,152.58         | 1,162,516.60         |
| Recoveries of Shortage for Inventories | 25,152.03            | 348,547.73           |
| Gains/ (losses) on sale of Fixed Asset | -220,669.43          | 908,975.24           |
| Provision no longer required           |                      | 3,148,470.50         |
| Liability no longer required           |                      | -                    |
| <b>Total</b>                           | <b>39,345,363.18</b> | <b>32,472,677.79</b> |



State Trading Corporation of Bhutan Limited  
Notes to Financial Statement for the year ended December 31, 2017

(Amounts in Ngultrum (BTN))

| Items                                 | Stock as on 1.1.2017  | Opening GIT 01.01.2017 | Purchase during the year | TOTAL                   | Closing Stock as at 31.12.2017 | Goods - In Transit as at 31.12.2017 | Cost of Material Consumed for the year ended 31.12.2017 | Cost of Material Consumed for the year ended 31.12.2016 |
|---------------------------------------|-----------------------|------------------------|--------------------------|-------------------------|--------------------------------|-------------------------------------|---|---|
|                                       | (1)                   | (2)                    | (3)                      | (4)=(1)+(2)+(3)         | (5)                            | (6)                                 | (7)=(4)-(5)+(6)   | (8)   |
| G.C. Sheet                            | 1,442,284.47          | -                      | 2,792,335.66             | 4,234,620.13            | 1,130,422.49                   | -                                   | 3,104,197.64  | 5,893,555.30  |
| Bitumen                               | 32,028.31             | -                      | 29,574,170.91            | 29,606,199.22           | 0.00                           | -                                   | 29,606,199.22   | 49,962,437.24   |
| Explosives                            | 11,833,770.66         | 4,706,750.00           | 64,201,851.71            | 80,742,372.37           | 7,796,560.03                   | -                                   | 72,945,812.34   | 64,202,468.79   |
| Eachier Spare Parts                   | 7,836,591.96          | -                      | 13,529,828.50            | 21,366,420.46           | 6,196,140.54                   | -                                   | 15,170,279.92   | 18,667,986.52   |
| Indian Spare parts (Tata)             | 17,187,065.04         | -                      | 27,315,976.60            | 44,503,041.64           | 18,525,263.80                  | -                                   | 25,977,777.84   | 26,480,425.87   |
| Toyota Tyres & Tubes                  | 3,109,810.99          | -                      | 3,643,203.30             | 6,753,014.29            | 2,774,140.35                   | -                                   | 3,978,873.94  | 3,827,711.69  |
| Toyota Spare Parts                    | 48,733,711.43         | 8,543,910.24           | 34,847,972.07            | 92,125,593.74           | 39,024,325.01                  | -                                   | 52,501,268.73   | 53,115,384.46   |
| Tata Vehicles                         | 156,782,860.95        | -                      | 410,373,602.15           | 567,156,463.10          | 67,597,908.11                  | -                                   | 499,558,554.99  | 772,868,743.42  |
| Eachier Vehicles                      | 36,269,418.26         | -                      | 288,295,672.64           | 324,565,090.90          | 29,081,884.97                  | -                                   | 295,483,205.93  | 336,048,169.53  |
| Toyota Vehicles                       | 148,356,746.86        | 72,429,444.50          | 679,098,690.74           | 899,884,882.10          | 64,182,549.32                  | -                                   | 835,702,332.78  | 1,024,601,672.91  |
| Two Wheelers                          | 177,503.66            | -                      | 3,631,289.56             | 3,808,793.22            | 1,005,835.33                   | -                                   | 2,802,957.89  | 76,931,491.40   |
| Office Equipments, Machineries & as   | 3,097,803.29          | -                      | 26,077,473.93            | 29,175,277.22           | 1,461,276.97                   | -                                   | 27,714,000.25   | 25,758,123.09   |
| Service Centre, Thimphu               | 405,217.38            | -                      | 823,874.88               | 1,231,092.26            | 325,864.38                     | -                                   | 905,227.88  | 1,386,111.00  |
| SML Vehicles                          | -                     | -                      | -                        | -                       | -                              | -                                   | -   | 1,318,496.50  |
| Household Items                       | 386,960.00            | -                      | 1,215,856.41             | 1,602,816.41            | 884,809.45                     | -                                   | 718,006.96  | 670,772.94  |
| Toyota Service, Head Office           | 8,159.74              | -                      | 9,800.00                 | 17,959.74               | 8,159.74                       | -                                   | 9,800.00  | 100,870.00  |
| Tata Service                          | 2,049,459.58          | -                      | 6,179,987.85             | 8,229,447.43            | 2,085,374.51                   | -                                   | 6,144,072.92  | 6,104,547.66  |
| Apollo Tyres                          | 2,950,038.48          | -                      | 32,260,624.77            | 35,210,663.25           | 5,191,378.07                   | -                                   | 30,019,275.18   | 13,702,562.80   |
| Sinage                                | -                     | -                      | -                        | -                       | -                              | -                                   | -   | 14,443.10   |
| Ford Vehicle                          | -                     | -                      | -                        | -                       | -                              | -                                   | -   | -   |
| Kent Water Filter                     | 388,904.41            | -                      | 904,050.00               | 1,292,954.41            | 515,006.65                     | -                                   | 777,947.76  | 32,000.00   |
| Asian Paints                          | 207,295.44            | -                      | 0.00                     | 207,295.44              | 76,479.85                      | -                                   | 130,815.59  | -   |
| E-Bike Spare Parts                    | 98,873.85             | -                      | 0.00                     | 98,873.85               | 98,873.85                      | -                                   | -   | -   |
| Ford Spare Parts                      | -                     | -                      | -                        | -                       | -                              | -                                   | -   | -   |
| Medical                               | -                     | -                      | -                        | -                       | -                              | -                                   | -   | -   |
| American Tourist                      | 85,956.95             | -                      | -                        | 85,956.95               | -                              | -                                   | -   | 21,010.00   |
| Franky Faber                          | 140,218.05            | -                      | 278,413.67               | 418,631.72              | 247,433.07                     | -                                   | 85,956.95   | 134,140.00  |
| Tractors and Power Tillers            | 1,165,016.86          | -                      | 15,284,323.00            | 16,449,339.86           | 5,893,568.64                   | -                                   | 10,555,771.22   | 171,557.00  |
| Tractors Spare parts                  | 442,727.96            | -                      | 1,715,128.89             | 2,157,856.85            | 1,718,215.18                   | -                                   | 439,641.67  | 613,173.20  |
| Stone including transportation cost * | -                     | -                      | 29,394,059.10            | 29,394,059.10           | -                              | -                                   | 29,394,059.10   | 21,718,313.37   |
| Agricultural Product Export           | -                     | -                      | 76,820.00                | 76,820.00               | -                              | -                                   | 76,820.00   | 142,578.00  |
| HVAC Bhutan Spirit                    | -                     | -                      | 19,744,319.15            | 19,744,319.15           | -                              | -                                   | 19,744,319.15   | -   |
| JK Tyres                              | -                     | -                      | 2,657,019.70             | 2,657,019.70            | 1,333,703.62                   | -                                   | 1,323,316.08  | -   |
| HVAC BNB                              | -                     | -                      | 27,339,879.65            | 27,339,879.65           | -                              | -                                   | 27,339,879.65   | -   |
| Shrachi Embiolet                      | -                     | -                      | 167,800.00               | 167,800.00              | -                              | -                                   | 167,800.00  | -   |
| <b>Total</b>                          | <b>443,188,414.58</b> | <b>85,680,104.74</b>   | <b>1,721,436,024.84</b>  | <b>2,250,304,544.16</b> | <b>257,755,173.93</b>          | <b>-</b>                            | <b>1,992,549,370.23</b>                                 | <b>2,510,725,005.79</b>                                 |



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**State Trading Corporation of Bhutan Limited**  
**Notes to Financial Statement for the year ended December 31, 2017**

*Amounts in Ngultrum (BTN)*

**15.2 Other Direct Expenses**

|                                 | <b>December 31, 2017</b> | <b>December 31,2016</b> |
|---------------------------------|--------------------------|-------------------------|
| Clearing and Forwarding Charges | 22,804,117.29            | 17,639,760.12           |
| <b>Total</b>                    | <b>22,804,117.29</b>     | <b>17,639,760.12</b>    |

**16. Employee benefit expenses**

|   | <b>December 31, 2017</b> | <b>December 31,2016</b> |
|---|--------------------------|-------------------------|
| Pay and Allowances                      | 45,919,254.93            | 44,614,331.42           |
| Provident Fund Contribution             | 2,854,636.00             | 2,776,769.38            |
| Bonus and variable pay                  | 8,583,308.79             | 13,076,221.48           |
| Medical Expenses                        | 155,263.00               | 337,120.00              |
| Gratuity and Retirement Benefits        | 1,645,990.00             | 1,573,220.00            |
| Staff training and development expenses | 6,233,039.17             | 6,103,657.64            |
| Uniform expenses                        | 832,697.13               | 788,863.53              |
| Welfare Expenses                        | 130,000.00               | 50,000.00               |
| Transfer grant                          | 1,680,624.04             | 952,901.99              |
| <b>Total</b>                            | <b>68,034,813.06</b>     | <b>70,273,085.44</b>    |

**17. Finance Cost**

|                  | <b>December 31, 2017</b> | <b>December 31,2016</b> |
|------------------|--------------------------|-------------------------|
| Interest expense | 13,165,642.67            | 16,980,172.51           |
| <b>Total</b>     | <b>13,165,642.67</b>     | <b>16,980,172.51</b>    |



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**State Trading Corporation of Bhutan Limited**  
**Notes to Financial Statement for the year ended December 31, 2017**

*Amounts in Ngultrum (BTN)*

**18. Other Expenses**

|   | <b>December 31, 2017</b> | <b>December 31, 2016</b> |
|---|--------------------------|--------------------------|
| <b><u>Administrative Expenses</u></b>                       |                          |                          |
| Communication, internet and telephone charges               | 1,835,243.48             | 2,124,941.91             |
| Fees and Taxes  | 1,341,569.57             | 915,374.16               |
| Printing and stationery including postage                   | 1,807,909.61             | 1,740,014.06             |
| General Insurance   | 360,542.53               | 467,043.00               |
| Electricity Expenses  | 999,107.84               | 839,464.23               |
| Lease Rent  | 7,660,292.56             | 6,615,149.43             |
| <b><u>Repairs and Maintenance</u></b>                       |                          |                          |
| Repairs & Maintenance Of Buildings and civil structures     | 936,322.12               | 3,291,955.34             |
| Repairs & Maintenance Of Furniture, fixtures and equipments | 2,503,844.32             | 2,122,658.38             |
| Running & Maintenance Of Vehicle                            | 5,859,042.93             | 3,977,136.99             |
| Running & Maintenance Of Other                              | 457,780.52               | 149,963.64               |
| <b><u>Travelling and Conveyance</u></b>                     |                          |                          |
| Travelling Expenses including foreign travels               | 11,872,476.85            | 12,522,769.80            |
| <b><u>Others</u></b>  |                          |                          |
| Marketing & Sales Promotions                                | 7,281,084.46             | 8,062,881.34             |
| Board meeting expenses and sitting fees                     | 872,890.80               | 857,632.90               |
| Festivals & Entertainment Expenses                          | 4,658,753.22             | 5,579,153.47             |
| Miscellaneous Expenses                                      | 4,514,280.62             | 6,139,777.75             |
| Bank Charges - others                                       | 934,388.40               | 581,495.66               |
| Other consultancy charges                                   | 796,150.00               | 555,800.00               |
| Provision for Doubtful Debts                                | 5,473,784.07             | 9,047,216.37             |
| Write off of Sundry Debtors                                 | 841,211.68               |                          |
| Provision for Obsolute Stock                                | -                        | 1,755,217.26             |
| Sundry balances written off                                 | -                        | 10,000.00                |
| Loss on Inventory Write off                                 | -                        | 382,207.41               |
| <b><u>Auditor's Remuneration</u></b>                        |                          |                          |
| Audit Fee   | 124,696.33               | 115,000.00               |
| Out of pocket expenses                                      | 278,617.00               | 266,911.74               |
| <b>TOTAL</b>  | <b>61,409,988.91</b>     | <b>68,119,764.84</b>     |





## 19. SIGNIFICANT ACCOUNTING POLICIES

### A. Significant Accounting Policies

#### 1. Basis of Preparation

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

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

These financial statements are the first financial statements of the Company in compliance with complete Bhutanese Financial Reporting Standards (BFRSs). The transition was carried out in accordance with BFRS 1, "*First time adoption of Bhutanese Financial Reporting Standards*". While compiling the financial statement as per BFRS, some of the items of financial statements of the previous years are restated.

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

The functional currency of preparation is the Bhutanese Ngultrum.

##### (ii) Historical cost convention

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

- certain financial assets and liabilities such as investment in equity shares;
- assets held for sale – measured at fair value less cost to sell; and
- defined benefit plans – plan assets measured at fair value



## 2. Current versus non-current classification

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

An asset is classified as current when it is:

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

All other assets are classified as non-current.

A liability is classified as current when:

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

All other liabilities are classified as non-current.

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

## 3. Revenue Recognition

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

**Sale of goods and services:** The Company recognises revenue when the entity satisfies a performance obligation identified in the contract by transferring a promised good or service (i.e. an asset) to a customer and the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the group. An asset is assumed to be transferred to customer when (or as) the customer obtains control of that asset. Incremental cost incurred by the company for obtaining as contract with customer is recognised as assets if the recovery of such cost is expected.



Such assets are amortised on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates.

#### 4. Property, Plant and Equipment

All property, plant and equipment are stated at historical cost less depreciation and impairment, if any. Cost includes purchase price, taxes & duties, labour cost, direct financing costs, direct overheads for self constructed assets, borrowing costs, other direct cost incurred up to the date the assets is ready for its intended use including initial estimate of dismantling and site restoration cost. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial periods in which they are incurred.

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



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| Assets Class                       | Estimated useful life                 |
|------------------------------------|---------------------------------------|
| 1. Buildings and Civil Structures: |                                       |
| a. Temporary structure             | 5 – 8 years                           |
| b. Permanent Structure             | 35 years                              |
| 2. Furniture                       | 10 years                              |
| 3. Office Equipment                | 3 - 8 years                           |
| 4. Vehicles                        | 7 - 10 years with 20 % residual value |
| 5. Air conditioner                 | 3 - 7 years                           |
| 6. Loose tools                     | 7 years                               |
| 7. Plant & machineries (ACW)       | 7 years                               |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Gains and losses on disposals 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.

On transition to BFRS, the Company has selected to measure its property, plant and equipment at cost or depreciated cost in accordance with BFRS as the deemed cost of the property, plant and equipment as at 1 January, 2015.





## 5. Foreign Currency Transactions

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

Foreign exchange gains and losses resulting from the settlement of such transaction and from the transaction at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income.

## 6. Investments and other financial assets

### (i) Initial measurement

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

### (ii) Classification and subsequent measurement

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

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

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



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**State Trading Corporation of Bhutan Limited**  
Notes to Financial Statement for the year ended December 31, 2017

*Amounts in Ngultrum (BTN)*

**11. Current Tax Assets**

|                            | <b>December 31, 2017</b> | <b>December 31, 2016</b> |
|----------------------------|--------------------------|--------------------------|
| Advance Corporate Tax Paid | 65,272,065.66            | 49,932,575.41            |
| Less: Provision for tax    | 65,436,478.83            | 41,354,614.62            |
| <b>Total</b>               | <b>-164,413.17</b>       | <b>8,577,960.79</b>      |

**12. Other Current Assets**

|   | <b>December 31, 2017</b> | <b>December 31, 2016</b> |
|---|--------------------------|--------------------------|
| Advance for direct cost   | -                        | 363,484.00               |
| Total (A)   | -                        | 363,484.00               |
| Advance recoverable in cash or in kind/for value to be received | 90,632,539.55            | 81,624,115.24            |
| Considered Bad or Doubtful:                                     | 1,800,000.00             | 1,800,000.00             |
| Total   | 92,432,539.55            | 83,424,115.24            |
| Less: Provision for Bad or Doubtful Advances                    | 1,800,000.00             | 1,800,000.00             |
| Total (B)   | 90,632,539.55            | 81,624,115.24            |
| Advances to staffs (C)  | 3,486,188.24             | 4,071,042.26             |
| Total (B+C)   | 94,118,727.79            | 85,695,157.50            |
| <b>Grand Total (A+B+C)</b>                                      | <b>94,118,727.79</b>     | <b>86,058,641.50</b>     |

**12.1 Assets classified as held for sale**

|   | <b>December 31, 2017</b> | <b>December 31, 2016</b> |
|---|--------------------------|--------------------------|
| Land For Sales                                  | 1,184,082.00             | 1,184,082.00             |
| Less: Provision for Diminution in Value of Land | 888,061.50               | 888,061.50               |
| <b>Total</b>                                    | <b>296,020.50</b>        | <b>296,020.50</b>        |



**State Trading Corporation of Bhutan Limited**  
Notes to Financial Statement for the year ended December 31, 2017

*Amounts in Ngultrum (BTN)*

**13. Revenue from operation**

|  | December 31, 2017       | December 31, 2016       |
|--|-------------------------|-------------------------|
| <b>Trading:</b>                        |                         |                         |
| G.C.Sheet                              | 3,268,604.66            | 5,393,615.30            |
| Explosives                             | 88,680,586.76           | 79,394,230.75           |
| Bitumen                                | 34,432,561.33           | 60,502,553.33           |
| Eicher Spare Parts                     | 16,557,285.60           | 16,696,855.23           |
| Tata Spare Parts                       | 29,546,364.29           | 32,864,513.91           |
| Toyota Tyres & Tubes                   | 7,834,276.19            | 8,028,607.96            |
| Toyota Spare Parts                     | 78,256,265.95           | 69,237,379.90           |
| Tata Vehicles                          | 555,033,476.95          | 760,217,445.23          |
| Eicher Vehicles                        | 314,233,044.81          | 352,358,940.15          |
| Toyota Vehicles                        | 929,069,613.30          | 1,067,343,364.90        |
| Computer & Accessories                 | 31,738,293.84           | 35,177,518.64           |
| Two Wheelers                           | 3,339,252.34            | 5,413,819.28            |
| SML Vehicle                            | -6,150.00               | 1,333,938.00            |
| Kent Water Filter                      | 1,206,357.00            | 791,519.00              |
| Asian Paints                           | 75,775.50               | 717.50                  |
| Tractors and Power Tiller Sales        | 14,038,428.43           | 10,248,231.28           |
| Agricultural Machineries & Accessories |                         | 10,322.00               |
| Agricultural product sales             | 149,025.00              | 290,224.19              |
| Apollo Tyres Sales                     | 31,629,122.03           | 14,163,934.00           |
| Ford spare parts                       |                         | 252,377.51              |
| Stone                                  | 33,856,491.65           | 26,986,331.96           |
| Household items                        | 1,103,934.80            | 440,073.30              |
| Frankey Faber                          | 258,734.00              | 61,735.00               |
| American Tourister                     | 113,543.40              | 22,109.00               |
| Medical                                |                         | 20,455.23               |
| Shrachi Enbiolet                       | 311,920.00              | -                       |
| HVAC BHUTAN SPIRIT                     | 20,783,494.00           | -                       |
| JK TYRES                               | 1,564,148.00            | -                       |
| HVAC BNB                               | 29,133,521.20           | -                       |
| Tata Service Centre Income             | 11,440,120.02           | 9,433,461.70            |
| Toyota Service Centre Income           | 8,794,643.00            | 9,804,661.06            |
| <b>Total</b>                           | <b>2,246,442,734.05</b> | <b>2,566,488,935.31</b> |

**14. Other Income**

|  | December 31, 2017    | December 31, 2016    |
|--|----------------------|----------------------|
| Miscellaneous Income                   | 36,342,122.42        | 25,486,038.03        |
| Discount Received                      | 681,942.96           | 751,593.68           |
| Commission and Auction                 | 259,470.23           | 219,843.28           |
| Gains/(Losses) on Exchange Fluctuation | -30,807.61           | 446,692.73           |
| Interest                               | 2,288,152.58         | 1,162,516.60         |
| Recoveries of Shortage for Inventories | 25,152.03            | 348,547.73           |
| Gains/ (losses) on sale of Fixed Asset | -220,669.43          | 908,975.24           |
| Provision no longer required           |                      | 3,148,470.50         |
| Liability no longer required           |                      | -                    |
| <b>Total</b>                           | <b>39,345,363.18</b> | <b>32,472,677.79</b> |



State Trading Corporation of Bhutan Limited  
Notes to Financial Statement for the year ended December 31, 2017

Amounts in Ngultrum (BTN)

| Items  | Stock as on 1.1.2017  | Opening GIT 01.01.2017 | Purchase during the year | TOTAL                   | Closing Stock as at 31.12.2017 | Goods - In Transit as at 31.12.2017 | Cost of Material Consumed for the year ended 31.12.2017 | Cost of Material Consumed for the year ended 31.12.2016 |
|--|-----------------------|------------------------|--------------------------|-------------------------|--------------------------------|-------------------------------------|---|---|
|  | (1)                   | (2)                    | (3)                      | (4)=(1)+(2)+(3)         | (5)                            | (6)                                 | (7)=(4)-(5)-(6)   | (8)   |
| G.C. Sheet   | 1,442,284.47          | -                      | 2,792,335.66             | 4,234,620.13            | 1,130,422.49                   | -                                   | 3,104,197.64  | 5,893,555.30  |
| Bitumen  | 32,028.31             | -                      | 29,574,170.91            | 29,606,199.22           | 0.00                           | -                                   | 29,606,199.22   | 49,962,437.24   |
| Explosives   | 11,833,770.66         | 4,706,750.00           | 64,201,851.71            | 80,742,372.37           | 7,796,560.03                   | -                                   | 72,945,812.34   | 64,202,468.79   |
| Eacher Spare Parts                                       | 7,836,591.96          | -                      | 13,529,828.50            | 21,366,420.46           | 6,196,140.54                   | -                                   | 15,170,279.92   | 18,667,986.52   |
| Indian Spare parts (Tata)                                | 17,187,065.04         | -                      | 27,315,976.60            | 44,503,041.64           | 18,525,263.80                  | -                                   | 25,977,777.84   | 26,480,425.87   |
| Toyota Tyres & Tubes                                     | 3,109,810.99          | -                      | 3,643,203.30             | 6,753,014.29            | 2,774,140.35                   | -                                   | 3,978,873.94  | 3,827,711.69  |
| Toyota Spare Parts                                       | 48,733,711.43         | 8,543,910.24           | 34,847,972.07            | 92,125,593.74           | 39,624,325.01                  | -                                   | 52,501,268.73   | 53,115,384.46   |
| Tata Vehicles  | 156,782,860.95        | -                      | 410,373,602.15           | 567,156,463.10          | 67,597,908.11                  | -                                   | 499,558,554.99  | 772,868,743.42  |
| Eacher Vehicles  | 36,269,418.26         | -                      | 288,295,672.64           | 324,565,090.90          | 29,081,884.97                  | -                                   | 295,483,205.93  | 336,048,169.53  |
| Toyota Vehicles  | 148,356,746.86        | 72,429,444.50          | 679,098,690.74           | 899,884,882.10          | 64,182,549.32                  | -                                   | 835,702,332.78  | 1,024,601,672.91  |
| Two Wheelers   | 177,503.66            | -                      | 3,631,289.56             | 3,808,793.22            | 1,005,835.33                   | -                                   | 2,802,957.89  | 76,931,491.40   |
| Office Equipments, Machineries & Service Centre, Thimphu | 3,097,803.29          | -                      | 26,077,473.93            | 29,175,277.22           | 1,461,276.97                   | -                                   | 27,714,000.25   | 25,758,123.09   |
| SML Vehicles   | 405,217.38            | -                      | 825,874.88               | 1,231,092.26            | 325,864.38                     | -                                   | 905,227.88  | 1,386,111.00  |
| Household Items  | 386,960.00            | -                      | 1,215,856.41             | 1,602,816.41            | 884,809.45                     | -                                   | 718,006.96  | 1,318,496.50  |
| Toyota Service, Head Office                              | 8,159.74              | -                      | 9,800.00                 | 17,959.74               | 8,159.74                       | -                                   | 9,800.00  | 100,870.00  |
| Tata Service   | 2,049,459.58          | -                      | 6,179,987.85             | 8,229,447.43            | 2,085,374.51                   | -                                   | 6,144,072.92  | 6,104,547.66  |
| Apollo Tyres   | 2,950,028.48          | -                      | 32,260,624.77            | 35,210,653.25           | 5,191,378.07                   | -                                   | 30,019,275.18   | 13,702,562.80   |
| Sinage   | -                     | -                      | -                        | -                       | -                              | -                                   | -   | 14,443.10   |
| Ford Vehicle   | -                     | -                      | -                        | -                       | -                              | -                                   | -   | -   |
| Kent Water Filter  | 388,904.41            | -                      | 904,050.00               | 1,292,954.41            | 515,006.65                     | -                                   | 777,947.76  | 32,000.00   |
| Adam Paints  | 207,295.44            | -                      | 0.00                     | 207,295.44              | 76,479.85                      | -                                   | 130,815.59  | -   |
| E- Bike Spare Parts                                      | 98,873.85             | -                      | 0.00                     | 98,873.85               | 98,873.85                      | -                                   | -   | -   |
| Ford Spare Parts   | -                     | -                      | -                        | -                       | -                              | -                                   | -   | -   |
| Medical  | -                     | -                      | -                        | -                       | -                              | -                                   | -   | -   |
| American Tourist   | 85,956.95             | -                      | -                        | 85,956.95               | -                              | -                                   | 85,956.95   | 21,010.00   |
| Franker Faber  | 140,218.05            | -                      | 278,413.67               | 418,631.72              | 247,433.07                     | -                                   | 171,198.65  | 134,140.00  |
| Tractors and Power Tillers                               | 1,165,016.86          | -                      | 15,284,323.00            | 16,449,339.86           | 5,893,568.64                   | -                                   | 10,555,771.22   | 171,557.00  |
| Tractors Spare parts                                     | 442,727.96            | -                      | 1,715,128.89             | 2,157,856.85            | 1,718,215.18                   | -                                   | 439,641.67  | 6,256,260.00  |
| Stone including transportation cost                      | -                     | -                      | 29,394,059.10            | 29,394,059.10           | -                              | -                                   | 29,394,059.10   | 613,173.20  |
| Agricultural Product Export                              | -                     | -                      | 76,820.00                | 76,820.00               | -                              | -                                   | 76,820.00   | 21,718,313.37   |
| HVAC Bhutan Spirit                                       | -                     | -                      | 19,744,319.15            | 19,744,319.15           | -                              | -                                   | 19,744,319.15   | 142,578.00  |
| JK Tyres   | -                     | -                      | 2,657,019.70             | 2,657,019.70            | 1,333,703.62                   | -                                   | 1,323,316.08  | -   |
| HVAC BNB   | -                     | -                      | 27,339,879.65            | 27,339,879.65           | -                              | -                                   | 27,339,879.65   | -   |
| Shrachi Enbiolet   | -                     | -                      | 167,800.00               | 167,800.00              | -                              | -                                   | 167,800.00  | -   |
| <b>Total</b>   | <b>443,188,414.58</b> | <b>85,680,104.74</b>   | <b>1,721,436,024.84</b>  | <b>2,250,304,544.16</b> | <b>257,755,173.93</b>          | <b>-</b>                            | <b>1,992,549,370.23</b>                                 | <b>2,510,725,005.79</b>                                 |



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**State Trading Corporation of Bhutan Limited**  
**Notes to Financial Statement for the year ended December 31, 2017**

*Amounts in Ngultrum (BTN)*

**15.2 Other Direct Expenses**

|                                 | <b>December 31, 2017</b> | <b>December 31, 2016</b> |
|---------------------------------|--------------------------|--------------------------|
| Clearing and Forwarding Charges | 22,804,117.29            | 17,639,760.12            |
| <b>Total</b>                    | <b>22,804,117.29</b>     | <b>17,639,760.12</b>     |

**16. Employee benefit expenses**

|   | <b>December 31, 2017</b> | <b>December 31, 2016</b> |
|---|--------------------------|--------------------------|
| Pay and Allowances                      | 45,919,254.93            | 44,614,331.42            |
| Provident Fund Contribution             | 2,854,636.00             | 2,776,769.38             |
| Bonus and variable pay                  | 8,583,308.79             | 13,076,221.48            |
| Medical Expenses                        | 155,263.00               | 337,120.00               |
| Gratuity and Retirement Benefits        | 1,645,990.00             | 1,573,220.00             |
| Staff training and development expenses | 6,233,039.17             | 6,103,657.64             |
| Uniform expenses                        | 832,697.13               | 788,863.53               |
| Welfare Expenses                        | 130,000.00               | 50,000.00                |
| Transfer grant                          | 1,680,624.04             | 952,901.99               |
| <b>Total</b>                            | <b>68,034,813.06</b>     | <b>70,273,085.44</b>     |

**17. Finance Cost**

|                  | <b>December 31, 2017</b> | <b>December 31, 2016</b> |
|------------------|--------------------------|--------------------------|
| Interest expense | 13,165,642.67            | 16,980,172.51            |
| <b>Total</b>     | <b>13,165,642.67</b>     | <b>16,980,172.51</b>     |



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**State Trading Corporation of Bhutan Limited**  
**Notes to Financial Statement for the year ended December 31, 2017**

*Amounts in Ngultrum (BTN)*

**18. Other Expenses**

|   | December 31, 2017    | December 31, 2016    |
|---|----------------------|----------------------|
| <b><u>Administrative Expenses</u></b>                       |                      |                      |
| Communication, internet and telephone charges               | 1,835,243.48         | 2,124,941.91         |
| Fees and Taxes  | 1,341,569.57         | 915,374.16           |
| Printing and stationery including postage                   | 1,807,909.61         | 1,740,014.06         |
| General Insurance   | 360,542.53           | 467,043.00           |
| Electricity Expenses  | 999,107.84           | 839,464.23           |
| Lease Rent  | 7,660,292.56         | 6,615,149.43         |
| <b><u>Repairs and Maintenance</u></b>                       |                      |                      |
| Repairs & Maintenance Of Buildings and civil structures     | 936,322.12           | 3,291,955.34         |
| Repairs & Maintenance Of Furniture, fixtures and equipments | 2,503,844.32         | 2,122,658.38         |
| Running & Maintenance Of Vehicle                            | 5,859,042.93         | 3,977,136.99         |
| Running & Maintenance Of Other                              | 457,780.52           | 149,963.64           |
| <b><u>Travelling and Conveyance</u></b>                     |                      |                      |
| Travelling Expenses including foreign travels               | 11,872,476.85        | 12,522,769.80        |
| <b><u>Others</u></b>  |                      |                      |
| Marketing & Sales Promotions                                | 7,281,084.46         | 8,062,881.34         |
| Board meeting expenses and sitting fees                     | 872,890.80           | 857,632.90           |
| Festivals & Entertainment Expenses                          | 4,658,753.22         | 5,579,153.47         |
| Miscellaneous Expenses                                      | 4,514,280.62         | 6,139,777.75         |
| Bank Charges - others                                       | 934,388.40           | 581,495.66           |
| Other consultancy charges                                   | 796,150.00           | 555,800.00           |
| Provision for Doubtful Debts                                | 5,473,784.07         | 9,047,216.37         |
| Write off of Sundry Debtors                                 | 841,211.68           |                      |
| Provision for Obsolute Stock                                | -                    | 1,755,217.26         |
| Sundry balances written off                                 | -                    | 10,000.00            |
| Loss on Inventory Write off                                 | -                    | 382,207.41           |
| <b><u>Auditor's Remuneration</u></b>                        |                      |                      |
| Audit Fee   | 124,696.33           | 115,000.00           |
| Out of pocket expenses                                      | 278,617.00           | 266,911.74           |
| <b>TOTAL</b>  | <b>61,409,988.91</b> | <b>68,119,764.84</b> |





## 19. SIGNIFICANT ACCOUNTING POLICIES

### A. Significant Accounting Policies

#### 1. Basis of Preparation

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

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

These financial statements are the first financial statements of the Company in compliance with complete Bhutanese Financial Reporting Standards (BFRSs). The transition was carried out in accordance with BFRS 1, "*First time adoption of Bhutanese Financial Reporting Standards*". While compiling the financial statement as per BFRS, some of the items of financial statements of the previous years are restated.

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

The functional currency of preparation is the Bhutanese Ngultrum.

##### (ii) Historical cost convention

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

- certain financial assets and liabilities such as investment in equity shares;
- assets held for sale – measured at fair value less cost to sell; and
- defined benefit plans – plan assets measured at fair value



## 2. Current versus non-current classification

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

An asset is classified as current when it is:

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

All other assets are classified as non-current.

A liability is classified as current when:

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

All other liabilities are classified as non-current.

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

## 3. Revenue Recognition

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

**Sale of goods and services:** The Company recognises revenue when the entity satisfies a performance obligation identified in the contract by transferring a promised good or service (i.e. an asset) to a customer and the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the group. An asset is assumed to be transferred to customer when (or as) the customer obtains control of that asset. Incremental cost incurred by the company for obtaining as contract with customer is recognised as assets if the recovery of such cost is expected.



Such assets are amortised on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates.

#### 4. Property, Plant and Equipment

All property, plant and equipment are stated at historical cost less depreciation and impairment, if any. Cost includes purchase price, taxes & duties, labour cost, direct financing costs, direct overheads for self constructed assets, borrowing costs, other direct cost incurred up to the date the assets is ready for its intended use including initial estimate of dismantling and site restoration cost. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial periods in which they are incurred.

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



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| Assets Class                       | Estimated useful life                 |
|------------------------------------|---------------------------------------|
| 1. Buildings and Civil Structures: |                                       |
| a. Temporary structure             | 5 – 8 years                           |
| b. Permanent Structure             | 35 years                              |
| 2. Furniture                       | 10 years                              |
| 3. Office Equipment                | 3 - 8 years                           |
| 4. Vehicles                        | 7 - 10 years with 20 % residual value |
| 5. Air conditioner                 | 3 - 7 years                           |
| 6. Loose tools                     | 7 years                               |
| 7. Plant & machineries (ACW)       | 7 years                               |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Gains and losses on disposals 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.

On transition to BFRS, the Company has selected to measure its property, plant and equipment at cost or depreciated cost in accordance with BFRS as the deemed cost of the property, plant and equipment as at 1 January, 2015.





## 5. Foreign Currency Transactions

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

Foreign exchange gains and losses resulting from the settlement of such transaction and from the transaction at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income.

## 6. Investments and other financial assets

### (i) Initial measurement

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

### (ii) Classification and subsequent measurement

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

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

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



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

*Financial assets measured at amortized cost:*

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

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

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

*Financial instruments measured at fair value through other comprehensive income*

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

- a. the objective of the business model is achieved by both collecting contractual cash flows and selling financial assets; and
- b. the asset's contractual cash flow represent 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 and loss*



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

**(iii) Impairment of financial assets**

The Company assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost and FVOCI debt instruments. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 36 details how the Company determines whether there has been a significant increase in credit risk.

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

**(iv) Derecognition of financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised 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 derecognised.

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 derecognised 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.



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**(v) Income recognition**

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

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

**7. Financial liability****i) Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, borrowings, payables. All financial liabilities are recognised 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 and other payables, borrowings including bank overdrafts.

**ii) Subsequent measurement**

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

*Financial Liabilities at fair value through profit or loss*

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

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

#### *Borrowings*

Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised 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 capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

#### *Trade and other payables*

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 recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.



**iii) Derecognition**

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

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

**8. 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 recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

**9. Cash & 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

**10. Contingent Liabilities and Assets**

A contingent liability and contingent asset are only disclosed in the notes to the account if an outflow of resources embodying economic benefits is possible.





## 11. Income Tax

The tax expense for the period comprises current and deferred tax. The current income tax charge is calculated on the basis of the tax laws enacted at the balance sheet date in the countries where the company operates and generate taxable income. Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements deferred income tax is determined using tax rates (and laws) that have been enacted at the balances 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

## 12. Comparative Information

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

## 13. Inventories

Inventories are stated at the lower of cost and net realizable value.



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#### 14. Provisions and Contingent Liabilities

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, and 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.

#### 15. Non-current asset & liabilities


The amount expected to be recovered or settled after more than twelve months for each asset and liabilities are classified under the non-current assets & liabilities.

#### 16. Employee benefits

Under defined benefits scheme the company makes retirement payments based on the final salary and years of service. The gratuity is accrued on the basis of actuarial valuation. Changes in service and interest are charged to the profit and loss account. Changes to actuarial valuation are charged to the statement of comprehensive income.

17. The Company did early adoption of BFRS 9 and BFRS 15 from 1 January 2015.

On behalf of the Board

  
Chairman




## OTHER NOTES TO FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

### 20. Notes to Financial Statements:

20.1 In accordance with the verdict issued by the High Court dated 12<sup>th</sup> March, 2004 certain pieces of land measuring 1.13 acres and 16.60 acres located at Paro and Tsirang respectively, belonging to Mr. Tshering Parop, who defalcated Nu 5,382,042.00 in year 2001 have been transferred to STCBL at a value of Nu 5,382,042. During the financial year 2015 and 2016 the company has sold 105.05 decimal of land in Paro amounting Nu. 4,197,960 in a public auction.

20.2 The total Other Direct Expenses is Nu. 338,428,621.00 Out of which Nu. 315,624,503.71 is allocated or charged. However, Nu. 22,804,117.29 cannot be charge since the nature of expenses is unallowable. Therefore, Company has shown Nu. 22,804,117.29 as “Other Direct Expenses” amount.

20.3 The capital work in progress consists of the following:

| Year   | 2017                  | 2016                  |
|--|-----------------------|-----------------------|
| Particulars  | (Nu)                  | (Nu)                  |
| Construction of Toyota 3S Facilities cum Corporate Office at Thimphu | 199,486,787.32        | 146,297,524.42        |
| Explosive Van(Body Fabrication)                                      |                       | 1,399,542.00          |
| <b>Total</b>   | <b>199,486,787.32</b> | <b>147,697,066.42</b> |



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20.4 The physical verification of inventories for the year 2017 has been conducted as per extant practice. Inventories worth Nu. 25,152.03 were reported short. There is no excess in 2017. There is significant drop in excess and shortages due improvement made in inventory management as compared to year 2013 where the excess was Nu. 2,896,114.84 and shortage was Nu. 886,924.83. Major portion of the anomalies are due to human error. The shortages are booked as “Recoveries of Shortage for inventories” under other income in accounts.

#### 20.5 Details of CIF value of imports

| Particulars                            | 2017           | 2016             |
|--|----------------|------------------|
| CIF value of import from India         | 946,323,094.41 | 1,300,279,754.00 |
| CIF value of import from third country | 757,483,109.79 | 1,189,143,492.08 |

#### 20.6 Details of FOB value of exports

| Particulars                  | 2017          | 2016          |
|------------------------------|---------------|---------------|
| FOB value of export to India |               | 290,224.19    |
| FOB value of export to Dhaka | 33,856,491.65 | 26,986,331.96 |



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**20.7 The company has fully implemented following applicable standards under Phase I, Phase II and Phase III in its Financial Statement as on 31 December, 2017:**

- 20.7.1 Statement of Cash Flow (BAS 7)
- 20.7.2 The effect of Changes in foreign exchange rates (BAS 21)
- 20.7.3 Earnings Per Share (BAS 33)
- 20.7.4 Borrowing cost (BAS 23)
- 20.7.5 Related party disclosures (BAS 24)
- 20.7.6 Employee benefit (BAS 19)
- 20.7.7 Revenue (BAS 18)
- 20.7.8 Presentation of financial statements (BAS 1)
- 20.7.9 Inventories (BAS 2)
- 20.7.10 Interim financial reporting (BAS 34)
- 20.7.11 Provision, contingent liabilities and contingent assets (BAS 37)
- 20.7.12 Accounting policies, changes in accounting estimates & errors (BAS 8)
- 20.7.13 Property, plant and equipment (BAS 16)
- 20.7.14 Income taxes excluding deferred taxes (BAS 12)
- 20.7.15 Impairment of Asset (BAS 36)
- 20.7.16 Operating Segments (BFRS – 8)
- 20.7.17 Financial Instruments: Presentation (BAS 32)
- 20.7.18 Financial Instruments: Recognition and Measurement (BAS 39)
- 20.7.19 First-time Adoption of Bhutanese Financial Reporting Standards (BFRS 1)
- 20.7.20 Non-current Assets Held for Sale and Discontinued Operations (BFRS 5)



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- 20.7.21 Financial Instruments: Disclosures (BFRS 7)
- 20.7.22 Financial Instruments (BFRS 9)
- 20.7.23 Fair Value Measurement (BFRS 13)
- 20.7.24 Revenue from Contracts with Customers (BFRS 15)

**20.8 Following standards are not applicable as at the end of year 2017:**

- 20.8.1 Events after reporting period (BAS 10)
- 20.8.2 Construction contracts (BAS 11)
- 20.8.3 Accounting for Government grants, and disclosure of Government assistance (BAS 20)
- 20.8.4 Consolidated and separate financial statements (BAS 27)
- 20.8.5 Accounting and Reporting by Retirement Benefit Plans
- 20.8.6 Intangible Assets
- 20.8.7 Investment in Associates and Joint Ventures
- 20.8.8 Investment Property
- 20.8.9 Agriculture
- 20.8.10 Financial Reporting in Hyperinflationary Economics (BAS 29)
- 20.8.11 Share-Based Payments (BFRS 2)
- 20.8.12 Business Combinations (BFRS 3)
- 20.8.13 Insurance Contracts (BFRS 4)
- 20.8.14 Exploration for and Evaluation of Mineral Resources (BFRS 6)
- 20.8.15 Consolidated Financial Statements (BFRS 10)
- 20.8.16 Joint Arrangements (BFRS 11)
- 20.8.17 Regulatory Deferral Accounts (BFRS 14)
- 20.8.18 Disclosure of Interests in Other Entities (BFRS 12)



## 20.9 Related Party

### 20.9.1 Holding Company

The Druk Holding and Investment (DHI) Company is the holding company (i.e. Parent Company) holding 50.98% equity shares of the company. There is no adverse impact on financial transaction to form a view about effects of related party relationships on an entity

### 20.9.2 Fellow Subsidiaries

| Sl. No | Name of the Company                          |
|--------|--|
| 1      | Bhutan Power Corporation Limited             |
| 2      | Druk Green Power Corporation Limited         |
| 3      | Bhutan Telecom Limited                       |
| 4      | Druk Air Corporation Limited                 |
| 5      | Natural Resource Development Limited         |
| 6      | Bank of Bhutan Limited                       |
| 7      | Dungsum Cement Limited                       |
| 8      | Dungsum Polymer Limited                      |
| 9      | Druk Holding Investment                      |
| 10     | DHI Infra Limited                            |
| 11     | Dagachu Hydro Corporation Limited            |
| 12     | BoB Securities Limited                       |
| 13     | Bhutan Board Product Limited                 |
| 14     | Bhutan Board Export Limited                  |
| 15     | Bhutan Hydropower Services Limited           |
| 16     | Thimphu TechPark Limited                     |
| 17     | Penden Cement Authority Limited              |
| 18     | Tangsibji Hydro Energy Limited               |
| 19     | Construction Development Corporation Limited |
| 20     | Wood Craft Centre Limited                    |
| 21     | State Mining Corporation Limited             |
| 22     | Koufuku International Limited                |
| 23     | DHI Hospitality Limited                      |



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20.9.3 Commission received from the company in which the company's  
Director is Managing Director(Amount in Nu)

| Particulars   | 2017 | 2016       |
|---|------|------------|
| Commission received from Royal Insurance Corporation of Bhutan Ltd (RICBL) in which the Director is executive Director of RICBL |      | 219,843.28 |

20.9.4 Transactions of Directors for the FY 2017& 2016(Amount in Nu.)

| Name                                     | Goods and services     | 2017     | 2016         |
|--|------------------------|----------|--------------|
| Ms. Yeshey Selden (MD)                   | Kent spares            |          | 340.00       |
|  | Gas Stove              | 4,306.00 |              |
| Mr. Rinchen Dorji (Director)GYPP Pvt Ltd | Color Coated CGI Sheet |          | 1,273,698.57 |

| Name of Company             | Goods and services         | 2017       | 2016         |
|-----------------------------|----------------------------|------------|--------------|
| RSA Pvt. Ltd                | Toyota & Tata spare parts. |            | 97,877.08    |
| Mr.Rinchen Dorji, Director) | Apollo Tyre                | 340,901.82 | 4,65,072.00  |
|                             | Toyota Vehicle             |            | 7,663,883.00 |
|                             | Eicher Vehicle             |            | 1,412,088.00 |
|                             | Explosive                  | 543,400.00 | 4,75,250.60  |



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20.9.5 Sitting Fees paid to the Board Directors during the year 2017 & 2016

| Board Members         |  | 2017              | 2016              |
|-----------------------|--|-------------------|-------------------|
| Dr. Ugen Dophu        | DG, Dept. of Medical Services, MOH     | 40,000.00         | 56,000.00         |
| Mr. Sonam Dorji       | ED, RICB                               | 12,000.00         | 64,000.00         |
| Mr. Dorji Tshering    | Director, MOLHR, Thimphu               | 68,000.00         | -                 |
| Mr. Rinchen Dorji     | M.D. RSA Pvt. Ltd.                     | 20,000.00         | 48,000.00         |
| Ms. Tashi Lhamo       | Finance Director, DHI                  | -                 | 16,000.00         |
| Mr. Dorji Kaden       | Corporate Director, BOB                | 44,000.00         | -                 |
| Ms. Yeshey Selden     | MD, STCBL                              | 92,000.00         | 84,000.00         |
| Mr. Lhendup Dorji     | MD, East West Construction Pvt. Ltd    | 8,000.00          | -                 |
| Ms. Tashi Pem         | Head, Sales Tax, Revenue & Custom, MOF | 44,000.00         | 36,000.00         |
| Mrs. Karma Choden     | Company Secretary, DHI                 | 76,000.00         | 64,000.00         |
| Mr. Kapil Mani Sharma | Chief Executive Officer, BDFL          | 4,000.00          | 48,000.00         |
| <b>Total</b>          |  | <b>408,000.00</b> | <b>416,000.00</b> |



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20.9.6 Transaction with the DHI, Holding Company during the FY 2017&2016 (Amount in Nu)

| Description                     | 2017        | 2016         |
|---------------------------------|-------------|--------------|
| DHI                             | Nu.         | Nu.          |
| Consultancy fee paid to DHI     | 486,000.00  | -            |
| Sale of ICT Products            | 859,400.00  | 2,087,700.00 |
| Vehicle Servicing & Spare Parts | 332,172.00  | 632,857.50   |
| Toyota Vehicle sale (advance)   |             | 6,846,294.00 |
| Micro Tillers                   | -           | 92,971.00    |
| Household items                 | 234,0000.00 | -            |

20.9.7 Goods and Services availed from fellow subsidiaries during the FY 2017 and 2016 (Amount in Nu)

| Fellow subsidiaries      | Particulars                                    | 2017          | 2016          |
|--------------------------|--|---------------|---------------|
| Bhutan Telecom Limited   | Communication, internet and telephone charges  | 1,182,171.01  | 1,754,884.72  |
| Bhutan Power corporation | Electricity charges                            | 812,044.76    | 642,444.97    |
| Bank of Bhutan Limited   | Bank charges and fees other financial services | 934,388.40    | 6,555,340.80  |
| Bank of Bhutan Limited   | Interest charge on overdraft                   | 13,165,633.17 | 16,980,172.51 |
| Druk Air Limited         | Air ticket purchase                            | 1,304,556.00  | 1,758,395.00  |



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20.9.8 Goods and services availed by fellow subsidiaries during FY 2017 and 2016:

| Sl. No | Fellow Subsidiary                       | Type of Goods & Services | 2017                      | 2016                           |                           |                                |
|--------|---|--------------------------|---------------------------|--------------------------------|---------------------------|--------------------------------|
|        |   |                          | Value of Goods & Services | Outstanding Amount at year end | Value of Goods & Services | Outstanding Amount at year end |
| 1      | Druk Air                                | ICT Products             | 193,439.00                | -                              |                           |                                |
|        |   | Vehicle Sale             | 11,386,828.00             | -                              |                           |                                |
| 2      | Bhutan Board Products Ltd               | Running & maintenance    | 318,409.90                | 95,605.43                      | 377,192.67                | 71,865.49                      |
|        |   | ICT Product              | 13,500.00                 |                                | 109,513.00                |                                |
|        |   | Vehicle Sale             | 3,136,194.00              |                                |                           |                                |
| 3      | Dungsum Polymers Ltd                    | ICT Products             | 76,900.00                 | 298,215.78                     |                           | 3,272.87                       |
|        |   | Running & Maintenance    | 515,721.57                |                                | 181,035.53                |                                |
|        |   | Vehicle sale             |                           |                                |                           |                                |
| 4      | Natural Resource Development Corpn. Ltd | Two Wheeler              | 310,979.67                | 404,533.00                     |                           | 110,534.77                     |
|        |   | Running & Maintenance    | 979,773.74                |                                | 580,549.64                |                                |
|        |   | ICT Products             | 1,691,976.00              |                                | 217,350.00                |                                |
| 5      | Dungsum Cement Corpn. Ltd               | Running & Maintenance    | 706,986.06                | 448,313.00                     | 190,908.87                | 4,230.35                       |
|        |   | Explosives items         | 2,786,194.40              |                                | 972,645.06                |                                |
|        |   | ICT Products             | 308,685.00                |                                | 170,270.00                |                                |
| 6      | DHI Infra Ltd                           | ICT Products             |                           |                                |                           | 7,851.35                       |
|        |   | Running & Maintenance    |                           |                                | 138,360.82                |                                |
|        |   | Vehicle Sale             |                           |                                | 956,284.00                |                                |
|        |   |                          |                           |                                |                           |                                |
|        |   |                          |                           |                                |                           |                                |



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|    |                                      |                          |               |              |               |              |
|----|--------------------------------------|--------------------------|---------------|--------------|---------------|--------------|
| 7  | Bank of Bhutan                       | Running & Maintenance    | 338,901.34    | 186,460.00   | 67,991.95     | 16,756.85    |
|    |                                      | ICT Products             | 717,286.00    |              | 391,390.00    |              |
|    |                                      | Vehicle Sale             | 20,666,781.30 |              | 5,968,954.82  |              |
| 8  | Bhutan Telecom Ltd.                  | CGI Sheet                |               | 492,183.00   |               | 157,537.43   |
|    |                                      | Running & maintenance    | 1,291,273.12  |              | 152,470.11    |              |
|    |                                      | ICT Products             | 163,595.00    |              | 982,589.13    |              |
|    |                                      | Vehicle Sale             | 4,600,000.00  |              |               |              |
| 9  | Druk Green Power Corporation         | Running & maintenance    | 15,462,664.50 | 1,175,172.22 | 7,408,968.75  | 3,097,834.68 |
|    |                                      | Vehicle Sale             | 10,475,696.00 |              | 8,407,872.00  |              |
|    |                                      | ICT Products & CGI sheet |               |              | 1,156,899.00  |              |
|    |                                      |                          |               |              |               |              |
| 10 | Bhutan Power Corporation             | Running & maintenance    | 13,744,493.03 | 4,510,381.91 | 6,464,755.97  | 2,355,956.66 |
|    |                                      | ICT Products             | 34,104.00     |              | 1,203,125.60  |              |
|    |                                      | Vehicle Sale             | 12,850,693.95 |              | 3,922,877.00  |              |
|    |                                      | Explosive                | -             |              | 4,234.00      |              |
| 11 | Dagachu Hydro Power                  | Running & maintenance    | 1,128,882.35  | 72,056.00    | 611,929.83    | 121,263.55   |
|    |                                      | ICT Product              |               |              | 137,000.00    |              |
| 12 | Tangsibji Hydro Energy Ltd           | ICT Products             |               | 241,524.76   | 20,316.00     | 85,409.08    |
|    |                                      | Running & maintenance    | 976,346.14    |              | 241,164.09    |              |
|    |                                      | Sale of Vehicle          | 7,912,522.00  |              | 2,824,956.00  |              |
| 13 | Construction Development Corpn. Ltd. | Tyres- Apollo            | 1,521,006.24  | 2,632,918.50 |               | 195,936.47   |
|    |                                      | ICT Products             | 306,600.00    |              | 13,500.00     |              |
|    |                                      | Running & maintenance    | 915,754.34    |              | 261,006.30    |              |
|    |                                      | Vehicle Sale             | 15,886,250.00 |              | 14,298,439.45 |              |
|    |                                      | Sale of Explosive        | 4,507,692.50  |              | 762,456.52    |              |
|    |                                      | Sale of Bitumen          | 25,297,061.25 |              | 40,810,317.26 |              |





|              |                          |                       |                       |                      |                       |                     |
|--------------|--------------------------|-----------------------|-----------------------|----------------------|-----------------------|---------------------|
| 14           | State Mining Corporation | Running & maintenance | 494,789.00            | 6,128,689.00         | 93,254.69             | 91,389.56           |
|              |                          | Sale of Vehicle       | 14,959,324.32         |                      | 3,779,079.00          |                     |
|              |                          | Two Wheeler           | 417,636.26            |                      |                       |                     |
|              |                          | Explosive             | 476,505.00            |                      |                       |                     |
| 15           | Wood Craft Centre Ltd    | ICT Product           |                       |                      | 17,600.00             | 31,327.67           |
|              |                          | Running & Maintenance | 12,052.00             |                      | 15,718.00             |                     |
| 16           | DHI                      | Running & Maintenance | 332,172.10            |                      | 632,857.50            | 44,461.17           |
|              |                          | Vehicle Sale          |                       |                      | 6,846,294.00          |                     |
|              |                          | ICT Products          | 859,400.00            |                      | 2,087,700.00          |                     |
|              |                          | Micro Tillers         |                       |                      | 92,971.00             |                     |
|              |                          | Household Items       | 234,000.00            |                      |                       |                     |
| 17           | Thimphu (IPL)            | Sale of Vehicle       |                       |                      | 2,152,439.00          |                     |
|              |                          | Running & Maintenance | 18,304.00             |                      |                       |                     |
|              |                          | ICT Products          | 76,900.00             |                      |                       |                     |
| 18           | PCAL                     | Sale of Explosive     | 2,404,000.00          | 196,139.00           | 1,554,858.00          | 389,985.87          |
|              |                          | Running & Maintenance | 333,749.79            |                      | 9,025.00              |                     |
| <b>Total</b> |                          |                       | <b>165,008,195.96</b> | <b>17,448,952.49</b> | <b>117,289,119.04</b> | <b>6,785,613.82</b> |



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## 20.12 Gratuity Fund

The Company has applied BAS-19 for an earlier period hence the disclosure for same is made accordingly. BAS 19-Employee benefit is applicable for financial statement covering periods beginning on or after 1 January 2016 (Phase-II). The Company has incorporated the figures for actuarial gain and loss based on the report prepared by actuary. The actuarial valuation is made at the end of the period.

| Change in Define Benefit Obligations |                                      | 2017                 | 2016                |
|--------------------------------------|--------------------------------------|----------------------|---------------------|
| 1                                    | DBO at the end of the prior period   | <b>9,496,339.86</b>  | 8,830,970.00        |
| 2                                    | Current Service Cost                 | 1,645,990.00         | 1,573,220.00        |
| 3                                    | Interest Cost on DBO                 | 758,798.00           | 726,339.00          |
| 4                                    | Actuarial (gain)/loss                | (434,220.10)         | 929,310.00          |
| 5                                    | Benefit Paid directly by the Company | (843,014.76)         | (2,563,499.14)      |
| 6                                    | DBO at the end of the Current period | <b>10,623,893.00</b> | <b>9,496,339.86</b> |

| Change in Fair Value of Plan Assets |   | 2017                | 2016                |
|-------------------------------------|---|---------------------|---------------------|
| 1                                   | Fair Value of assets at end of prior period               | 9,534,447.30        | 8,961,989.00        |
| 2                                   | Interest income on plan assets                            | 891,428.00          | 761,769.00          |
| 3                                   | Return on plan assets greater/(lesser) than discount rate | (380,724.83)        | (189,310.70)        |
| 4                                   | Fair value of assets at the end of current period         | <b>9,964,150.47</b> | <b>9,534,447.30</b> |



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| Net Balance Sheet Positions |   | 2017          | 2016         |
|-----------------------------|---|---------------|--------------|
| 1                           | Fair Value of Planned Asset             | 9,964,150.47  | 9,534,447.30 |
| 2                           | Defined Benefit Obligation              | 10,623,893.00 | 9,592,260.00 |
| 3                           | Net Defined Benefit Assets/ (Liability) | (659,742.53)  | 38,107.30    |

Actuarial assumptions employed for the calculation as at 1 January, 2017 and 31 December, 2017 is as follows:-

| Particulars |                        | 31 December, 2017  | 31 December, 2016  |
|-------------|------------------------|--|--|
| 1           | Discount Rate          | 8.50%  | 8.50%  |
| 2           | Salary Escalation Rate | 6.00%  | 6.00%  |
| 3           | Mortality rate         | Indian Assured Lives Mortality (2006-08) (modified) Ult. | Indian Assured Lives Mortality (2006-08) (modified) Ult. |
| 4           | Withdrawal rate        | 5.00%  | 5.00%  |

As per actuarial valuation there is a net gain of Nu. 53,495.41 that has to be booked as other comprehensive gain/loss. The Gratuity Fund Account is maintained in the form of fixed deposit account with Bhutan Development Bank Limited. The investment in Gratuity Fund Account as on 31.12.2017 stood at Nu. 9,964,150.47 (Previous year – Nu. 9, 534,447.30), whereas the liability for Gratuity fund is Nu.10, 623,892.86 (Previous year- Nu 9,496,339.86). The same has been grouped under Long Term Deposit [Refer notes to financial statement 7].

### 20.13 Contingent Liability

The company has outstanding legal claims filed against the company by two tour operators namely M/s Keys to Bhutan and M/s Aja Tours and Treks amounting to Yen 6,171,731. The provision for the payment hasn't been included in the financial statement as no liability is anticipated.



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## 20.14 Court Cases filed against company's debtors

The company has filed cases against two debtors during the year as listed in the table below:

| SL. No | Name                                 | Pertaining to (Year) | Status                       | Amount (Nu.)        |
|--------|--------------------------------------|----------------------|------------------------------|---------------------|
| 1      | Galing Workshop, Gelephu (Eicher Sp) | 2012                 | Case registered in the court | 340,264.63          |
| 2      | Y.T Workshop, Punakha (Eicher Sp)    | 2011-2012            | Case registered in the court | 292,247.60          |
| 3      | Kelzang Namgay (Tata Vehicle)        | 2016                 | Case registered in the court | 372,828.00          |
| 4      | Mr. Tenzin Wangdi                    | 2016                 | Case registered in the Court | 1,041,883.44        |
|        |                                      |                      | <b>Total</b>                 | <b>2,047,223.67</b> |



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## 20.15 Segmental Reporting

### Description of Segments

State Trading Corporation of Bhutan Ltd has following divisions. Toyota & Tata division's deals with sale spare & service of Tata & Toyota vehicles. Eicher division deals with sale of vehicle, Parts, two wheelers & Apollo Tyres. Cash division deals with household items, Agriculture machineries, SML, Bitumen, Kent Filter etc.

Explosive division deal with explosive items & other includes sale of medical, stone, ICT and HVAC.



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| Year ended 31 December 2016   |                         |                       |                       |                      |                      |                      |                       |                         |  |  |
|---|-------------------------|-----------------------|-----------------------|----------------------|----------------------|----------------------|-----------------------|-------------------------|--|--|
|   | Toyota                  | Tata                  | Eicher                | Cash                 | Explosive            | Others               | unallowable           | Total                   |  |  |
| <b>1. Segment Revenue</b>   |                         |                       |                       |                      |                      |                      |                       |                         |  |  |
| Revenue from Operation  | 1,158,261,309.00        | 806,368,051.18        | 389,419,102.17        | 85,423,546.88        | 79,394,230.75        | 62,184,305.83        | 14,561,610.50         | 2,566,488,935.31        |  |  |
| Other Income  | 18,857,799.24           | 4,616,985.02          | 2,774,140.66          | 277,161.59           | 281,452.13           | 941,209.68           | 4,723,929.47          | 32,472,677.79           |  |  |
| <b>Total Revenue</b>  | <b>1,177,119,108.24</b> | <b>810,985,036.20</b> | <b>392,193,242.83</b> | <b>85,700,708.47</b> | <b>79,675,682.88</b> | <b>63,125,515.51</b> | <b>4,723,929.47</b>   | <b>2,613,523,223.60</b> |  |  |
| Cost of Materials Consumed  | 1,028,202,589.91        | 727,045,605.00        | 361,569,470.67        | 71,646,741.11        | 65,979,015.40        | 39,034,723.80        | 69,000.00             | 2,293,547,145.89        |  |  |
| Other Direct Expenses   | 8,454,578.61            | 3,627,906.26          | 604,949.00            | 3,215,894.64         | 1,142,434.45         | 14,368,647.11        | 28,784,730.22         | 31,461,846.07           |  |  |
| Employee Benefit Expenses   | 12,216,361.38           | 8,268,067.52          | 3,403,910.69          | 2,340,144.24         | 5,570,107.35         | 3,711,729.00         | 34,762,765.26         | 70,273,085.44           |  |  |
| Finance Cost  |                         |                       |                       |                      |                      |                      | 16,980,172.51         | 16,980,172.51           |  |  |
| Other Expenses  | 17,775,744.60           | 16,154,695.35         | 11,489,622.00         | 2,770,067.80         | 4,076,008.40         | 3,067,805.66         | 22,405,642.53         | 77,739,586.34           |  |  |
| Depreciation and Amortization   | 161,710.63              | 163,103.80            | 16,240.69             | 650,336.37           | 12,660.04            | 157,716.83           | 4,367,013.05          | 5,528,781.41            |  |  |
| <b>Total Expenses (B)</b>   | <b>1,066,810,985.13</b> | <b>755,259,377.93</b> | <b>377,084,193.05</b> | <b>80,623,184.16</b> | <b>76,780,225.64</b> | <b>60,340,622.40</b> | <b>155,412,254.99</b> | <b>2,495,530,617.66</b> |  |  |
| Profit Before Tax   | 110,308,123.11          | 55,725,658.27         | 15,109,049.78         | 5,077,524.31         | 2,895,457.24         | 2,784,893.11         | -73,908,099.88        | 117,992,605.94          |  |  |
| Tax Expenses  |                         |                       |                       |                      |                      |                      | 35,499,426.75         | 35,499,426.75           |  |  |
| <b>Net Profit for the year</b>  | <b>110,308,123.11</b>   | <b>55,725,658.27</b>  | <b>15,109,049.78</b>  | <b>5,077,524.31</b>  | <b>2,895,457.24</b>  | <b>2,784,893.11</b>  | <b>109,407,526.63</b> | <b>82,493,179.19</b>    |  |  |
| <b>2. Segment Asset</b>   |                         |                       |                       |                      |                      |                      |                       |                         |  |  |
| Allocable asset   | 458,287,355.89          | 159,786,765.34        | 56,949,687.91         | 25,330,600.41        | 28,153,985.43        | 11,969,119.83        | 257,677,712.80        | 998,155,228.00          |  |  |
| <b>3. Segment Liability</b>   |                         |                       |                       |                      |                      |                      |                       |                         |  |  |
| Allocable liability   | 84,621,537.72           | 7,099,545.96          | 25,331,293.88         | 2,903,036.36         | 20,388,856.97        | 336,133.77           | 857,474,822.95        | 998,155,228.00          |  |  |
| <b>Note: "All Other Segment" - Includes the segment revenue from ICT, medical &amp; stone</b> |                         |                       |                       |                      |                      |                      |                       |                         |  |  |



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Year ended 31 December 2017

|                                | Toyota                  | Tata                  | Eicher                | CASH                 | Explosive            | Others                | Unallocable           | Total                   |
|--------------------------------|-------------------------|-----------------------|-----------------------|----------------------|----------------------|-----------------------|-----------------------|-------------------------|
| <b>1. Segment Revenue</b>      |                         |                       |                       |                      |                      |                       |                       |                         |
| Revenue from Operation         | 1,024,065,769.84        | 600,183,916.43        | 364,218,148.70        | 60,088,372.50        | 88,680,586.76        | 118,296,961.96        | 9,091,022.14          | 2,246,442,734.05        |
| Other Income                   | 23,667,587.36           | 4,227,421.65          | 3,969,088.33          | 131,099.34           | 131.20               | 7,224,369.45          | 125,665.85            | 39,345,363.18           |
| <b>Total Revenue (A)</b>       | <b>1,047,733,357.20</b> | <b>604,411,338.08</b> | <b>368,187,237.03</b> | <b>60,219,471.84</b> | <b>88,680,717.96</b> | <b>125,521,331.41</b> | <b>125,665.85</b>     | <b>2,294,879,119.37</b> |
| Cost of Materials Consumed     | 893,101,203.33          | 531,682,655.75        | 338,203,217.15        | 49,960,629.63        | 72,945,812.34        | 100,215,704.27        | 2,229,998.48          | 1,988,339,220.95        |
| Other Direct Expenses          | 15,568,720.54           | 2,670,666.99          | 946,897.80            | 1,981,786.56         | 967,340.93           | 4,775,077.75          | 103,776.00            | 27,014,266.57           |
| Employee Benefit Expenses      | 12,013,789.33           | 6,854,435.64          | 3,640,590.26          | 2,316,067.63         | 4,602,578.48         | 3,679,719.41          | 34,927,632.31         | 68,034,813.06           |
| Finance Cost                   | 4,188,557.95            | 3,646,975.82          | 1,825,604.64          | 271,898.23           | 432,502.26           | 792,045.38            | 2,008,058.39          | 13,165,642.67           |
| Other Expenses                 | 11,094,512.64           | 10,881,694.04         | 9,701,232.63          | 3,172,669.74         | 4,436,387.33         | 7,022,327.30          | 24,192,187.37         | 70,501,011.05           |
| Depreciation and Amortization  | 215,047.58              | 173,035.73            | 31,905.14             | 749,733.52           | 765,676.29           | 4,545,477.04          | 3,509,959.40          | 9,990,834.70            |
| <b>Total Expenses (B)</b>      | <b>936,181,831.37</b>   | <b>555,909,463.97</b> | <b>354,349,447.62</b> | <b>58,452,785.31</b> | <b>84,150,297.63</b> | <b>121,030,351.15</b> | <b>66,971,611.95</b>  | <b>2,177,045,789.00</b> |
| <b>Profit Before Tax</b>       | 111,551,525.83          | 48,501,874.11         | 13,837,789.41         | 1,766,686.53         | 4,530,420.33         | 4,490,980.26          | (66,845,946.10)       | 117,833,330.37          |
| (1) Current Tax                |                         |                       |                       |                      |                      |                       | 35,349,999.11         | 35,349,999.11           |
| (2) Prior Period Tax           |                         |                       |                       |                      |                      |                       | 1,369,961.07          | 1,369,961.07            |
| (3) Deferred tax               |                         |                       |                       |                      |                      |                       | -142,194.12           | -142,194.12             |
| <b>Net Profit for the year</b> | <b>111,551,525.83</b>   | <b>48,501,874.11</b>  | <b>13,837,789.41</b>  | <b>1,766,686.53</b>  | <b>4,530,420.33</b>  | <b>1,665,218.99</b>   | <b>100,597,950.89</b> | <b>81,255,564.31</b>    |
| <b>2. segment Asset</b>        |                         |                       |                       |                      |                      |                       |                       |                         |
| Allocable asset                | 261,800,849.89          | 28,280,866.51         | 23,877,713.50         | 10,064,277.81        | 6,452,569.30         | 22,784,001.52         | 625,912,770.21        | 950,892,182.23          |
| <b>3. Segment Liability</b>    |                         |                       |                       |                      |                      |                       |                       |                         |
| Allocable Liability            | 186,509,748.90          | 15,827,113.56         | 6,553,713.92          | 3,843,615.97         | 1,101,653.69         | 3,178,021.58          | 733,878,314.61        | 950,892,182.23          |

Note: All other segment include the revenue from ICT, Medical, HVAC and Stone



*(Handwritten signatures)*



**20.16 Declaration of Dividend**

The Board of Directors in its 105<sup>th</sup> Board meeting held on 5<sup>th</sup> March, 2018 declared 20% dividend amounting to Nu.36,000,320.00 which was also ratified by the Shareholders in its 21<sup>st</sup> AGM Conducted on 5<sup>th</sup> March 2018.

**On behalf of the Board**



**Chairman**







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