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# Annual Report 2020

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## COMPANY PROFILE

State Trading Corporation of Bhutan Limited (STCBL) was established in 1968 by the Royal Government of Bhutan (RGoB) under the administrative control of the Ministry of Trade and Industry and was declared as an autonomous body in 1984.

The company was registered as a limited company under the Companies Act of the Kingdom of Bhutan from March 5, 1996. The Royal Government of Bhutan (Druk Holding and Investments) holds 51% of share and it is the only state owned enterprise into trading. The company is overseen by a Board of Directors whose members are a mix of private and public sector professionals.

### VISION

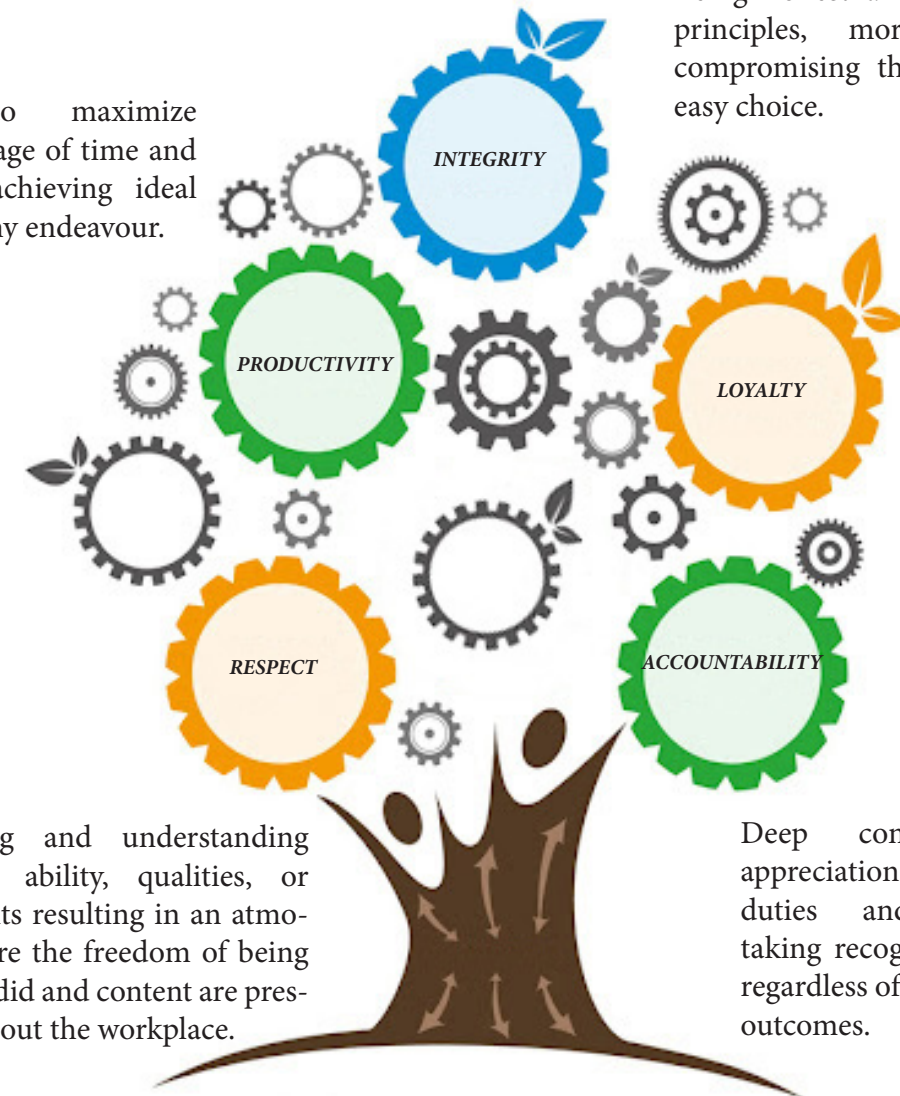
*'The first choice for quality and trust'*

### MISSION

1. *Creating value by leveraging on technology and people*
2. *Building trust by providing genuine products and services to the customers*

## CORE VALUES

Ability to maximize effective usage of time and effort in achieving ideal results in any endeavour.



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

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

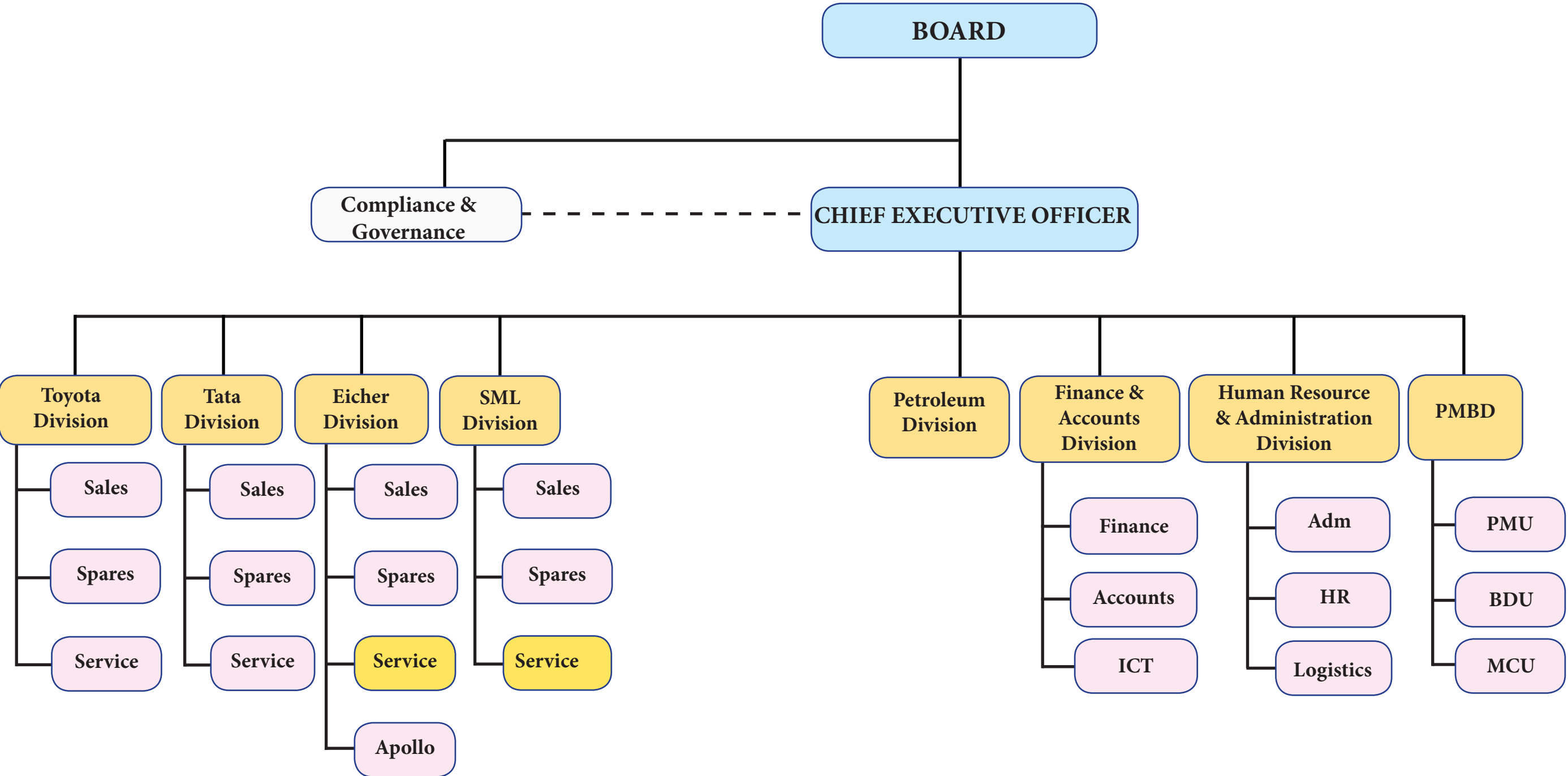
Appreciating and understanding co-worker's ability, qualities, or achievements resulting in an atmosphere where the freedom of being honest, candid and content are present throughout the workplace.

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

### Key Financial Highlights (Past Five Years)

Particular	Year		Growth	
	2020	2016	Absolute	%
Net worth (Nu. Million)	1,323.73	408.88	914.85	223.75%
Revenue (Nu. Million)	1,668.00	2,613.52	(945.52)	-36.18%
Profit (Nu. Million )	(8.93)	81.70	(90.63)	-110.93%
Fixed Assets (Nu. Million)	311.21	85.98	255.24	262.03%
Reserve & Surplus (Nu. Million)	264.52	228.87	35.65	15.58%
Inventory Turn Over Ratio	2.83	5.43	(2.60)	-47.88%
Net Profit Ratio	-1.0%	3.13%	(0.04)	-131.95%
Earning Per Share (Nu. Million)	-0.50	4.54	(5.04)	-111.1%

# ORGANIZATIONAL STRUCTURE



- PMBD - Planning Monitoring and Business Development
- PMU - Performance Monitoring Unit
- BDU - Business Development Unit
- MCU - Market and Communication Unit
- Liaison Offices under Logistics Unit
- Future expansion

## BOARD OF DIRECTORS



**Dasho Karma Yeshey**  
**Chairman**

Dasho Karma Yeshey, Secretary for Ministry of Education (MoE) is the Chairman of STCBL Board. He began his career in the year 1986. He earned his Masters degree in Education from University of Leeds, UK, Advanced Diploma in Educational Studies from University of Leeds, UK and did his Bachelors in Education from National Institute of Education, Samtse, Bhutan. He worked in various capacities such as Director General in Department of School Education, MoE, Director in DAHE, MoE, Chief Curriculum in Curriculum and Professional Support Division, MoE, Principal of Yangchenphug Higher Secondary School and Zhemgang Higher Secondary School and Head Master in Jakar Jr. High School and Womrong Jr. High School.



**Dasho Kinzang Dorji**  
**Haa Dzongda**

Dasho Kinzang Dorji is currently the Dzongda for Haa Dzongkhag. He joined the Civil Service in 1993. He earned his Masters of Science in Economic and Political Development from London, UK. He completed his Bachelor's Degree from Sherubtse College.



**Tshering Om**  
**Chief, Member Loan Division, National Pension and Provident Fund**

Tshering Om is currently serving as the Chief, Member Loan Division, NPPF. She began her career in 2002 as a Banking Officer under Bank of Bhutan Ltd. She earned her Masters in Business Administration from University of Canberra, Australia in 2017. She completed her Bachelors in Commerce from St. Josephs College in Darjeeling.



**Harilal Bhattarai**  
**Sr. Analyst, Druk Holding Investment Ltd.**

Harilal Bhattarai obtained his Bachelors in Computer Science (hons.) from St. Joseph's College, North Point Darjeeling, and MBA from Anna University, Chennai. He is currently working as the Sr. Analyst in DHI. Currently he is serving as a Board Director in Dungsum Polymers Limited. Prior to joining DHI he was working as a faculty of business studies in Royal Thimphu College.

## BOARD OF DIRECTORS



**Singye N Dorji**  
**Joint Managing Director of RSA Pvt Ltd**

Singye N Dorji is the Joint Managing Director of RSA Pvt Ltd and he began his career in 2001 with the Ministry of Education as an education planner in the Policy and Planning Division. He received a Masters Degree in Professional Studies from Cornell University, USA, a PG Diploma in Development Management from the Royal Institute of Management, Thimphu and a Diploma in Project Management from Tietgen Business College, Nordic Agriculture Academy Odense, Denmark. He is currently the Chairman of the SAARC Young Entrepreneurs' Forum and also a member of the Private Sector Development Committee (PSDC), Bhutan. He was also a member of the National Task Force for the development of Bhutan's 21st Century Economic Roadmap.



**Chencho Tshering**  
**Chief Executive Officer, Bhutan Yuden Travels**

Chencho Tshering started his career as a reporter for Kuensel in 1990. He climbed his way to be appointed as the Managing Director of Kuensel Corporation Limited in April 2009. He was also the First Chairman of the Bhutan Media Foundation (BMF) from 2011 to 2013. In addition to being the Chairman of BMF, he also served as the Deputy Chairman of South Asia Foundation (SAF). He also served as a Board Director of Kidu Foundation, Lhaksam and Menjong Diagnostic Centre. After his retirement from Kuensel in 2014 he started his own tour company and is presently in the business of tourism and hospitality.



**Kuenga Namgay**  
**Former Chief Executive Officer, State Trading Corporation of Bhutan Ltd.**

Kuenga Namgay started his career as an Assistant Engineer in 1991 and has served at various levels of position during his 28 years of service in Druk Green Power Corporation Limited. He joined STCBL in the year 2019 and served for the period of eight months as the Chief Executive Officer.



## MANAGEMENT TEAM



**CHENCHO**  
CFO



**UGYEN CHODA**  
GM, TATA



**SONAM NYEANDA**  
GM, EICHER



**SUGAN PRADHAN**  
GM, PETROLUEM



**TASHI PEMO**  
HEAD, PMBD



**DECHEN WANGDI**  
DGM, HOMESTORE



**KINLEY BIDHA**  
HEAD, TOYOTA



**PEM TSHOGAY**  
DGM, LPG BUSINESS



**TASHI EUDEN DORJI**  
COMPANY  
SECRETARY

## DIRECTORS' REPORT



Dear Shareholders,

On behalf of the board, the management and staff of State Trading Corporation of Bhutan Limited, I am pleased to present the Directors' Report 2020.

### OPERATIONAL HIGHLIGHTS

Unlike the past year, 2020 was an exception. While majority of countries suffered terribly from the COVID19 pandemic, Bhutan, under the visionary and wise leadership of His Majesty the King, battled the pandemic marvelously, a notable achievement by a small Himalayan Kingdom. Despite the country's success story against the virus, businesses slumped, imports and exports stalled, industries and construction froze, all in all, daily activities came to a standstill. Much like elsewhere in the world.

At home, STCBL recorded a drop of 23% or Nu.503.84 million in comparison to 2019 revenue generation. Sales of vehicles and related services dropped by 40% in 2020 in comparison to 2019. Revenue from exports further declined from Nu.50.83 million to 18.62 million in 2020. On the contrary, IT and Homestore maintained their financial performance. We are pleased to report that first STCBL new generation fuel retail outlet was inaugurated at Ramtokto and became operational by 11 March 2020.

Overall, the company registered a loss of Nu.8.93 million. The details are further explained under financial performance. Yet we are pleased to apprise that no employee was re-lieved from the company.

With much regret, we inform the gathering today that the Chief Executive Officer had to make an untimely exit from the company on grounds of sexual harassment complaints. Since June 2020, the company was without a CEO and it was functioning under the guidance of Board Executive Committee. As of now the company is in court as the CEO filed a case against the decision of the Board. However, we assure that the decision was taken after reviewing the evidences and following due processes of the company. The court have issued a restraining order on the appointment of CEO.

### HR Capacity Building

Despite COVID travel restrictions, the staffs attended various online training to keep abreast with the latest development of our valued stakeholders such as Tata, Eicher and Toyota. Supports in form of online product knowledge presentations, service training for technicians, seminars and conference for deputy managers and general managers were conducted. in-house training on Risk Management was conducted for dupty managers and above. the management continues to support training and development for staff and encourages growth in terms of knowledge, skills and positive mindset.

### Awards and Recognition

The Spare Parts Unit of Eicher division was presented the best lubricant sales performance award during the Volvo Eicher Commercial Vehicles Limited (VECVL) Annual Dealer Conference held virtually. Furthermore, the spare parts unit was declared winner of the cleanliness and sanitation practices in workplace and surrounding area as part of the 'Eicher Capture Clean Competition' initiative in 2020. All dealer conferences and conventions were cancelled following the outbreak of COVID around the world.

### FINANCIAL PERFORMANCE HIGHLIGHTS

#### Income and Expenditure

STCBL achived revenue of Nu.1,688.59 million with a decline of Nu.503.84 million (23%) in comparison to revenue of 2019. Total expense of Nu.1,697.22 million was incurred during the financial year. The company registered a loss of Nu.8.93 million, a decrease of Nu.53.49 million (120%) over 2019.

As reported in 2019, changes in government regulation to prevail in 2020 impacting exports. Additional regulations for import and national lockdowns also hindered businesses. Although COVID protocols were implemented for safer environment, it ostructed business transactions and delaed pocesses including the entire supply chain delivery.

### Financial Facts and Figures

The table below highlights the key financial facts and figures of the company for 2020:

PARTICULARS	FY 2020	FY 2019
Revenue (in million Nu)	1,688.59	2,192.43
Expenses (in million Nu)	1,697.22	2,127.31
Profit After Tax (in million Nu)	(8.93)	44.56
Long Term Liabilities (in million Nu)	166.14	135.39
Net Worth (in million Nu)	444.53	481.16
Earnings Per Share	(0.50)	2.48
Return on Capital Employed	(2.01)	9.26
Current Ratio	1.39	1.37
Trade Receivable Turnover Ratio	77.90	59.63
Inventory Turnover Ratio	2.83	3.44
Net Profit Ratio	-1%	2.0%
Fixed Asset	311.21	300.38
Capital Work in Progress	-	13.12

In 2020, sales of non-automobile business including petroleum registered a growth of Nu.1,144.41 million was generated which is a decline of Nu.753.24 million or 40% over 2019 sales of Nu.1,897.65 million. Thus, to the total revenue, the automobile business contributed 69% and 31% from non-automobile business.

The table below illustrates the company's portfolio with its revenue share:

SI NO.	Division / Unit	Revenue (Nu.)	Contribution to Revenue (%)
1	Toyota Division	578.83	35%
2	Tata Division	284.45	17%
3	Eicher Division	268.93	22%
4	IT Unit	41.44	2%
5	Explosive Unit	18.63	1%
6	Homestore	102.97	6%
7	Export Unit	18.63	1%
8	SMLI Unit	12.65	1%

Concerning trade receivables, 40% or Nu 178.76 million of the total trade receivables were recovered from an opening balance of Nu 445.77 million pertaining to FY 2007 to 2019. Moreover, 86% (or Nu 1,458.45 million) out of 2020 sales of Nu 1,688.59 million has been collected during the year.

The Company achieved a score of 85.81% in the Annual Company Compact Evaluation.

### STATUTORY AUDIT REPORT

Menuka and Associates was appointed as the statutory auditors for the year by the Royal Audit Authority (RAA). The firm audited the accounts from 15 February to 4 March 2020 in accordance with the International Standards on Auditing (ISAs) and the relevant provisions of The Companies Act of Bhutan 2016. The Statutory Auditors' Report consists of Statement of Change in Equity and Statement of Cash Flow for the year ended 31 December 2020 and the notes to the financial statements, including a summary of significant accounting policies.

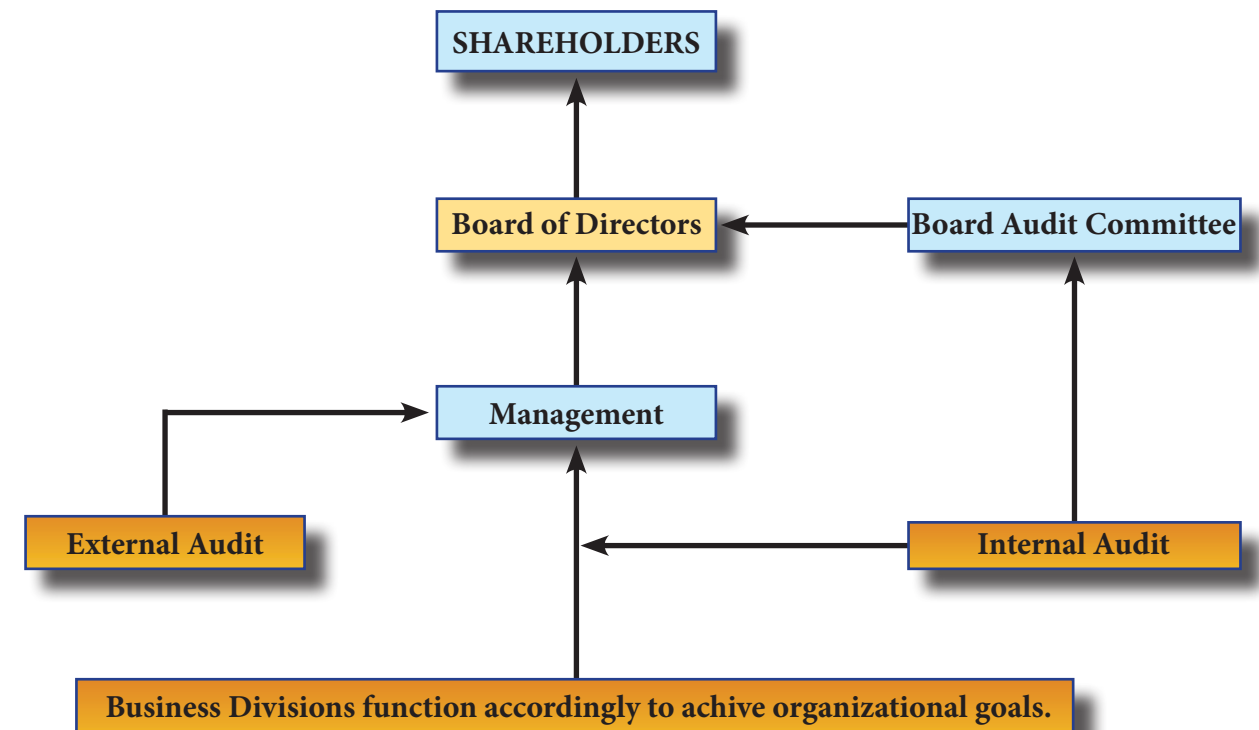
### CORPORATE GOVERNANCE

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 destination statement, mission and vision drive the functions of the company.

The STCBL Board constitutes of seven Board Directors including the Chief Executive Officer. In 2020, the Board met fourteen times to review the company's performance and for selection of CEO.

A Board Audit Committee (BAC) is formed to resolve audit issues of the company and Board Level Committees are formed keeping in mind works such as tender awards and recruitment for executive category.

### STCB CORPORATE GOVERNANCE



### CORPORATE SOCIAL RESPONSIBILITY (CSR)

Immediately after the announcement of the national border lockdown, employees living across the border in Jaigaon were accommodated in temporary houses built by the company and some were accommodated by colleagues based in Phuentsholing. The management continued the initiative to support employees of grade 15 and below, in terms of providing school uniforms, shoes and bag for their children and subsidized lunch to technicians, janitors, security guards and drivers. The management initiated a voluntary fund to assist employees affected by COVID19 for which nine employees were direct beneficiaries.

### CHALLENGES AND WAY FORWARD

As foreseen, the total industrial volume globally for automobile business reduced following the coronavirus pandemic. However, in Bhutan, the import of vehicle during the pandemic is reported to have increased following the announcement of fiscal and monetary policies which included waiver of interest and EMIs, allowing public to invest in small and mid-sized SUV passenger vehicles which, unfortunately are not available in STCBL. An area for the management to explore in 2021.

Concerted efforts are assured to meet the targets and planned activities for the year despite the on-going ripple effects of the pandemic. New entrants in the market, cutthroat competition, market size and high transportation rates are STCBL's key business challenges.

For 2021, considering no national lockdowns and favorable economic conditions, the revenue is projected at Nu.2,763.83 million with a growth of 63% as compared to revenue of 2020. As such, the net profit is projected at Nu.35.40 million.

The core activity for the year is the commencement of three additional fuel retail outlets (FRO) in Phuentsholing, Chukha and Thapa. Furthermore, construction of three more FROs in strategic locations shall be initiated in 2021.

Likewise, the revival of boulder exports is also a prime objective for the year. Various routes will be explored and studies will be conducted. While the



boulder exports from Phuentsholing was initiated since 2015, similarly boulder exports from Gelephu will also be initiated to boost sales.

As for internal processes, recruitment of CEO and GM HRAD is in plan, review of business documents such as policies, manuals, guidelines and SOPs are under process.

For information of shareholders, the Mini Dry Port next to our regional office in Phuentsholing is scheduled for expansion in 2021 considering the COVID19 protocols for imports and exports. Thus our office was notified for relocated in Ammo Chhu by Phuentsholing Thromde. The management appointed a relocation project team for the task and the team is in negotiation with Thromde.

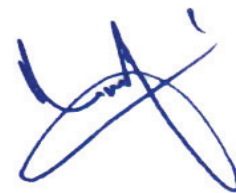
With prayers and greater hopes for the best of days ahead, STCBL pledges to overcome obstacles, build trust and continue to upload core values in achievement of our mission and vision.

## ACKNOWLEDGEMENTS

On behalf of the Board of Directors, Management and employees of STCBL, I would like to offer my solemn gratitude to Their Majesties for Their tireless efforts in combatting the pandemic. We are truly blessed and we pray for Their Beloved Majesties' good health and well-being.

Our appreciation 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. We pray for your encouragement in such times of need.

Tashi Delek!



(Dasho Karma Yeshey)  
Chairman, STCBL Board

## CORPORATE GOVERNANCE REPORT

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 Chief Executive Officer. The Board provides strategic guidance and monitors the performance of the company on a quarterly basis. In 2020, the Board met fourteen times to review the Company's performance and to provide necessary inputs. The Board Audit Committee (BAC) convenes to study and resolve audit issues of the company. Board Level Committees are also formed for tender awards, recruitment for executive category etc.

### Board Directors

SI NO.	Name	Address	Date of Appointment	Status	Term
1	Karma Yeshey	Secretary, Ministry of Education	5 Jun 2018	Independent	Second
2	Kinzang Dorji	Former Dzongda, Haa Dzongkhag	27 Mar 2019	Independent	First
3	Rinchen Dorji	Managing Director, RSA Pvt. Ltd	11 Mar 2016	Non- independent	Fourth
4	Lhundub Dorji	Managing Director, EW Pvt Ltd	24 Nov 2017	Non- independent	First
5	Karma Choden	Company Secretary, DHI	05 Mar 2018	Non- independent	Second
6	Tshering Om	Chief, Member Loan Division, NPPF	27 Mar 2019	Non- independent	First
7	Chencho Tshering	CEO, Bhutan Yuden Tours and Travels,	14 Mar 2020	Independent	First
8	Singye Namgyal Dorji	MD, DDPL Pvt Ltd	14 Mar 2020	Non - independent	First
9	Harilal Bhattarai	Sr. Analyst, DHI, Thimphu	17 Mar 2020	Non - independent	First
10	Kuenga Namgay	Chief Executive Officer, STCBL, Thimphu	02 Sept 2019	By Default	First

### Board Meetings

Eleven Board Meeting were held in 2019. The details of the Board Attendance are as follows:

Board Meeting No.	Date	Members Present	Leave of Absence
120	1 February 2020	1. Karma Yeshey 2. Kinzang Dorji 3. Rinchen Dorji 4. Lhundub Dorji 5. Karma Choden 6. Tshering Om 7. Kuenga Namgay	None



Board Meeting No.	Date	Members Present	Leave of Absence
121	07 Mar 2020	1. Karma Yeshey 2. Kinzang Dorji 3. Rinchen Dorji 4. Lhundub Dorji 5. Karma Choden 6. Tshering Om 7. Kuenga Namgay	None
Emergency Board Meeting	06 May 2020 & 09 May 2020	1. Karma Yeshey 2. Kinzang Dorji 3. Singye Namgyal Dorji 4. Chencho Tshering 5. Tshering Om	1. Harilal Bhattarai 2. Kuenga Namgay
122	30 May 2020	1. Karma Yeshey 2. Kinzang Dorji 3. Singye Namgyal Dorji 4. Chencho Tshering 5. Tshering Om 6. Harilal Bhattarai 7. Chencho (Offtg.CEO)	None
123	13 June 2020	1. Karma Yeshey 2. Kinzang Dorji 3. Singye Namgyal Dorji 4. Chencho Tshering 5. Tshering Om 6. Harilal Bhattarai 7. Chencho (Offtg.CEO)	None
124	20 Jun 2019	1. Karma Yeshey 2. Kinzang Dorji 3. Singye Namgyal Dorji 4. Chencho Tshering 5. Tshering Om 6. Harilal Bhattarai	None
125	11 Jul 2020	1. Karma Yeshey 2. Kinzang Dorji 3. Singye Namgyal Dorji 4. Chencho Tshering 5. Tshering Om 6. Harilal Bhattarai	None
126	01 Aug 2020	1. Karma Yeshey 2. Kinzang Dorji 3. Singye Namgyal Dorji 4. Chencho Tshering 5. Tshering Om 6. Harilal Bhattarai	None

Board Meeting No.	Date	Members Present	Leave of Absence
127	19 Sept 2020	1. Karma Yeshey 2. Singye Namgyal Dorji 3. Chencho Tshering 4. Tshering Om 5. Harilal Bhattarai	1. Kinzang Dorji
128	25 Sept 2020	1. Karma Yeshey 2. Kinzang Dorji 3. Singye Namgyal Dorji 4. Chencho Tshering 5. Tshering Om 6. Harilal Bhattarai	None
129	24 Oct 2020	1. Karma Yeshey 2. Kinzang Dorji 3. Singye Namgyal Dorji 4. Chencho Tshering 5. Tshering Om 6. Harilal Bhattarai	None
Extra-ordinary Board Meeting	31 Oct 2020	1. Karma Yeshey 2. Kinzang Dorji 3. Singye Namgyal Dorji 4. Chencho Tshering 5. Tshering Om 6. Harilal Bhattarai	None
130	01 Dec 2020	1. Karma Yeshey 2. Kinzang Dorji 3. Singye Namgyal Dorji 4. Chencho Tshering 5. Tshering Om 6. Harilal Bhattarai	None

## Board Committees

The Company had nine Board Level Committees for the year 2019 as follows:

1. Board Audit Committee
2. Board Level Tender Committee
3. Board Human Resource Committee

Sl. No.	Name of the Committee Meeting	Number of Meetings conducted	Date	Members Present	Leave of Absence
1	Board Audit Committee	4	06 March 2020	1. Kinzang Dorji (Chair) 2. Karma Choden 3. Tshering Om 4. Ugyen Wangdi (CIA)	None
			26 June 2020 7 July 2020 24 October 2020	1. Kinzang Dorji (Chair) 2. Chencho Tshering 3. Tshering Om 4. Ugyen Wangdi (CIA)	None
2	Board HRC	3	21 January 2020	1. Rinchen Dorji (Chair) 2. Lhundub Dorji 3. Kuenga Namgay (CEO) 4. Chencho (CFO) 5. Pem Tshogay (DGM, HRAD)	None
			6 March 2020	1. Karma Yeshey (Chair) 2. Lhundub Dorji 3. Rinchen Dorji 4. Kuenga Namgay (CEO) 5. Pem Tshogay (DGM, HRAD)	None
			30 April 2020	1. Singye Namgyal Dorji (Chair) 2. Harilal Bhattarai 3. Tshering Om 4. Ugyen Dorji (GM, HRAD)	None

## Annual General Meeting

The 24th Annual General Meeting for the Company was held on 29 March 2021 at Board Room, Head Office, Thimphu. The AGM passed the following resolution:

- Approved the Audited Accounts for Financial Year Ended 2020 along with Auditors Report and Directors' Report.
- The meeting decided not to declared any dividend for the year 2020 considering the financial situation of the company.

# AUDITOR'S REPORT FOR THE FINANCIAL YEAR 2020



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Menuka Chhetri & ASSOCIATES

## Menuka Chhetri & ASSOCIATES

**Chartered Accountants**  
**Firm Registration No.331825E**  
**Address: 5th Floor, MKTS Building,**  
**Opposite Clock Tower, Norzin Lam, Thimphu**

### INDEPENDENT AUDITOR'S REPORT

#### Auditor's Report on the Financial Statements

To the shareholders of State Trading Corporation of Bhutan, Thimphu, Bhutan

##### Opinion:

We have audited the Financial Statements of State Trading Corporation of Bhutan (The Company) which comprise the Statement of Financial Position as at 31st December 2020, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows 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 31st December 2020 of its financial performance and its cash flows for the year then ended in accordance with the Bhutanese Accounting Standards (BAS).

##### Basis of Opinion:

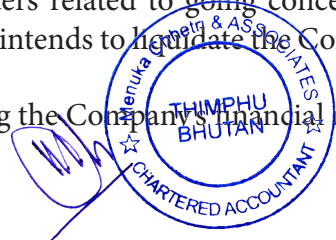
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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.

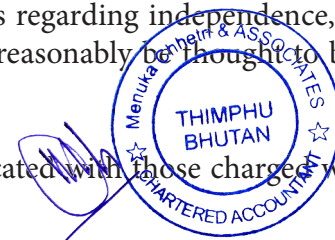
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the planning and performance of the audit. We also:

- i. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide basis for our opinion. The risk of not detecting material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions misrepresentations, or override of internal control;
- ii. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for purpose of expressing an opinion on the effectiveness of the Company's internal control;
- iii. Evaluate the appropriateness of accounting policies used and the reasonableness of Accounting estimates and related disclosures made by management;
- iv. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as going concern. If we conclude that material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Company to cease to continue as a Going concern; and
- v. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that





were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

As required by Section 266 of the Companies Act of Bhutan 2016, we enclose the Minimum Audit Examination and Reporting Requirements as Appendix-I with statements on the matters specified therein to the extent applicable.

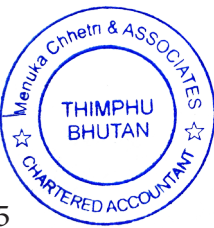
Further, as required by Section 265 of the Act, we report that:

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

### **Menuka Chhetri & ASSOCIATES**

Chartered Accountants  
Firm Registration No.331825E  
Address: 5th Floor, MKTS Building,  
Opposite Clock Tower, Norzin Lam, Thimphu

  
Menuka Chhetri  
Managing Partner  
Membership No. 534365



Place: Thimphu  
Date: 20 March 2021

## **STATE TRADING CORPORATION OF BHUTAN LIMITED**

### **ANNEXURE**

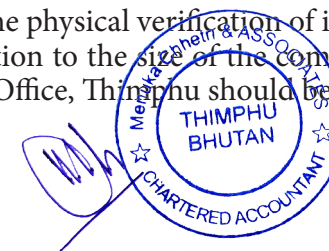
### **MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENTS**

Our audit was carried out by applying the International Standards on Auditing (ISA) as adopted and issued by the Accounting and Auditing Standards Board of Bhutan (AASBB).

The statutory audit report was prepared under the Companies Act of Bhutan 2016 and other relevant Acts and regulatory norms in examining the accounts of the company containing inter alia, the following:

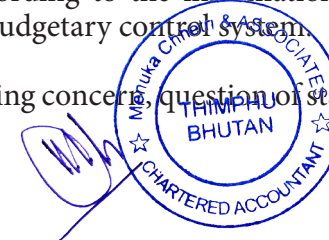
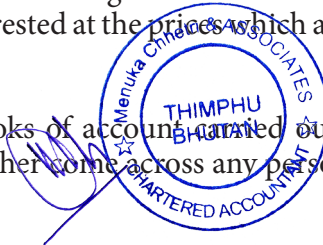
General:

- a) The Companies audited adhere to the Corporate Governance Guidelines and Regulations as applicable to them.
  - b) The governing board/authority pursue a prudent and sound financial management practice in managing the affairs of the company.
  - c) The financial statements are prepared applying the Bhutanese Accounting Standards issued by the Accounting and Auditing Standards Board of Bhutan (AASBB).
  - d) Proper books of accounts have been maintained and financial statements are in agreement with the underlying accounting records.
  - e) Adequate records as specified under Section 228 of the Companies Act of Bhutan 2016 have been maintained.
  - f) The mandatory obligations social entrusted are being fulfilled.
  - g) The amount of tax is computed correctly and reflected in the financial statements.
1. The Company has maintained Property, Plant & Equipment (PPE) Register showing full particulars including quantitative details and situation of PPE.
  2. As per the information provided by the company, physical verification of fixed assets was conducted only once in a year for Head Office, Thimphu.
  3. None of the assets have been re-valued during the year.
  4. As explained to us, physical verification of inventories was conducted quarterly of Regional Office. However, the physical verification of Head Office, Thimphu was conducted in the month of June 2020 only.
  5. 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. However, the physical verification of Head Office, Thimphu should be conducted at least twice in a year.



6. The Company has an adequate system of recording receipt, issues and consumption of materials and stores and allocating materials consumed to the respective jobs, commensurate with its size and nature of its business.
7. The Quantitative reconciliation of the inventory was carried out for the period December 31, 2020.
8. The management has not determined obsolete, damaged, slow moving and surplus goods/inventories at the year end.
9. There is disposal of assets during the year.
10. There is no writing off amounts due to material loss/discrepancies in physical/book balances of inventories including finished goods, raw materials, stores and spares were determined during the year.
11. The Basis of Valuation of Stock is adequate and no deviation from the preceding financial year has been observed.
12. According to the information and explanations given to us, the Company has not taken loans for the financial year 2020.
13. The company has not granted any loans to other parties which are ultra-vires to the Articles of Incorporation and other relevant Acts and regulations.
14. Advances granted to officers/staff are generally in keeping with the provisions of service rules and no excessive/frequent advances are granted and accumulation of large advances against any particular individual is avoided.
15. In our opinion and according to the information and explanations given to us in course of the audit, the Company has generally established reasonably adequate system of internal controls to ensure completeness, accuracy and reliability of accounting records, to carry out the business in an orderly and efficient manner, to safeguard the assets of the Company as well as to ensure adherence to the applicable rules / regulations and systems and procedures
16. In our opinion and according to the information and explanations given to us, there is a reasonable system of authorisation at proper levels and an adequate system of internal control commensurate with the size of the company and nature of its business, on issue of stores and allocation of Materials and labours to Jobs.
17. In our opinion and according to the information and explanations given to us, having regard to the exception that some of the items purchased are of special nature and suitable alternative sources do not exist for obtaining comparable quotations thereof, there is an adequate system of competitive bidding, commensurate with the size of the Company and the nature of its business, for the purchase of goods and services including stores, raw materials, plant and machinery, equipment and other assets.
18. As explained to us, the Company has entered into transactions for purchases and sales of goods and services during the year in pursuance of contracts or arrangements entered into with the company in which the director (s) are directly or indirectly interested at the prices which are reasonable considering the prevailing market conditions.
19. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices, we have neither come across any personal expenses (other than

- contractual and/or as per customary business practices), which have been charged to the Statement of Comprehensive Income nor have we been informed about such cases by the management.
20. According to the information and explanations given to us and also as examined by us, there were damaged inventory ascertained and identified during the year.
21. The corporation is having adequate physical safeguards to prevent unauthorized or irregular movement of materials from the corporation.
22. The Company is maintaining reasonable records for sales and disposal of realizable scraps.
23. According to the records maintained by the company and produced to us, the Company has generally been regular in depositing rates and taxes, provident fund and other statutory dues with the appropriate authorities. In our opinion, the provision for Corporate Tax is adequate and that necessary adjustments have been made to compute amount of tax required under the Rules on the Income Tax Act of the Kingdom of Bhutan - 2001.
24. According to the information and explanations provided to us and so far, it appears from the examination of the books, there were no undisputed amounts payable in respect of rates, taxes, duties, royalties, provident funds and other statutory deductions as on the last day of Financial Year 2020.
25. According to the information and explanations provided to us, the company has a reasonable system of allocating man hours utilised to the respective jobs, commensurate with the size and nature of its business.
26. In our opinion, there is a reasonable system of price fixation taking into account the market conditions and the cost of purchase of stores, spares and fuels, etc. and hiring charges are fixed with the approval of the management.
27. No credit rating of customers is carried out.
28. According to the information and explanation given to us, the Company does make any sales through commission agents and hence, this paragraph is not applicable.
29. There is a system for continuous follow-up with debtors and other parties for recovery of outstanding amounts by way of sending reminders and personal visits. Age-wise analysis of outstanding amounts between more than 3 months and under 3 months is maintained by the Corporation.
30. In our opinion, and on the basis of information and explanations given to us, the management of liquid resources, particularly cash/bank etc. are, in generally, reasonably adequate and excessive amounts are not lying idle in non-interest-bearing accounts.
31. In our opinion and to the extent our examination reveals, the business activities carried out by the Company are lawful and intra-vires to its Articles of Incorporation.
32. In our opinion and according to the information and explanation given to us, the company has a system of approval of the Board for all major capital investment decisions.
33. In our opinion and according to the information and explanations given to us, the company has established an effective budgetary control system.
34. Being a non-manufacturing concern, question of standard costing and variance analysis does not arise.



35. The details of remuneration, commission and other payments made to the Managing Director cum Chief Executive Officer of the company are disclosed in Note 36 (a) to Financial Statements.
36. As informed, all the directives of the board have been complied with.
37. According to the information and explanations 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.
38. According to the information and explanations given to us, the company maintains proper records for Inter Unit Transactions/services and arrangement for services made with other agencies engaged in similar activities
39. According to the information and explanations given to us, proper agreements are executed and that the terms and conditions of Lease are reasonable and the same are applied if machinery and Equipment are acquired on lease or leased out to others.

## COMPUTERISED ACCOUNTING ENVIRONMENT

1. The Company has introduced Quick Book. In our opinion, organizational and system development controls and other internal controls appears to be generally adequate relative to the size and nature of computer installation.
2. According to the information and explanations given to us, disaster recovery plans are in place in the Company.
3. The Company has a Disaster Recovery Plan (DRP) in place commensurate with the size and nature of business of the Company.
4. The operational controls in the Company are generally adequate to ensure correctness and validity of input data and output information.
5. According to the information and explanations given to us, measures to prevent unauthorized access to the computer installation and files are adequate.

## GENERAL

### 1. Going Concern Issues:

On the basis of the attached Financial Statements as at 31st December 2020 and according to the information and explanations given to us, the financial position of the company is healthy, and we have no reason to believe that the Company is likely to become sick in the near future.

### 2. Ratio Analysis

Financial and Operational Results of the Company has been given in Annexure to this report.

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

According to the information and explanations given to us by the management and based on a Compliance Checklist completed by the Company Officials, the Company has generally complied with the provisions of The Companies Act of Bhutan, 2016.



## Our observations in this regard are given below: -

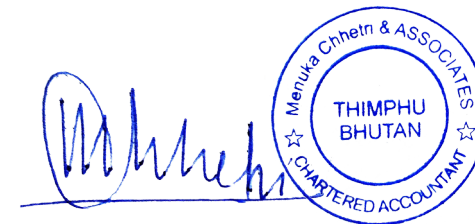
- a) The Company has filed annual return as required by Section 267 of the Act.
- b) The Company has held annual general meeting as required by Section 177 of the Act.
- c) The Company is following the accrual basis of accounting as required under Section 235(b) of the Act.
- d) Following statutory registers have been maintained by the Company depicting certain prescribed particulars as required to be disclosed under the Act.
  - i. Register of Directors
  - ii. Register of charges [Section 228(c)]

## 5. Adherence to Laws, Rules and Regulations

The audit of the Company is governed by the Companies Act of Bhutan, 2016 and the scope of audit is limited to examination and review of the financial statements, as produced to us by the management. In the course of audit, we have reviewed compliance to the Companies Act and its Articles of Association and as explained to us, the Company has been generally complying with appropriate laws, rules and regulations, systems, procedures and practices.

For Menuka Chhetri & ASSOCIATES

Chartered Accountants  
Firm Registration No.:331825E  
Address: 5th Floor, MKTS Building,  
Opposite Clock Tower, Norzin Lam, Thimphu



Menuka Chhetri  
Managing Partner  
Membership No.534365

Place: Thimphu, Bhutan  
Date: 20 March 2020



## STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2020

(Amounts in Nu.)

	Note	31 December 2020	31 December 2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	2	311,210,049.83	300,382,031.71
Capital working-in-progress	3	-	13,115,870.66
Non-current tax assets	4	18,467,615.54	12,736,170.40
<b>Total non-current assets</b>		<b>329,677,665.38</b>	<b>326,234,072.77</b>
<b>Current assets</b>			
Inventories	6	502,355,629.55	564,960,886.78
Investments	7	11,960,574.48	11,311,590.23
Trade and other receivables	8	355,973,314.07	355,264,876.38
Cash and cash equivalents	9	44,391,081.02	57,470,696.83
Other current assets	10	79,374,148.97	81,359,769.49
<b>Total current assets</b>		<b>994,054,748.09</b>	<b>1,070,367,819.50</b>
Assets classified as held for sale	11	-	296,020.50
<b>TOTAL ASSETS</b>		<b>1,323,732,413.47</b>	<b>1,396,897,913.07</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Equity share capital	12	180,001,600.00	180,001,600.00
Reserve Fund	13	301,155,541.18	298,152,767.59
Retained Earning	13	(36,631,356.58)	3,002,773.59
<b>Total equity</b>		<b>444,525,784.60</b>	<b>481,157,141.18</b>
<b>Non-current liabilities</b>			
Long term borrowings	14	140,689,331.85	113,212,469.46
Other payables	15	1,423,956.00	1,133,508.00
Employee benefits obligation	16	19,733,743.05	17,691,814.05
Deferred tax liabilities	5	4,289,082.48	3,355,166.59
<b>Total non-current liabilities</b>		<b>166,136,113.38</b>	<b>135,392,958.11</b>
<b>Current Liabilities</b>			
Short term borrowings	17	301,234,754.77	392,893,508.55
Trade and other payables	18	257,862,281.68	234,447,068.85
Other current liabilities	19	150,913,071.03	150,885,729.39
Employee benefits obligation	20	3,060,407.00	2,121,507.00
<b>Total current liabilities</b>		<b>713,070,515.48</b>	<b>780,347,813.79</b>
<b>Total liabilities</b>		<b>879,206,628.86</b>	<b>915,740,771.89</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>		<b>1,323,732,413.47</b>	<b>1,396,897,913.07</b>

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

For Menuka Chhetri &amp; ASSOCIATES

Chartered Accountants

Firm's Registration no. 331825E

Menuka Chhetri  
(Partner)  
Membership No. 534365

Place: Thimphu, Bhutan  
Date: 20 March 2021

For and on behalf of Board

Chairperson

Director

CEO

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2020

(Amounts in Nu.)

	Note	31 December 2020	31 December 2019
<b>Income</b>			
Revenue from operations	21	1,668,004,267.99	2,174,508,193.52
Other income	22	20,586,891.29	17,920,234.72
<b>Total revenue</b>		<b>1,688,591,159.28</b>	<b>2,192,428,428.24</b>
<b>Expenses</b>			
Purchases of stock-in-trade	23	1,446,724,090.43	1,928,923,667.35
Changes in inventories of stock-in-trade	24	62,605,257.22	(23,318,463.67)
Employee benefit expenses	25	90,423,746.08	88,963,130.54
Finance costs	2	30,236,815.87	34,359,960.63
Depreciation expense	26	15,159,529.59	19,164,185.31
Other expenses		52,075,482.00	79,216,624.37
<b>Total expenses</b>		<b>1,697,224,921.19</b>	<b>2,127,309,104.53</b>
<b>Profit before tax</b>		<b>(8,633,761.92)</b>	<b>65,119,323.71</b>
<b>Tax expenses</b>	27	<b>296,382.36</b>	<b>20,560,672.82</b>
<b>Net profit for the year</b>		<b>(8,930,144.28)</b>	<b>44,558,650.89</b>
<b>Other comprehensive income</b>			
Remeasure gain/ (loss) on defined benefit plans		(1,001,389.00)	(5,365,059.00)
Income tax relating to component for other comprehensive income		300,416.70	1,609,517.70
<b>Other Comprehensive income for the year, net of tax</b>		<b>(700,972.30)</b>	<b>(3,755,541.30)</b>
<b>Total comprehensive income for the year</b>		<b>(9,631,116.58)</b>	<b>40,803,109.59</b>
<b>Earnings Per Share</b>		<b>(0.50)</b>	<b>2.48</b>
<b>Significant Accounting Policies</b>	1		
<b>Notes to Financial Statement</b>	29-37		
The Schedules referred to above form an integral part of Statement of Comprehensive Income.			

For Menuka Chhetri & ASSOCIATES  
Board

Chartered Accountants  
Firm's Registration no. 331825E

Menuka Chhetri  
(Partner)  
Membership No. 534365

Place: Thimphu, Bhutan  
Date: 20 March 2021

For and on behalf of

Chairperson

Director

CEO

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2020

Particulars	(Amount in Nu.)				
	Share Capital	Reserve Fund	Retained Earnings	Other Comprehensive Income / (loss)	Total Shareholder's Equity
<b>As at January 1, 2019</b>	180,001,600.00	266,629,617.00	31,587,405.00	(64,254.00)	478,154,368.00
Profit for the year			44,558,651.00		
Dividend for the year			(37,800,336.00)		
<b>As at December 31, 2019</b>	180,001,600.00	298,152,768.00	6,758,315.00	(3,755,541.00)	481,157,141.00
<b>As at January 1, 2020</b>	180,001,600.00	298,152,768.00	6,758,315.00	(3,755,541.00)	481,157,141.00
Profit for the year			(8,930,144.00)		
Dividend for the year			(27,000,240.00)		
<b>As at 31 December 2020</b>	180,001,600.00	301,155,541.00	(35,930,384.00)	(700,972.00)	444,525,785.00

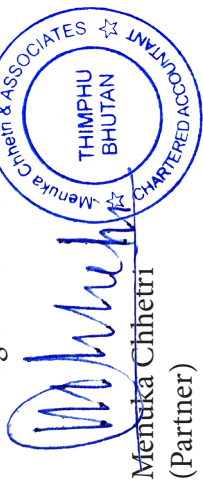
Significant Accounting Policies &amp; Notes to Financial Statement 1 to 37

The notes to accounts referred to above form an integral part of Statement of Change In Equity

## For Menuka Chhetri &amp; ASSOCIATES

Chartered Accountants

Firm's Registration No. 331825E

Menuka Chhetri  
(Partner)

Membership No. 534365

Place: Thimphu, Bhutan

Date: 20 March 2021

For and on behalf of Board  
Chairperson

Director

CEO

## STATEMENT OF CASH FLOW FOR THE YEAR ENDED DECEMBER 31, 2020

(Amounts in Nu.)

	December 31, 2020	December 31, 2019
<b>Cash flow from operating activities</b>		
Profit before tax	(8,633,761.92)	65,119,323.71
Depreciation	15,159,529.59	19,164,185.31
Loss/(gain) on property, plant and equipment	(9,729,027.06)	(282,667.51)
Interest expense	30,236,815.87	34,359,960.63
Interest income	(12,600,141.85)	(6,451,831.50)
Deferred rent	290,448.00	470,448.00
Prepaid rent	-	46,500.00
Unrealized foreign exchange loss/(gain)	-	(72,592.00)
<b>Net profit from operating activities before working capital changes</b>	<b>14,723,862.63</b>	<b>112,353,326.64</b>
<b>Adjustment for:</b>		
(Increase)/Decrease in inventory	<b>62,605,257.22</b>	<b>(23,318,463.67)</b>
(Increase)/Decrease non-current/current financial and other assets	<b>(37,305,106.16)</b>	<b>(105,373,127.48)</b>
Increase/(Decrease) non-current/current financial and other liabilities/provisions	<b>56,615,503.51</b>	<b>15,136,301.32</b>
Increase/(Decrease) in Short Term borrowing	<b>116,682,492.44</b>	<b>-</b>
<b>Cash generated from operating activities</b>	<b>198,598,147.02</b>	<b>(113,555,289.83)</b>
Income tax paid	<b>213,322,009.65</b>	<b>(1,201,963.19)</b>
<b>(i) Net cash from operating activities</b>	<b>4,793,495.55</b>	<b>32,353,901.78</b>
	<b>208,528,514.10</b>	<b>(33,555,864.97)</b>
<b>Cash flow from investing activities</b>		
Interest received	12,044,507.26	6,508,711.93
Investment in fixed deposits	(11,697,840.00)	(11,035,697.53)
Proceeds from maturity of fixed deposits	11,035,697.53	10,258,542.53
Investments in property, plant and equipment	(6,906,481.59)	(13,434,081.90)
Sale of asset	4,060,004.35	2,181,321.29
<b>(ii) Net cash from (used in) investing activities</b>	<b>8,535,887.55</b>	<b>(5,521,203.68)</b>
<b>Cash flow from financing activities</b>		
Interest on loans paid	(30,236,815.87)	(34,359,960.63)
Proceeds from short term borrowings	-	300,000,000.00
Repayments of short term borrowings	(208,341,246.22)	(185,292,566.10)
Proceeds from long term borrowings	35,434,284.84	20,000,000.00
Repayment of long term borrowings	-	(5,782,356.61)
Dividend Paid	(27,000,240.00)	(37,800,336.00)
<b>(iii) Net cash from (used in) financing activities</b>	<b>(230,144,017.25)</b>	<b>56,764,780.66</b>
<b>Net Increase/Decrease in Cash &amp; Cash Equivalent (i+ii+iii)</b>	<b>(13,079,615.60)</b>	<b>17,687,712.01</b>
Cash and cash equivalent in the beginning of the financial year	57,470,696.62	39,710,392.61
Effect of exchange rate changes on cash and cash equivalents	-	72,592.00
<b>Cash and cash equivalent in the end of the financial year</b>	<b>44,391,081.02</b>	<b>57,470,696.62</b>
<b>Significant Accounting Policies</b>	<b>1</b>	
<b>Notes to Financial Statement</b>	<b>29-37</b>	
The Schedules referred to above form an integral part of Statement of Cash Flow		

## For Menuka Chhetri &amp; Associates

Chartered Accountants

Firm's Registration no. 331825E

Menuka Chhetri  
(Partner)

Membership No. 534365

Place: Thimphu, Bhutan

Date: 20 March 2021

## For and on behalf of Board

Chairperson

Director

CEO

## ACCOUNTING POLICIES & NOTES TO ACCOUNTS

### 1. General Information

#### A Reporting Entity

State Trading Corporation of Bhutan ("STCBL" or "the Company") – has been incorporated and registered under the Companies Act of the Kingdom of Bhutan, 2016 and has registered office located at Thimphu, Bhutan. The Company is a subsidiary of Druk Holding and Investments Limited (DHI) which holds 50.98% stake in STCBL. The Company derives its revenue primarily from trading of automobiles, computer and IT accessories, stones, household items etc.

The financial statements were authorised for issue by the board of directors on 20 March 2020.

#### B Significant Accounting Policies

The note provides a list of the significant accounting policies adopted in the preparation of these financial statements. These policies have been consistently applied to all years presented, unless otherwise stated.

#### i. Basis of Preparation

##### (a) Compliance with BAS/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 BAS/BFRS and other applicable laws such as Companies Act of the Kingdom of Bhutan, 2016.

##### (b) Historical Cost Convention

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

- Certain financial assets and liabilities;
- Assets held for sale – measured at fair value less cost to sell; and
- Defined benefit plans

##### (c) Current and 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:

- Expected to be realised or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after reporting period.
- 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:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after reporting period.
- 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.

#### ii. Use of Estimates

The preparation of Financial Statements in conformity with BAS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, the disclosures of contingent assets and contingent liabilities at the date of financial statements, income and expenses during the period. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods which are affected.

Key source of estimation of uncertainty at the date of the financial statements, which may cause material adjustment to the carrying amounts of assets and liabilities within the next financial year, is in respect of impairment, useful lives of property, plant and equipment etc., deferred tax assets, provisions, fair value measurements of financial instruments and retirement benefit obligations.

#### iii. Revenue Recognition

Revenue is recognised upon transfer of control of promised products or services to the customer at the consideration which the Company has received or expects to receive in exchange of those products or services, net of discounts, rebates, returns and taxes and amounts collected on behalf of third parties.

Revenue is recognised when, or as, each distinct performance obligation is satisfied.

The main categories of revenue and the basis of recognition are as follows:

##### (a) Sale of Traded Goods

The company is involved in trading of various goods such as automobiles, computer and IT accessories, stones, household items etc.

Revenue is recognized when control of the goods has transferred to the customer.

In case of sale where the Company provides an option of deferred payment, significant financing component in the contract is identified and interest income is recognised over the concerned period.

The Company considers whether there are other obligation in the contract that are separate performance obligation and determines whether a portion of transaction price needs to be allocated to those obligations.

##### (b) Service Revenue

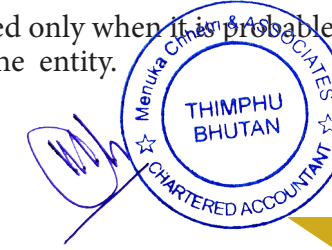
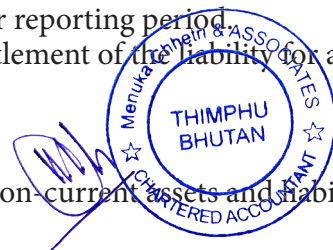
Revenue from service mainly comprises of revenue from maintenance services. Revenue from providing services is recognized at the point in time when the service is rendered.

##### (c) Interest Income

Other income comprises interest income on fixed deposits and sale on deferred installment payment basis. Interest income is recognized on a time proportion basis using effective interest rate (EIR). The EIR is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument to the gross carrying amount of a financial instrument.

##### (d) Other Income

Other Incomes are recognized only when it is probable that the economic benefits associated with the transaction will flow to the entity.





iv. **Property, Plant and Equipment**

(a) **PPE is initially recognized at cost**

The company follows cost model for property, plant and equipment and are stated at cost less accumulated depreciation and where applicable accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Only those costs are recognized as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the entity and the cost can be measured reliably.

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

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

(b) **Subsequent costs**

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item, or as a separate asset only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other costs incurred for the running and maintenance of property, plant and equipment are expensed off in the year in which they are incurred.

(c) **Depreciation methods, estimated useful lives and residual value**

Company provides depreciation on property, plant and equipment on straight-line method to allocate cost, net of their residual values, over their estimated useful lives or, in case of certain structure constructed on leased land, the shorter lease term as follows:

Asset	Estimated useful life
Buildings and civil structures:	
a) Temporary structure	5-8 years
b) Permanent structure	35 years
Furniture	10 years
Office Equipment	3-8 years
Vehicles	7-10 years with 20% residual value
Air conditioner	3-7 years
Loose tools	7 years
Plant & machineries (ACW)	7 years
Central Heating System	20 years

V. **Foreign currency**

**Functional and presentation currency**

Items included in the financial statements of the company are measured using the currency of the

primary economic environment in which the company operates. The functional currency of STCBL is Bhutanese Ngultrum (Nu) which is also the presentation currency.

**Transactions and balances**

Transactions in foreign currency are initially recognized in the financial statements in functional currency using exchange rates prevailing on the date of transaction.

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

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

vi. **Investments and other financial assets**

(a) **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.

(b) **Classification and subsequent measurement**

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

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

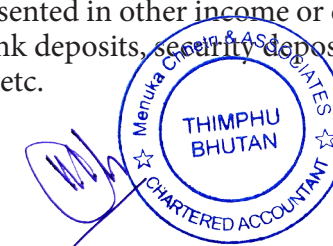
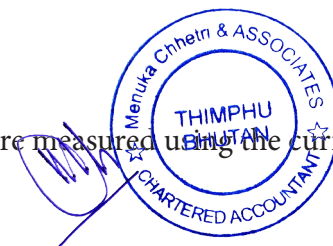
The classification of financial assets depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. Management determines the classification of its financial assets at initial recognition.

**Financial assets measured at amortized cost:**

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

- The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows; and
- 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. Any gain or loss on derecognition is recognized directly in profit or loss and presented in other income or expense. This category generally applies to trade and other receivables, bank deposits, security deposits, investment in 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:

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

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

**Financial instruments measured at fair value through profit and loss:**

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

**(c) Impairment of financial assets**

The Company assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets measured at amortised cost is impaired. Impairment losses are incurred, if and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset.

Loss events are events which have an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The amount of loss is recognized in statement of profit or loss.

**(d) Derecognition of financial assets**

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

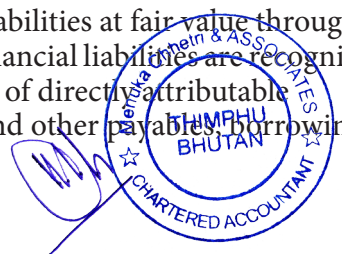
- The rights to receive cash flows from the asset have been transferred, or
- The Company retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.

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

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

**vii. Financial liability****(a) Initial recognition and measurement**

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

**(b) Subsequent measurement**

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

*Financial Liabilities at fair value through profit or loss*

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

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

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

*Borrowings*

Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are 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.

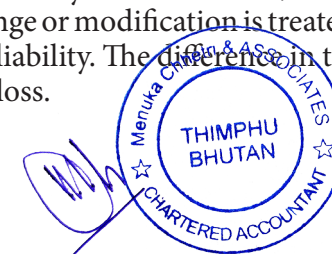
Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Where there is a breach of a material provision of a long-term loan arrangement on or before the end of the reporting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

*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.

**(c) Derecognition**

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



Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as other income or finance costs.

**viii. Offsetting financial instruments**

Financial assets and financial liabilities or income and expenses are offset and the net amount reported in the Statement of Financial Position and Statement of Comprehensive Income when, and only when, the entity has a legal right and is allowed by the standard to offset the amounts and intends either to settle on a net basis or to realize the assets 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 entity or the counterparty.

**ix. Cash and cash equivalents**

Cash and cash equivalents include cash on hand, demand deposits with banks, other short – term highly liquid investments with original maturities of three months. Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position.

**x. Provision, contingent liabilities and contingent assets**

Provisions are recognized if, as a result of a past event, the entity has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic resources will be required to settle the obligation. Provisions are not recognized for future operating losses.

Provisions are measured at the management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

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

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

**xi. Income tax**

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

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

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

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the tax authority on the taxable

entity, further they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized.

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

**xii. Inventories**

- Inventories are valued at lower of cost or net realizable value.
- Cost is calculated on the basis of specific identification for all automobiles and on weighted average method for all other items. Cost comprises expenditure incurred in the normal course of business in bringing such inventories to its present location and condition.

**xiii. Employee benefits**

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

**(a) Defined contribution plan (pension and provident fund)**

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

**(b) Post-employment - Defined benefit plans**

**Gratuity**

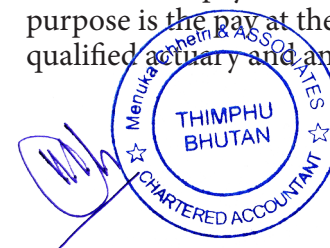
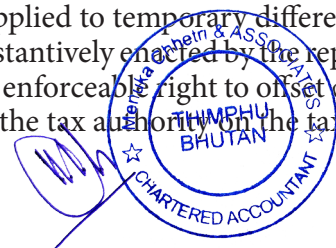
In accordance with the STCBL service rule, the company provides for gratuity, a defined benefit retirement plan covering all employees. The gratuity provides a lump sum payment to vested employees, at retirement or termination of employment, an amount based on the respective employee's last drawn salary and the years of employment with the company. The calculation is performed annually by a qualified actuary using the projected unit credit method and amount of obligation is provided in profit or loss. The plan is unfunded.

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

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income and presented within equity.

**Transfer grant and travel allowance**

As per company's service manual, the employee who have rendered minimum one year of service excluding probation period are entitled to one-month basic pay as travel allowance and the employee who have rendered minimum two years of service excluding probation period are entitled one -month basic pay as transfer grant at the time of leaving the service. One-month basic pay for this purpose is the pay at the time of leaving the service. The calculation is performed annually by a qualified actuary and amount of obligation is provided in profit or loss. The plan is unfunded.





**Carriage Charge**

As per company's service manual, the employee who have rendered minimum one year of service excluding probation period are entitled to freight allowance based on employee grade at the time of leaving the service. The calculation is performed annually by a qualified actuary and amount of obligation is provided in profit or loss. The plan is unfunded.

**(c) Short term benefits**

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

**(d) Earned leave encashment**

The employees of the company are entitled for earned leave. The employees can carry forward a portion of the unutilized earned leave subject to the limit set as per STCBL service manual and utilize it in future periods or compensated in cash during employment or retirement or termination of employment for the unutilized accrued earned leave based on the salary at the time. The calculation is performed annually by a qualified actuary and amount of obligation is provided in profit or loss. The plan is unfunded.

**xiv. Lease**

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

**Company as a lessee**

Leases of property, plant and equipment where the Company, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the commencement of lease, at the lower of fair value of the asset or the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

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

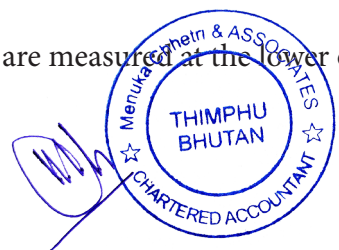
**xv. Impairment - non-current assets**

The carrying amount of the non-current assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss statement.

**xvi. Non-current assets held for sale**

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying value and fair value less costs to sell.



Assets and disposal groups are classified as held for sale if their carrying value will be recovered through a sale transaction rather than through continuing use. This condition is only met when the sale is highly probable, asset is available for immediate sale in its present condition and is marketed for sale at a price that is reasonable in relation to its current fair value. The Company must also be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

**xvii. Borrowing costs**

The borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (a qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are added to the cost of those assets until such time when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

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

All other borrowing costs are recognized as an expense in the period in which they are incurred.

**xviii. Operating segment**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

**xix. Dividends**

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

**xx. Earnings per share****(a) Basic earnings per share**

Basic earnings per share is calculated by dividing:

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

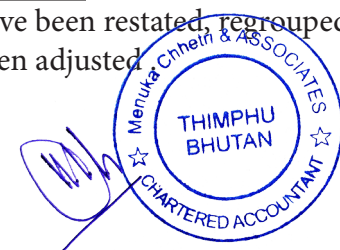
**b) Diluted earnings per share**

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

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

**xxii. Comparative information**

Prior year figures have been restated, regrouped or reclassified to comply with BAS and effect of which, if any, has been adjusted.



## NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2020

## Note 2 : Property, plant and equipment's

Particulars	Freehold land	Buildings and civil structures	Furniture	Office equipment	Vehicles	Air conditioner	Loose tools	Plant & machineries	Central Heating System	Total
Balance at 1 January 2019	36,600,800.56	205,210,049.16	9,083,924.58	12,576,105.82	41,580,983.13	988,056.58	13,632,700.32	2,406,931.94	50,044,974.80	372,124,677.90
Additions	-	2,137,547.27	47,794.00	1,172,674.27	1,466,162.96	228,810.14	874,820.00	63,389.00	-	2,387,487.41
Adjustments/Disposals	-	-	-	-	-	-	-	-	-	3,603,710.23
Balance at 31 December 2019	36,600,800.56	207,347,596.43	9,131,718.58	13,748,780.09	43,047,146.09	1,216,866.72	14,507,520.32	2,470,320.94	50,044,974.80	370,908,455.08
Balance at 1 January 2020	36,600,800.56	203,072,501.89	9,131,718.58	13,748,780.09	40,114,820.17	1,216,866.72	14,507,520.32	2,470,320.94	50,044,974.80	370,908,455.08
Additions	803,083.05	1,888,688.09	338,571.56	3,090,615.29	13,449,761.51	-	291,333.00	160,300.00	-	20,022,352.50
Adjustments/Disposals	-	-	-	-	-	-	-	-	-	-
Balance at 31 December 2020	37,403,883.61	204,961,189.98	9,470,290.14	16,839,395.38	53,564,581.68	1,216,866.72	14,798,853.32	2,630,620.94	50,044,974.80	390,930,807.58
Accumulated depreciation										
Balance at 1 January 2019	-	17,800,414.92	2,943,479.35	5,920,697.87	15,557,896.57	843,244.28	5,469,944.40	2,029,217.36	2,502,248.74	53,067,143.50
Adjustments/Disposals	-	628,800.16	-	-	1,076,256.29	-	-	-	-	1,705,056.45
Depreciation for the year	-	6,175,800.47	837,974.98	1,392,998.28	6,387,239.88	64,200.87	1,456,551.60	347,170.49	2,502,248.74	19,164,185.31
Balance at 31 December 2019	-	23,347,415.24	3,781,454.33	7,313,696.15	20,868,880.16	907,445.15	6,926,496.00	2,376,387.85	5,004,497.48	70,526,272.37
Balance at 1 January 2020	-	23,347,415.24	3,781,454.33	7,313,696.15	20,868,880.16	907,445.15	6,926,496.00	2,376,387.85	5,004,497.48	70,526,272.37
Adjustments/Disposals	-	4,456,121.53	-	5,974.35	1,502,947.33	-	-	-	-	5,965,043.21
Depreciation for the year	-	5,724,521.31	759,722.84	1,441,460.03	3,513,502.56	74,734.89	1,686,913.23	54,458.73	1,904,216.00	15,159,529.59
Balance at 31 December 2020	-	24,615,815.02	4,541,177.17	8,749,181.83	22,879,435.39	982,180.04	8,613,409.23	2,430,846.58	6,908,713.48	79,720,758.75
Carrying Amount										
As at 31 December 2020	37,403,883.61	180,345,374.96	4,929,112.97	8,090,213.55	30,685,146.29	234,686.68	6,185,444.09	199,774.36	43,136,261.32	311,210,049.83
As at 31 December 2019	36,600,800.56	179,725,086.66	5,350,264.25	6,435,083.94	19,245,940.01	309,421.57	7,581,024.32	93,933.09	45,040,477.32	300,382,031.71



## NOTES FORMING AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

(Amounts in Nu.)

## Note 3 : Capital Working-in-Progress

	31 December 2020	31 December 2019
HPCL		13,115,870.66
<b>Total</b>		<b>13,115,870.66</b>

## Note 4 : Non-current tax assets

	31 December 2020	31 December 2019
Advance tax	37,202,560.62	51,743,453.88
Less: Provision for tax	18,734,945.08	39,007,283.48
<b>Total</b>	<b>18,467,615.54</b>	<b>12,736,170.40</b>

## Note 5 : Deferred tax assets

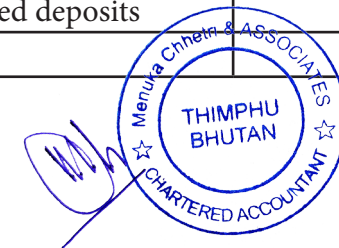
	31 December 2020	31 December 2019
<b>Deferred tax assets</b>		
Employee benefit obligations	2,067,780.60	1,770,594.90
Deferred revenue	482,470.47	1,175,629.50
Deferred rent	427,186.80	340,052.40
	<b>2,977,437.78</b>	<b>3,286,276.71</b>
<b>Deferred tax liabilities</b>		
Property, Plant and equipment	1,821,134.69	1,038,395.43
Recognition of revenue as per BFRS 15	1,175,841.62	1,005,203.78
Inventory	4,269,544.42	4,597,844.57
	<b>7,266,520.26</b>	<b>6,641,443.30</b>
<b>Total</b>	<b>4,289,082.48</b>	<b>3,355,166.59</b>

## Note 6 : Inventories

	31 December 2020	31 December 2019
Trading stock	470,769,820.20	520,792,699.28
Goods-in-transit	31,585,809.35	44,168,187.50
<b>Total</b>	<b>502,355,629.55</b>	<b>564,960,886.78</b>

## Note 7 : Investment

	31 December 2020	31 December 2019
Fixed deposits with maturity more than 3 months	11,668,128.48	11,035,697.53
Interest accrued and not due on fixed deposits	292,446.00	275,892.70
<b>Total</b>	<b>11,960,574.48</b>	<b>11,311,590.23</b>



(Amounts in Nu.)

**Note 8 : Trade and other receivables**

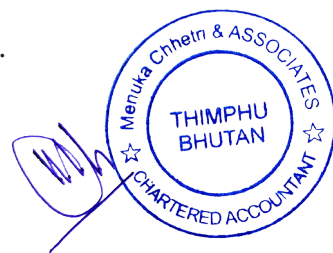
	31 December 2020	31 December 2019
Unsecured, considered good		
	435,665,832.83	403,999,674.12
Debtors suspense	47,107,077.00	47,107,077.00
Trade receivables (Unsecured, considered good)*	(117,342,113.88)	(78,331,032.08)
Interest accrued and due on sale made on deferred settlement terms*	365,430,795.95	372,775,719.04
Interest accrued but not due on sale made on deferred settlement terms*	3,506,677.28	3,429,361.12
Less: Provision for loss allowance	67,901.40	74,767.16
	47,107,077.00	47,107,077.00
	<b>321,898,297.62</b>	<b>329,172,770.31</b>
Security deposits	-	-
Other receivable (Net of provision of Nu. 1,800,000 (2018: Nu. 1,800,000, 2017: Nu. 1,800,000)	13,711,195.27	8,059,523.60
Recoverable from employees	15,478,768.24	13,601,814.99
	4,885,052.94	4,430,767.48
	<b>355,973,314.07</b>	<b>355,264,876.38</b>
<b>Total</b>		

**Note:** \*These are receivable from customers as per BFRS 15.

**Note 9 : Cash and cash equivalents**

	31 December 2020	31 December 2019
<b>Cash and Cash Equivalents</b>		
Cash at bank	22,803,006.76	20,110,947.59
2005 BOB A/C 204..0016 Thimphu	224,415.08	221,546.43
1524 BOB A/C 207..0017 Thimphu	3,336,486.87	6,439,445.83
2026 BOB A/C 207..0013 Thimphu	1,000.00	1,897.00
2014 BOB - (GEN)	650.83	650.83
BOB for Tata Division	1,000.00	2,539,523.55
BOB for Eicher Division	40,768.00	861,859.12
BOB for Explosive Division	1,000.00	1,000.00
BOB for CASH Division (EXIM)	1,000.00	187,161.00
Bank of Bhutan FC Account	1,538,574.00	1,497,270.00
Bhutan National Bank	10,787,877.62	6,754,195.50
United Bank of India, Kolkata	93,152.53	319,395.84
Druk PNB	6,507,810.00	89,376.58
National Bank Limited	5,093.73	1,197,625.91
T Bank	170,667.22	-
BOB for Petroleum Division	93,510.88	-
Cash on hand including cheques	7,653,632.48	3,175,482.46
	-	-
<b>Other bank balances*</b>	11,114,157.15	31,343,149.15
Margin money with banks against LC	2,820,284.63	2,841,117.63
Unclaimed dividend a/c		
	<b>44,391,081.02</b>	<b>57,470,696.83</b>
<b>Total</b>		

**Noted:** \* Amount shown under other bank balances represent restricted cash.



(Amounts in Nu.)

**Note 10 : Other current assets**

Particulars	31 December 2020	31 December 2019
Advance recoverable in cash or in kind/for value to be received	76,482,596.32	78,091,422.75
Considered Bad or Doubtful:	1,800,000.00	1,800,000.00
Total	78,282,596.32	79,891,422.75
Less: Provision for Bad or Doubtful Advances	-	-
Advance to suppliers	78,282,596.32	79,891,422.75
Prepaid expenses	890,072.67	819,015.74
Advances for expenses	201,479.98	649,331.00
<b>Total</b>	<b>79,374,148.97</b>	<b>81,359,769.49</b>

**Note 11 : Assets classified as held for sale**

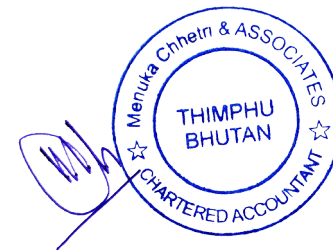
	31 December 2020	31 December 2019
Land held for sale	-	296,020.50
<b>Total</b>	<b>-</b>	<b>296,020.50</b>

**Note 12 : Equity share capital**

	31 December 2020	31 December 2019
<b>Authorized</b> 50,000,000 equity shares of Nu.10 each	500,000,000.00	500,000,000.00
<b>Issued, Subscribed and Paid up:</b> 18,000,160 (Previous year-18,000,160 @ 10) 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 capitalization of reserve in year 2010 & 2011 b) 300,005 equity shares were allotted by capitalization of reserve in year 2012 c) 9,00,008 equity shares were allotted by capitalization of reserve in the year 2013 (50.98% of the share capital are held by Holding Company - Druk Holding and Investment Ltd.)	180,001,600.00	180,001,600.00
<b>Total</b>	<b>180,001,600.00</b>	<b>180,001,600.00</b>

**Note 13 : Other equity**

Particulars	31 December 2020	31 December 2019
Retained Earnings	264,524,184.60	301,155,541.18
<b>Total</b>	<b>264,524,184.60</b>	<b>301,155,541.18</b>





(Amounts in Nu.)

**Note 14 : Long Term Borrowing**

Particulars	December 31 2020	December 31 2019
Long term borrowings from Bank of Bhutan, NPPF and T Bank	140,689,333.85	113,212,469.46
<b>Total</b>	<b>140,689,333.85</b>	<b>113,212,469.46</b>

**Note 15: Other Payables**

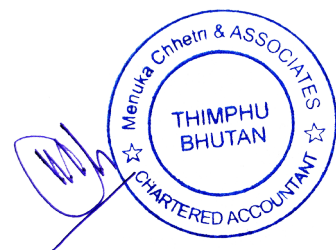
Particulars	December 31 2020	December 31 2019
Deferred rent	1,423,956.00	1,133,508.00
<b>Total</b>	<b>1,423,956.00</b>	<b>1,133,508.00</b>

**Note 16 : Employee benefits obligation - non-current**

Particulars	December 31 2020	December 31 2019
Gratuity	14,151,073.05	12,588,994.05
Leave encashment	3,765,396.00	3,290,650.00
Travel allowance	538,802.00	540,227.00
Transport charge	766,728.00	731,716.00
Transfer grant	511,744.00	540,227.00
<b>Total</b>	<b>19,733,743.05</b>	<b>17,691,814.05</b>

**Note 17 : Short term borrowings**

Particulars	December 31 2020	December 31 2019
Overdraft with Bank of Bhutan	150,520,842.90	72,560,320.48
Overdraft with Druk PNB	-	18,957,830.07
Overdraft with T Bank	100,713,911.87	-
Short term loan from NPPF	50,000,000.00	1,375,358.00
Inter corporate loan	-	300,000,000.00
<b>Total</b>	<b>301,234,754.77</b>	<b>392,893,508.55</b>



(Amounts in Nu.)

**Note 18 : Trade and other payables**

Particulars	December 31 2020	December 31 2019
Trade payables	189,618,638.93	156,015,401.86
Liability for purchase	31,617,854.36	44,200,232.51
Liability for expenses	13,693,268.02	4,798,880.22
Liabilities of un-withdrawn cheque	333,481.15	336,511.15
Current maturities of long-term borrowings	14,208,823.31	6,251,402.55
Earnest money deposits	530,000.42	670,000.42
Security deposit	2,915,554.62	3,095,500.47
Retention money	1,021,308.31	882,021.30
Unclaimed dividend	2,783,379.56	2,804,212.56
Audit fees	-	126,787.50
Payable to employees for provident fund	311,943.00	665,886.00
Payable to employees	1,055,730.00	14,600,232.31
Deferred Revenue	(227,700.00)	-
<b>Total</b>	<b>257,862,281.68</b>	<b>234,447,068.85</b>

**Note 19 : Other Current Liabilities**

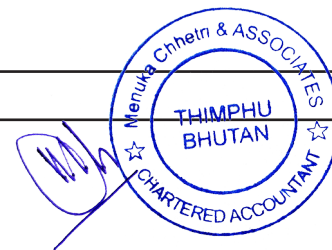
Particulars	December 31 2020	December 31 2019
Advance from customers*	138,864,099.61	134,161,109.95
Advance from Customers(old)	-	-
Advance from Customers(new)	-	-
Debtors Suspense	-	-
Deferred revenue*	1,608,234.90	3,918,765.00
Provident Fund	-	-
Bhutan Sales Tax	10,440,736.52	12,805,854.44
<b>Total</b>	<b>150,913,071.03</b>	<b>150,885,729.39</b>

**Note 20 : Employee benefits obligation - current**

Particulars	December 31 2020	December 31 2019
Gratuity	1,750,475.00	1,322,344.00
Leave encashment	366,511.00	207,652.00
Travel allowance	248,739.00	128,461.00
Transport charge	445,943.00	334,589.00
Transfer grant	248,739.00	128,461.00
<b>Total</b>	<b>3,060,407.00</b>	<b>2,121,507.00</b>

**Note 21 : Revenue from Operations**

Particulars	December 31 2020	December 31 2019
Trading:		
Sale of products*	1,654,172,580.21	2,133,439,057.31
Sale of services*	13,831,687.78	29,592,661.13
HVAC BNB	-	11,476,475.08
<b>Total</b>	<b>1,668,004,267.99</b>	<b>2,174,508,193.52</b>



(Amounts in Nu.)

**Note 22 : Other Income**

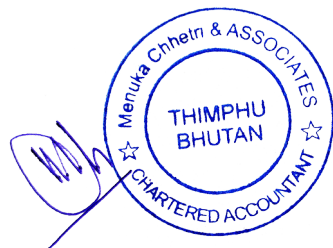
Particulars	December 31 2020	December 31 2019
Interest income from financial assets at amortized cost*		
Recoveries of shortage for inventories	12,600,141.85	6,451,831.50
Gain on exchange fluctuation (net)	34,125.99	-
Gains/ (losses) on sale of property, plant, and equipment	234,602.19	33,078.10
	(10,025,047.56)	282,667.51
Commission and auction	166,540.00	-
Miscellaneous income	17,576,528.82	11,152,657.61
<b>Total</b>	<b>20,586,891.29</b>	<b>17,920,234.72</b>

**Note 23 : Changes in Inventories of Stock-in-Trade**

Particulars	December 31 2020	December 31 2019
<b>Opening balance</b>		
Traded goods	520,792,699.28	407,678,433.10
Goods-in-transit	44,168,187.50	133,963,990.00
<b>Total opening balance</b>	<b>564,960,886.78</b>	<b>541,642,423.10</b>
<b>Closing balance</b>		
Traded goods	470,769,820.20	520,792,699.28
Goods-in-transit	31,585,809.35	44,168,187.50
<b>Total closing balance</b>	<b>502,355,629.55</b>	<b>564,960,886.78</b>
<b>Total</b>	<b>62,605,257.22</b>	<b>(23,318,463.67)</b>

**Note 24: Employee Benefit Expenses**

Particulars	December 31 2020	December 31 2019
Pay and allowances	72,915,131.92	58,584,241.86
Provident fund contribution	6,870,442.00	4,198,507.00
Gratuity	2,935,441.00	2,560,302.00
Travel allowance	161,439.00	131,611.00
Transport charge	250,594.00	203,780.00
Transfer grant	159,442.00	131,611.00
Bonus and variable pay	3,804,108.90	14,614,399.38
Medical expenses	136,779.50	322,077.75
Staff training and development expenses	73,850.00	5,317,140.67
Uniform expenses	1,162,752.26	822,065.55
Welfare expenses	1,953,765.50	2,077,394.05
<b>Total</b>	<b>90,423,746.08</b>	<b>88,963,130.54</b>



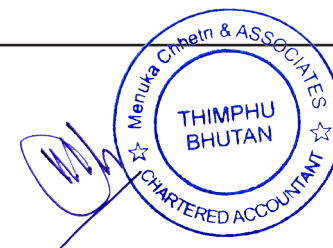
(Amounts in Nu.)

**Note 25 : Finance costs**

Particulars	December 31 2020	December 31 2019
Interest expense from financial instruments at amortized cost	30,236,815.87	34,359,960.63
<b>Total</b>	<b>30,236,815.87</b>	<b>34,359,960.63</b>

**Note 26 : Other Expenses**

Particulars	December 31 2020	December 31 2019
<b>Administrative Expenses</b>		
Communication, internet, and telephone charges	2,115,087.09	2,396,489.10
Fees and taxes	2,791,530.38	10,020,533.02
Printing and stationery including postage	2,264,410.49	2,005,184.00
General insurance	1,440,959.99	672,036.18
Electricity expenses	1,407,243.04	1,745,261.73
Lease rent	11,101,736.37	8,446,892.03
Others (Royalty, transportation, labour charges)	280,009.00	-
<b>Repairs and Maintenance</b>		
Repairs & maintenance of buildings and civil structures	938,957.04	2,644,079.63
Repairs & maintenance of furniture, fixtures, and equipment's	1,189,579.00	2,275,693.09
Running & maintenance of vehicle	6,441,688.37	4,397,924.27
Running & maintenance of other	1,130,198.81	325,667.56
<b>Travelling and Conveyance</b>		
Travelling expenses including foreign travels	5,960,312.24	14,319,468.83
<b>Others</b>		
Marketing & sales promotions	2,983,599.12	8,092,875.13
Board meeting expenses and sitting fees	1,466,584.00	2,486,270.06
Festivals & entertainment expenses	1,980,259.96	3,923,290.27
Free sample & complimentary	-	-
Miscellaneous expenses	3,016,749.01	7,226,583.19
Bank charges - others	661,817.73	728,567.30
Other consultancy charges	1,167,174.77	6,549,873.15
Write off trade receivables	-	500,054.79
CSR Project	2,261,308.80	-
<b>Auditor's Remuneration</b>		
Audit Fee	126,787.50	126,787.50
Out of pocket expenses	364,083.80	333,093.54
<b>Total</b>	<b>52,075,482.00</b>	<b>79,216,624.37</b>



(Amounts in Nu.)

**Note 27 (a): Tax Expenses**

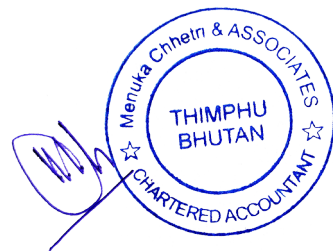
Particulars	December 31 2020	December 31 2019
<b>(a) Income tax expenses recognized in P&amp;L</b>		
<i>Current tax</i>		
• Current tax on profit for the year	(685,937.02)	18,774,605.81
• Current tax adjustment for earlier years	-	-
<b>Total current tax expenses</b>	<b>(685,937.02)</b>	<b>18,774,605.81</b>
<i>Deferred tax</i>		
• Decrease/(increase) in deferred tax assets	357,242.43	(362,217.60)
• (Decrease)/increase in deferred tax liabilities	625,076.95	2,148,284.62
<b>Total deferred tax expenses</b>	<b>982,319.38</b>	<b>1,786,067.02</b>
<b>Income tax expenses recognized in P&amp;L</b>	<b>296,382.36</b>	<b>20,560,672.82</b>
<b>(b) Income tax expenses recognized in OCI</b>	<b>300,416.70</b>	<b>1,609,517.70</b>

**Note 27(b): Numerical reconciliation between tax expense (income) and the product of accounting profit multiplied by the tax rate**

Particulars	31 December 2020	31 December 2019
Tax expenses		
- Current tax	(685,937.02)	
- Deferred tax	982,319.38	
<b>Total tax expense</b>	<b>296,382.36</b>	<b>20,560,672.82</b>
Profit (Loss) before tax	(8,633,761.92)	65,119,323.71
Income tax expense/(income) calculated at 30%	-	19,535,797.11
Tax effect of amounts which are not deductible (taxable) in calculating taxable income	-	1,433,892.44
Others	296,382.36	(409,016.73)
<b>Reconciled with tax expense as above</b>	<b>296,382.36</b>	<b>20,560,672.82</b>

**Note 28: Earnings Per Share**

Particulars	31 December 2020	31 December 2019
Profit attributable to equity shareholders of the Company (A)	(8,930,144.28)	44,558,650.89
Weighted average number of equity shares (B)	18,000,160.00	18,000,160.00
<b>Basic and diluted earnings per share (A/B)</b>	<b>(0.50)</b>	<b>2.48</b>

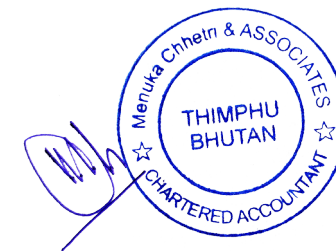
**Note 29 : Operating leases****Operating lease: Company as lessee**

Certain office premises, buildings, land etc. are obtained on operating leases. The lease term is for 1-30 years with renewal clauses. There is no escalation clause in majority of lease agreements except in few such arrangements. There are restrictions imposed by lease arrangements which restrict sublease/ mortgage of lease property. There are no subleases or contingent rents.

Total of future minimum lease payments under Non-cancellable operating leases for each of the following periods:

(Amounts in Nu.)

Particulars	31 December 2020	31 December 2019
(i) Not later than one year	6,910,814.00	4,160,814.00
(ii) Later than one year but not later than five years.	30,730,956.00	17,864,256.00
(iii) Later than five years	26,448,524.00	15,550,296.00
<b>Total</b>	<b>64,090,294.00</b>	<b>37,575,366.00</b>





Note 30: Movement in deferred tax assets/ (liabilities)

(Amounts in Nu.)							
Particulars	Property, plant, and equipment	Revenue recognition as per BFRS 15	Deferred Revenue	Adjustments in Inventory	Prepaid Lease Rentals	Employee benefits	Lease Rentals
At 1 January 2019	(1,515,987)	(997,430)	1,268,173	(1,965,792)	(13,950)	1,047,618	198,918
Charged/(credited): - to profit or loss - to other comprehensive income	477,592	(7,774)	(92,543)	(2,632,052)	13,950	313,626	141,134
At 31 December 2019	(1,038,395)	(1,005,204)	1,175,630	(4,597,845)	-	1,770,595	340,052
Charged/(credited): - to profit or loss - to other comprehensive income	(782,739)	(170,638)	(693,159)	328,300	-	248,782	87,134
At 31 December 2020	(1,821,135)	(1,175,842)	482,470	(4,269,544)	-	2,067,781	427,187
							(1,978,450)
							(1,786,067)
							409,350
							(3,355,167)
							(982,319)
							48,404
							(4,289,082)



## Note 31: Related party disclosures

The Druk Holding and Investment (DHI) Company is the holding company (i.e. Parent Company) holding 50.98% equity shares of the company.

## Fellow subsidiaries

Name of the company
Bhutan Power Corporation Limited
Druk Green Power Corporation Limited
Bhutan Telecom Limited
Druk Air Corporation Limited
Natural Resource Development Corporation Limited
Bank of Bhutan Limited
Dungsam Cement Corporation Limited
Dungsum Polymers Limited
Druk Holding & Investments Ltd.
DHI Infra Limited
Dagachu Hydro power Corporation Limited
Bhutan Board Product Limited
Bhutan Board Export Limited
Bhutan Hydropower Services Limited
Thimphu Tech Park Limited
Penden Cement Authority Limited
Tangsibji Hydro Energy Limited
Construction Development Corporation Limited
Wood Craft Centre Limited
State Mining Corporation Limited
Koufuku International Limited
DHI Hospitality Limited

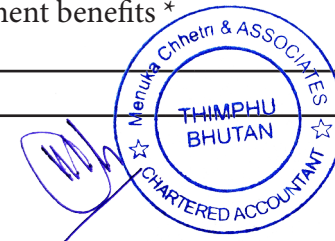
## (a) Key management personnel compensation

According to BAS -24, Key Management Personnel (KMP) is those having the authority and responsibility for planning, directing and controlling the activities of the entity.

Details of compensations paid to key management personnel (Managing Director)

(Amounts in Nu.)

Particulars	December 31 2020	December 31 2019
Short-term employee benefits	723,094.64	966,467.00
Other long term and Post-employment benefits *	90,000.00	126,182.00
Others	32,000.00	52,000
<b>Total</b>	<b>845,094.64</b>	<b>1,144,649.00</b>



**(b) Transactions with related parties****(i) Transactions with directors for FY 2020 & 2019**

(Amounts in Nu.)

Name of Company	Goods and Services	December 31 2020	December 31 2019
RSA Pvt. Ltd*	Apollo Tyre	-	35,612.60
	Explosive	-	311,448.00
	Toyota Spare Parts	-	37,434.65

\* Mr. Rinchen Dorji is the owner and MD of RSA Pvt. Ltd

**(ii) Transaction with the DHI, holding company during the financial year 2020 & 2019**

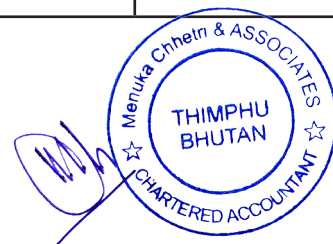
(Amounts in Nu.)

Description	31 December 2019	31 December 2018
Sale of vehicle services, spare parts and tyres	422,054.00	342,382.00
Trading revenue	2,817,235.23	937,586.00
Sale of vehicles	-	88,225.00
Corporate guarantee fees	-	172,084.48
Brand management fees	1,186,434.69	1,602,917.53

**(iii) Goods and Services availed from fellow subsidiaries during the financial year 2020 & 2019**

(Amounts in Nu.)

Fellow subsidiaries	Particulars	December 31 2020 Value of Goods & Services	December 31 2019 Value of Goods & Services
Bhutan Telecom Limited	Communication, internet and telephone charges	2,115,087.09	2,203,338.91
Bhutan Power Corporation Limited	Electricity charges	1,407,242.72	1,745,261.73
Bank of Bhutan Limited	Bank charges and fees other financial services	-	-
Bank of Bhutan Limited	Interest charge on loans	14,258,732.45	8,141,406.05
Druk Air Limited	Flight ticket and other services purchase	185,188.00	1,419,044.00
Natural Resources Development Corporation Limited	Construction material purchase	305,417.50	301,376.46
Thimphu Tech Park Limited	Training fees	-	15,000.00
Bhutan Board Products Limited	Furniture purchased	-	20,927.00
Penden Cement Authority Limited	Rentals	-	138,300.24
Wood Craft Corporation Limited	Purchase of furniture's	30,700.00	
Druk Green Power Corporation Limited	Interest charge on loans	4,512,704.92	

**(iv) Liabilities booked for the DHI guarantee fee:**

Guarantee amount (Nu.)	31 December 2019
40 million	36,549.00
<b>Total</b>	<b>36,549.00</b>

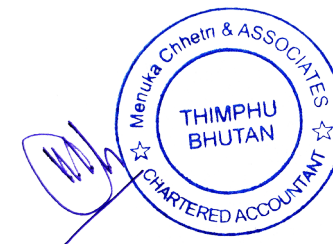
**(v) Goods and services availed by fellow subsidiaries during financial year 2020 & 2019**

(Amounts in Nu.)

Fellow Subsidiary	Type of Goods and Services	December 31 2020 Outstanding Amount	December 31 2019 Outstanding Amount
Bhutan Board Product Ltd.	Furniture; fixtures; computers and office equipment		244,939.65
Bank of Bhutan Ltd.	Furniture; fixtures; computers and office equipment		667,542.51
Bhutan Telecom Ltd.	Furniture; fixtures; computers and office equipment		701,130.78
Construction Development Corporation Ltd.	Vehicle	10,391,040.78	1,985,606.91
Druk Air Corporation Ltd.	Furniture; fixtures; computers and office equipment		129,484.63
Dungsam Cement Corporation Ltd.	Furniture; fixtures; computers and office equipment	131,437.66	-
Druk Green Power Corporation	Vehicle	73,901.00	-
Dungsam Polymers Ltd.	Running & Maintenance of Vehicles	32,019.14	63,451.78
Natural Resources Development Corporation Ltd.	Vehicle	390,803.95	34,086.00
Penden Cement Authority Ltd.	Explosives	23,892.40	222,529.29
State Mines Corporation Ltd.	Vehicle	5,550,475.34	53,759.68
Tansibji Hydro Energy Ltd.	Vehicle		122,919.04

**Note: Running & maintainance of vehicles includes Apollo tyres, JK tyres, spares, services****Terms and conditions of the transactions:**

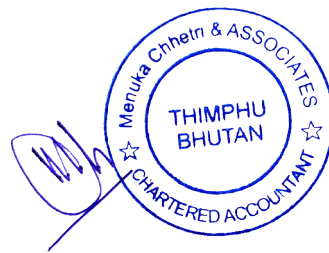
- No amount has been written back/written off during the year in respect of dues to/ from related party.
- All transactions were made on normal commercial terms and conditions and at market rates.
- Outstanding balances are unsecured and are repayable in cash.



**Note 32: Segment Reporting****Description of Segments**

State Trading Corporation of Bhutan Limited has identified the following divisions: Toyota, Tata, Eicher, Home store, Explosive and others segment. It is identified considering the nature of the products, deferring risks and returns, organisational structure and internal business reporting. Following are the segments of the Company-

- (i) Toyota - This division deals with sales of vehicles, spare parts, and servicing of Toyota vehicles.
- (ii) Tata - This division deals with sales of vehicles, spare parts, and servicing of Tata vehicles.
- (iii) Eicher - This division deals with sales of Eicher vehicles, spare parts, two wheelers and Apollo tyres.
- (iv) Home store - This division deals with household items, agriculture machineries, Bitumen, Kent filter etc.
- (v) Explosive division deals with explosive items & other segments includes sale of health equipment's, stone products, computer, and accessories etc.
- (a) Revenue and expenses have been identified to a segment on the basis of relationship to operating activities of the segment. Revenue and expenses which relate to group as a whole and are not allocable to a segment on a reasonable basis, have been disclosed as "Un-allocable".
- (b) Segment assets and liabilities represent assets and liabilities of the respective segments. Investments, tax related assets and other assets and liabilities that cannot be allocated for a segment on a reasonable basis, have been disclosed as "Un-allocable".
- (c) The carrying value of non-current assets held by the Company outside its country of domicile (i.e. Bhutan) is Nu. 870,654 (31 December 2019: Nu. 585,041).
- (d) The company does not have any single customer from whom it receives more than 10% of the revenue.



(Amounts in Nu.)

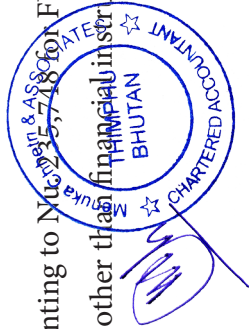
Particulars	Toyota	Tata	Eicher	Home Store	Explosive #	Petroleum	Others	Un-allocable	Total
Segment Revenue									
External revenue from operations	578,379,507.26	284,448,630.11	268,925,730.08	108,753,306.68	-	361,316,493.13	60,070,066.15	6,110,534.58	1,668,004,268
	913,427,905.25	526,036,091.31	445,136,616.01	101,955,671.84	87,742,392.47	361,316,493.13	98,128,533.64	2,080,983.00	2,174,508,194
<b>Total revenue</b>	578,379,507.26	284,448,630.11	268,925,730.08	108,753,306.68	-	361,316,493.13	60,070,066.15	6,110,534.58	1,668,004,268
	913,427,905.25	526,036,091.31	445,136,616.01	101,955,671.84	87,742,392.47	361,316,493.13	98,128,533.64	2,080,983.00	2,174,508,194
<b>Segment results before interest, depreciation, and tax</b>									
<b>Reconciliation to profit/ (loss) for the year:</b>									
Finance income	52,268,251.42	5,514,412.61	10,505,329.42	4,763,763.74	-	-269,025.84	2,379,587.03	-50,999,876.30	24,162,442
Finance cost (Note a)	113,677,396.56	45,679,458.73	24,544,299.20	5,491,858.97	12,049,987.06		3,747,043.09	-92,998,405.88	112,191,638
Depreciation and amortization expenses									12,600,142
<b>Profit/(loss) before tax</b>									6,451,832
Tax expense/ (income)									(30,236,816)
Net profit/ (loss) for the year									(34,359,961)
									(15,159,530)
									(19,164,185)
									(19,532,639)
									(8,633,762)
									65,119,324
									296,382
									(20,560,673)
									(8,930,144)
									44,558,651
<b>Other information</b>									
Segment Assets - As at 31 December 2020	535,134,641.00	93,712,779.63	117,818,640.92	25,128,142.09	-	43,470,782.68	20,035,005.87	488,432,420.56	1,323,732,413
Segment Assets - As at 31 December 2019	432,318,748.75	193,147,129.53	97,162,148.29	61,701,189.97	12,905,230.46		48,945,679.89	550,717,786.18	1,396,897,913
Segment Liabilities - As at 31 December 2020	50,328,685.53	28,201,067.27	16,730,874.91	7,772,204.68	-	5,022,511.17	7,610,795.95	763,540,488.49	879,206,628
Segment Liabilities - As at 31 December 2019	62,841,209.28	18,653,133.56	22,381,722.62	21,739,777.83	3,707,591.58		28,580,739.44	757,836,597.67	915,740,772
Additions to non-current assets (Note b)	292,500.37	451,633.00	498,491.62	16,500.00	-	43,130,032.51	40,000.00	6,120,957.00	49,702,623
		2,057,377.45						10,529,212.46	13,434,082

\* Figures in italics are for previous year (31 December 2019)

# The Company ceased operating the explosives division during the FY2019.

Note:

- (a) Finance costs excludes interest expense amounting to Nu. 235,774.88 for FY 2020 capitalised in construction work-in-progress.
- (b) Additions to non-current assets are additions other than financial instruments, deferred tax assets, net defined benefit assets as those are amounts included in the measure of segment assets.





### Note 33: Segment Reporting

#### (a) Risk Management

The Company is a subsidiary of Druk Holding & Investments Limited (DHI). The amount mentioned under total equity in balance sheet is considered as Capital.

The company's objectives when managing capital are to:

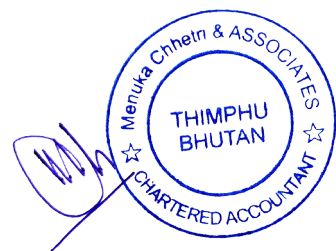
- Safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- Maintain an optimal capital structure to reduce the cost of capital.

The Company's policy is to maintain a stable and strong capital structure with a focus on total equity so as to maintain investors, creditors and market confidence and to sustain future development and growth of its business. The capital structure of the Company is based on management's judgment of the appropriate balance of key elements in order to meet strategic and day-to-day needs. The Company manages its structure and makes adjustments in light of changes in economic conditions. The funding requirements are primarily met through the equity given by the shareholders.

#### (b) Dividends Paid

(Amounts in Nu.)

Particulars	31 December 2020	31 December 2019
<b>(i) Equity shares</b>		
Final dividend for the year ended 31 December 2020 - nil (1 January 2019 - Nu. 2.1 per fully paid equity share) per fully paid share	27,000,240.00	37,800,336.00
<b>(ii) Dividends not recognized at the end of the reporting period</b>		
The board has recommended on the non-payment of a final dividend. However, this is subject to the approval of shareholders in the ensuing annual general meeting.	-	27,000,240.00



### Note 34: Fair Value Measurements

#### Financial instruments by category

(Amounts in Nu.)

Particulars	December 31 2020 Amortized cost	December 31 2019 Amortized cost
<i>Financial assets</i>		
Investments	11,960,574.48	11,311,590.23
Trade receivables	321,898,297.62	329,172,770.31
Deposits and other receivables	34,075,016.45	26,092,106.07
Cash & cash equivalent	44,391,081.02	57,470,696.62
<b>Total financial assets</b>	<b>412,324,969.57</b>	<b>424,047,163.23</b>
<i>Financial liabilities</i>		
Long term borrowings	140,689,331.85	113,212,469.46
Current maturities of long term borrowings	14,208,823.31	6,251,402.55
Short term borrowings	301,234,754.77	392,893,508.55
Deferred rent	1,423,956.00	1,133,508.00
Trade payables	189,618,638.93	156,015,401.86
Deposits	3,445,555.04	3,765,500.89
Other payables	50,589,264.40	68,414,763.55
<b>Total financial liabilities</b>	<b>701,210,324.30</b>	<b>741,686,554.86</b>

#### (i) Fair value hierarchy

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

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

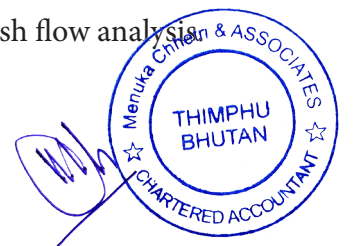
**Level 2:** The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument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

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

#### (ii) Valuation technique used to determine fair value

Specific valuation techniques used to value financial instruments include:

- the fair value of the financial instruments is determined using discounted cash flow analysis



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

(Amounts in Nu.)

Particulars	31-Dec-19		31-Dec-18	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Trade receivables (Refer note (a))	321,898,297.62	321,898,297.62	329,172,770.31	329,172,770.31
Financial liabilities				
Long term borrowings from Bank of Bhutan (Refer note (b))	95,266,826.62	95,266,826.62	99,463,872.01	99,463,872.01
Long term borrowings from NPPF	29,631,328.54	28,324,195.28	20,000,000.00	19,513,712.58
Long term borrowings from T Bank	30,000,000.00	28,543,338.25		

a) Trade receivables from customers on deferred installment payment basis are charged approximately the market rate of interest and hence the fair value approximate their carrying values.

b) Long term borrowings from Bank of Bhutan are at floating rate of interest and hence the fair value approximate their carrying values.

c) The management assessed that the fair values of remaining financial assets and liabilities at amortised cost approximate to their carrying amounts largely due to the short-term maturities of these instruments.

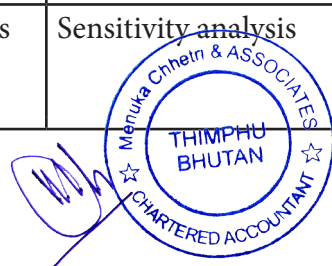
d) The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Company uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. For details of the key assumptions used and the impact of changes to these assumptions see (ii) above.

**Note 35: Financial risk management**

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

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

Risk	Exposure arising	Measurement	Measurement
Credit risk	Cash and cash equivalents, trade receivables, and other financial assets.	Ageing analysis	Diversification of customer base.
Liquidity risk	Trade payables and other financial liabilities	Cash flow forecasts	Availability of committed credit lines and borrowing facilities
Market risk – foreign exchange	Future commercial transactions	Cash flow forecasts & sensitivity analysis	Availability of committed LC facilities and diversification of liability
Market risk – interest rate	Long-term borrowings at variable rates	Sensitivity analysis	Portfolio of loan contains fixed interest loans from various financial institutions

**(A) Credit risk**

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities primarily trade and other receivables.

**i) Trade receivables**

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. The Company regularly monitors its outstanding customer receivables. The Company has a detailed review mechanism of overdue customer receivables at various levels within organisation to ensure proper attention and focus for realisation.

The Company has two categories of trade receivables -

a) Customer to whom the vehicles are sold on deferred settlement terms.

b) Other than (a) above - All the sales are made on normal credit period of 30 days to 60 days.

The requirement for loss allowance is analysed at each reporting date. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 35 : Fair value measurement. The Company does not hold collateral as security.

**(ii) Reconciliation of loss allowance provision – Trade receivables**

(Amounts in Nu.)

Particulars	Amount
Loss allowance on January 1, 2020	47,107,077
Changes in loss allowance	-
Loss allowance on December 31, 2020	47,107,077

**iii) Financial instruments and cash deposits**

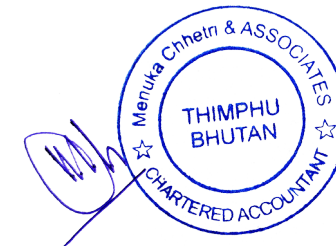
Credit risk from balances with banks and financial institutions is managed by the Company's finance department in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Companies' Board of Directors on an annual basis. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty's potential failure to make payments. For banks and financial institutions, only high rated banks/institutions are accepted.

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

**(B) Liquidity risk**

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

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



**Contractual maturities of financial liabilities:**

(Amounts in Nu.)

Particulars	Less than 1 year	More than 1 year	Total
<b>31 December 2020</b>			
Long term borrowings and interest*	24,243,472.52	178,257,607.23	202,501,079.75
Short term borrowings	392,893,508.55	-	392,893,508.55
Deferred rent	-	1,423,956.00	1,423,956.00
Trade payables	189,618,638.93	-	189,618,638.93
Deposits	3,445,555.04	-	3,445,555.04
Other payables	50,589,264.40	-	50,589,264.40
<b>Total non-derivative liabilities</b>	<b>660,790,439.44</b>	<b>179,681,563.23</b>	<b>840,472,002.67</b>
<b>31 December 2019</b>			
Long term borrowings and interest*	15,406,762.55	157,736,984.50	173,143,747.05
Short term borrowings	392,893,508.55	-	392,893,508.55
Deferred rent	-	1,133,508.00	1,133,508.00
Trade payables	156,015,401.86	-	156,015,401.86
Deposits	3,765,500.89	-	3,765,500.89
Other payables	68,414,763.55	-	68,414,763.55
<b>Total non-derivative liabilities</b>	<b>636,495,937.40</b>	<b>158,870,492.50</b>	<b>795,366,429.90</b>

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

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

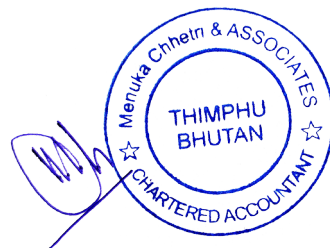
The company is exposed to foreign currency risk as it maintains a foreign currency bank account and has a foreign exchange receivable.

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

Particulars	31 December 2020	31 December 2019
	USD	USD
<b>Financial assets</b>	751,567.57	1,497,270.00

Particulars	31 December 2020	31 December 2019
	BDT	BDT
<b>Financial assets</b>	27,509.10	152,821.19

The receivable/ payable from/to India is in foreign currency (Indian Rupee) which does not have foreign exchange fluctuation risk since Bhutanese Ngultrum (BTN) is pegged with Indian Rupee (INR).


**Sensitivity**

The sensitivity of profit or loss to changes in the exchange rates arises mainly from foreign currency denominated financial instruments.

Particulars	Change in currency exchange rate	Impact on profit before tax	
		December 31, 2020	December 31, 2019
USD sensitivity			
Appreciation in Nu.*	0.05	37,578.38	74,863.50
Depreciation in Nu.*	(0.05)	(37,578.38)	(74,863.50)
BDT sensitivity			
Appreciation in Nu.*	0.05	1,375.46	7,641.06
Depreciation in Nu.*	(0.05)	(1,375.46)	(7,641.06)

\* Holding all other variables constant

As value of Nu. is constantly equal to the INR, company is not exposed to any foreign currency risk relating to amount receivables/ payable in INR.

**(i) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's main interest rate risk arises from long-term borrowings with variable rates, which expose the Company to cash flow interest rate risk.

**(a) Interest rate risk exposure**

The exposure of the Company's financial liabilities to interest rate risk is as follows:

Particulars	December 31, 2020	December 31, 2019
Variable rate borrowings	95,266,826.62	99,463,872.01

**(b) Sensitivity**

Profit before tax is sensitive to higher/lower interest expense from borrowings as a result of changes in interest rates as below:

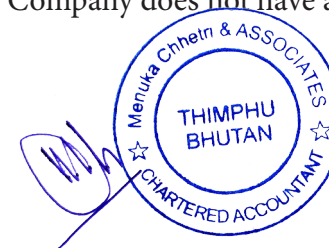
Particulars	Impact on profit before tax	
	December 31, 2020	December 31, 2019
Interest rate – increase by 0.5%	(476,334.13)	(497,319.36)
Interest rate – decrease by 0.5%	476,334.13	497,319.36

\* Holding all other variables constant

**(iii) Price risk**

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or by factors affecting all similar financial instruments traded in the market.

The Company does not have any financial asset investments which are exposed to price risk.





Note 36: Disclosure for employees benefit - defined benefit scheme (Gratuity)

(Amounts in Nu.)

A. Change in defined benefit obligation (DBO)	31 December 2020	31 December 2019
DBO at end of prior period	13,911,338.00	9,143,880.00
Current service cost	1,828,851.00	1,815,651.00
Interest cost on the DBO	1,106,590.00	701,010.00
Past service cost - plan amendments	-	43,641.00
Actuarial (gain)/loss - experience	840,044.00	4,000,558.00
Benefits paid	(1,785,275.00)	(1,793,402.00)
<b>DBO at end of current period</b>	<b>15,901,548.00</b>	<b>13,911,338.00</b>

B. Statement of Profit & Loss	31 December 2020	31 December 2019
Current service cost	1,828,851.00	1,815,651.00
Net interest on net defined benefit liability / (asset)	1,106,590.00	701,010.00
<b>Cost recognized in P&amp;L</b>	<b>2,935,441.00</b>	<b>2,560,302.00</b>

C. Other Comprehensive Income (OCI)	31 December 2020	31 December 2019
Actuarial (gain)/loss due to liability experience	840,044.00	4,000,558.00
<b>Actuarial (Gain) or Loss Recognized via OCI at Current Period End</b>	<b>840,044.00</b>	<b>4,000,558.00</b>

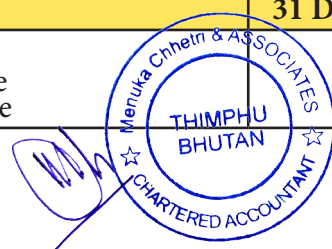
D. Reconciliation of Net Balance Sheet Position	31 December 2020	31 December 2019
Net defined benefit asset/ (liability) at end of prior period	13,911,338.00	9,143,880.00
Current service cost	1,828,851.00	1,815,651.00
Past service cost - plan amendments	-	43,641.00
Net interest on net defined benefit liability/ (asset)	1,106,590.00	701,010.00
Amount recognized in OCI	840,044.00	4,000,558.00
Benefit paid directly by the company	(1,785,275.00)	(1,793,402.00)
<b>Net defined benefit asset/ (liability) at end of current period</b>	<b>15,901,548.00</b>	<b>13,911,338.00</b>

E. Expected benefit payments (undiscounted) for the year ending	31 December 2020	31 December 2019
Up to 1 year	1,899,266.00	1,434,743.00
Between more than 1 to 3 years	4,773,587.00	4,735,381.00
Between more than 3 to 5 years	6,967,241.00	6,405,658.00
Between more than 5 to 10 years	16,770,192.00	17,116,965.00
Over 10 years	61,375,595.00	58,811,232.00

- (i) Expected employer contributions for the period ending 31 December 2020 Not applicable  
(ii) Weighted average duration of defined benefit obligation 15.03 years (31 Dec 2019: 15.09 years)  
(iii) Significant estimates: actuarial assumptions and sensitivity

A. Discount rate	31 December 2020	31 December 2019
Discount rate	0.09	0.09
Effect on DBO due to 0.5% increase	(732,435.00)	(653,588.00)
Effect on DBO due to 0.5% decrease	795,426.00	709,490.00

B. Salary escalation rate	31 December 2020	31 December 2019
Salary escalation rate	0.06	0.06
Effect on DBO due to 0.5% increase	852,880.00	759,425.00
Effect on DBO due to 0.5% decrease	(790,670.00)	(704,234.00)



(Amounts in Nu.)

C. Mortality rate	31 December 2020	31 December 2019
Mortality rate	100% of IALM (2006-08)	100% of IALM (2006-08)
Effect on DBO due to 10% upward shift in mortality curve	(12,144.00)	(10,676.00)
Effect on DBO due to 10% downward shift in mortality curve	12,235.00	10,759.00

D. Employee turnover rate	31 December 2020	31 December 2019
Employee turnover rate	0.05	0.05
Effect on DBO due to 1% increase	(164,082.00)	(285,268.00)
Effect on DBO due to 1% decrease	174,611.00	323,785.00

#### Risk exposure

Through its defined benefit plan the Company is exposed to a number of risks, the most significant of which are detailed below:

##### Discount rate risk:

The present value of the defined benefit obligation is heavily dependent on the discount rate. As such, the quantity is highly sensitive to the discount rate and a slight decrease in this assumption parameter will result in an ultimate cost that is significantly higher and vice versa.

##### Salary growth risk:

As the gratuity benefit is a final-pay scheme, the actual cost of the plan will depend on the growth rate of salary over the years. As such, a higher than expected growth in salary will result in a cost which is higher than the estimate. Similarly, a slower salary growth will result in actual liability being lower than projected.

##### Employer turnover risk:

Employer turnover experience of STCBL will have a significant impact on the design of the benefit and consequently the overall cost of the plan. Furthermore, deviation in actual experience from assumption would also lead to change in the liability of the plan.

##### Demographic risk:

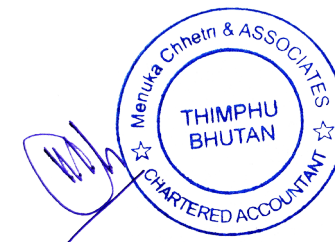
In the absence of credible scheme-specific data, the IALM 2006-08 mortality rate has been used in projecting the benefits. Thus, deviation of the actual experience from the rates used will result in change in the cost of the plan.

##### Regulatory risk:

The present value of the defined benefit obligation has been arrived at using the current set of regulatory frameworks. As such, any change in the relevant rules and regulations concerning gratuity benefit such as increase in gratuity ceiling, introduction of gratuity floor, change in vesting period or benefit accrual rate would eventually alter the liability.

##### Liquidity risk:

Finally, there is a risk that STCBL may not be able to honour the gratuity payments in the short-run due to liquidity constraints.



**Note 36: Disclosure for employees benefit - defined benefit scheme (Travel allowance)**

(Amounts in Nu.)

A. Change in defined benefit obligation (DBO)	31 December 2020	31 December 2019
DBO at end of prior period	668,688.00	406,680.00
Current service cost	108,153.00	110,833.00
Interest cost on the DBO	53,286.00	20,778.00
Actuarial (gain)/loss - experience	13,936.00	454,866.00
Benefits paid	(83,580.00)	(324,469.00)
<b>DBO at end of current period</b>	<b>760,483.00</b>	<b>668,688.00</b>

B. Statement of Profit & Loss	31 December 2020	31 December 2019
Current service cost	108,153.00	110,833.00
Net interest on net defined benefit liability / (asset)	53,286.00	20,778.00
<b>Cost recognized in P&amp;L</b>	<b>161,439.00</b>	<b>131,611.00</b>

C. Other Comprehensive Income ( OCI )	31 December 2020	31 December 2019
Actuarial (gain)/loss due to liability experience	40,994.00	454,866.00
<b>Actuarial (Gain) or Loss Recognized via OCI at Current Period End</b>	<b>40,994.00</b>	<b>454,866.00</b>

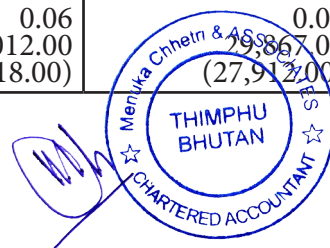
D. Reconciliation of Net Balance Sheet Position	31 December 2020	31 December 2019
Net defined benefit asset/ (liability) at end of prior period	668,688.00	406,680.00
Current service cost	108,153.00	110,833.00
Net interest on net defined benefit liability/ (asset)	53,286.00	20,778.00
Amount recognized in OCI	13,936.00	454,866.00
Benefit paid directly by the company	(83,580.00)	(324,469.00)
<b>Net defined benefit asset/ (liability) at end of current period</b>	<b>760,483.00</b>	<b>668,688.00</b>

E. Expected benefit payments (undiscounted) for the year ending	31 December 2020	31 December 2019
Up to 1 year	269,882.00	139,381.00
Between more than 1 to 3 years	450,724.00	406,227.00
Between more than 3 to 5 years	496,192.00	490,248.00
Between more than 5 to 10 years	89,694.00	1,184,986.00
Over 10 years	2,726,351.00	2,663,089.00

- (i) Expected employer contributions for the period ending 31 December 2020 Not applicable  
(ii) Weighted average duration of defined benefit obligation 10.84 years (31 Dec 2019: 11.57 years)  
(iii) Significant estimates: actuarial assumptions and sensitivity

A. Discount rate	31 December 2020	31 December 2019
Discount rate	0.09	0.09
Effect on DBO due to 0.5% increase	(28,154.00)	(25,572.00)
Effect on DBO due to 0.5% decrease	30,378.00	27,565.00

B. Salary escalation rate	31 December 2020	31 December 2019
Salary escalation rate	0.06	0.06
Effect on DBO due to 0.5% increase	33,012.00	29,867.00
Effect on DBO due to 0.5% decrease	(30,918.00)	(27,912.00)



(Amounts in Nu.)

C. Mortality rate	31 December 2020	31 December 2019
Mortality rate	100% of IALM (2006-08)	100% of IALM (2006-08)
Effect on DBO due to 10% upwad shift in mortality curve	130.00	133.00
Effect on DBO due to 10% downward shift in mortality curve	(128.00)	(132.00)

D. Employee turnover rate	31 December 2020	31 December 2019
Employee turnover rate	0.05	0.05
Effect on DBO due to 1% increase	6,576.00	10,082.00
Effect on DBO due to 1% decrease	(6,946.00)	(11,374.00)

**Risk exposure**

Through its defined benefit plan the Company is exposed to a number of risks, the most significant of which are detailed below:

*Discount rate risk:*

The present value of the defined benefit obligation is heavily dependent on the discount rate. As such, the quantity is highly sensitive to the discount rate and a slight decrease in this assumption parameter will result in an ultimate cost that is significantly higher and vice versa.

*Salary growth risk:*

As the gratuity benefit is a final-pay scheme, the actual cost of the plan will depend on the growth rate of salary over the years. As such, a higher than expected growth in salary will result in a cost which is higher than the estimate. Similarly, a slower salary growth will result in actual liability being lower than projected.

*Employer turnover risk:*

Employer turnover experience of STCBL will have a significant impact on the design of the benefit and consequently the overall cost of the plan. Furthermore, deviation in actual experience from assumption would also lead to change in the liability of the plan.

*Demographic risk:*

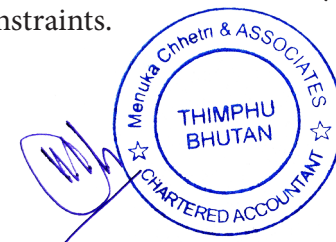
In the absence of credible scheme-specific data, the IALM 2006-08 mortality rate has been used in projecting the benefits. Thus, deviation of the actual experience from the rates used will result in change in the cost of the plan.

*Regulatory risk:*

The present value of the defined benefit obligation has been arrived at using the current set of regulatory frameworks. As such, any change in the relevant rules and regulations concerning gratuity benefit such as increase in gratuity ceiling, introduction of gratuity floor, change in vesting period or benefit accrual rate would eventually alter the liability.

*Liquidity risk:*

Finally, there is a risk that STCBL may not be able to honour the gratuity payments in the short-run due to liquidity constraints.





**Note 36: Disclosure for employees benefit - defined benefit scheme (Transport Charge)**

(Amounts in Nu.)

<b>A. Change in defined benefit obligation (DBO)</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
DBO at end of prior period	1,066,305.00	849,593.00
Current service cost	173,699.00	169,121.00
Interest cost on the DBO	76,895.00	34,659.00
Actuarial (gain)/loss - experience	57,433.00	454,769.00
Benefits paid	(161,661.00)	(441,837.00)
<b>DBO at end of current period</b>	<b>1,212,671.00</b>	<b>1,066,305.00</b>

<b>B. Statement of Profit &amp; Loss</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
Current service cost	173,699.00	169,121.00
Net interest on net defined benefit liability / (asset)	76,895.00	34,659.00
<b>Cost recognized in P&amp;L</b>	<b>250,594.00</b>	<b>203,780.00</b>

<b>C. Other Comprehensive Income ( OCI )</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
Actuarial (gain)/loss due to liability experience	57,433.00	454,769.00
<b>Actuarial (Gain) or Loss Recognized via OCI at Current Period End</b>	<b>57,433.00</b>	<b>454,769.00</b>

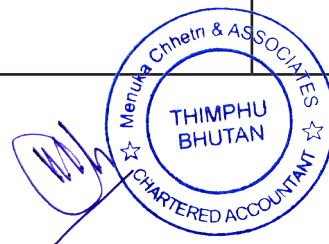
<b>D. Reconciliation of Net Balance Sheet Position</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
Net defined benefit asset/ (liability) at end of prior period	1,066,305.00	849,593.00
Current service cost	173,699.00	169,121.00
Net interest on net defined benefit liability/ (asset)	76,895.00	34,659.00
Amount recognized in OCI	57,433.00	454,769.00
Benefit paid directly by the company	(161,661.00)	(441,837.00)
<b>Net defined benefit asset/ (liability) at end of current period</b>	<b>1,212,671.00</b>	<b>1,066,305.00</b>

<b>E. Expected benefit payments (undiscounted) for the year ending</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
Up to 1 year	483,848.00	363,029.00
Between more than 1 to 3 years	731,958.00	853,299.00
Between more than 3 to 5 years	803,887.00	718,501.00
Between more than 5 to 10 years	1,632,863.00	1,623,017.00
Over 10 years	4,130,307.00	3,908,091.00

- (i) Expected employer contributions for the period ending 31 December 2020 Not applicable  
(ii) Weighted average duration of defined benefit obligation 10.21 years (31 Dec 2019:10.21 years)  
(iii) Significant estimates: actuarial assumptions and sensitivity

<b>A. Discount rate</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
Discount rate	0.09	0.09
Effect on DBO due to 0.5% increase	(40,250.00)	(36,181.00)
Effect on DBO due to 0.5% decrease	43,253.00	38,848.00

<b>B. Carrier charges</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
Salary escalation rate	0.05	0.05
Effect on DBO due to 0.5% increase	48,054.00	42,885.00
Effect on DBO due to 0.5% decrease	(45,060.00)	(40,229.00)



(Amounts in Nu.)

<b>C. Mortality rate</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
Mortality rate	100% of IALM (2006-08)	100% of IALM (2006-08)
Effect on DBO due to 10% upwad shift in mortality curve	339.00	315.00
Effect on DBO due to 10% downward shift in mortality curve	(338.00)	(315.00)

<b>D. Employee turnover rate</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
Employee turnover rate	0.05	0.05
Effect on DBO due to 1% increase	13,134.00	22,960.00
Effect on DBO due to 1% decrease	(13,864.00)	(25,554.00)

**Risk exposure**

Through its defined benefit plan the Company is exposed to a number of risks, the most significant of which are detailed below:

*Discount rate risk:*

The present value of the defined benefit obligation is heavily dependent on the discount rate. As such, the quantity is highly sensitive to the discount rate and a slight decrease in this assumption parameter will result in an ultimate cost that is significantly higher and vice versa.

*Increase in cost of transportation risk:*

As this benefit is based on the final cost of transportation at the time of retirement in the future, the actual cost of the plan will depend on the growth rate of transportation cost and inflation over the year. As such, a higher than expected growth in cost of transportation will result in a cost which is higher than the estimate. Similarly, lower inflation will result in actual liability being lower than projected.

*Employer turnover risk:*

Employer turnover experience of STCBL will have a significant impact on the design of the benefit and consequently the overall cost of the plan. Furthermore, deviation in actual experience from assumption would also lead to change in the liability of the plan.

*Demographic risk:*

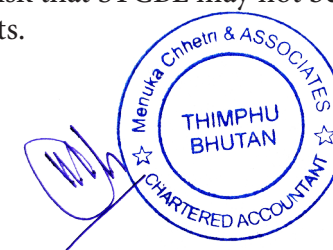
In the absence of credible scheme-specific data, the IALM 2006-08 mortality rate has been used in projecting the benefits. Thus, deviation of the actual experience from the rates used will result in change in the cost of the plan.

*Regulatory risk:*

The present value of the defined benefit obligation has been arrived at using the current set of regulatory frameworks. As such, any change in the relevant rules and regulations concerning gratuity benefit such as increase in gratuity ceiling, introduction of gratuity floor, change in vesting period or benefit accrual rate would eventually alter the liability.

*Liquidity risk:*

Finally, there is a risk that STCBL may not be able to honour the gratuity payments in the short-run due to liquidity constraints.





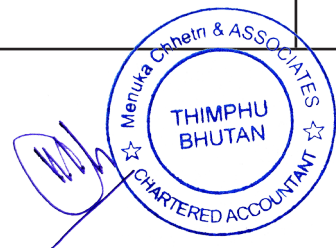
**Note 36: Disclosure for employees benefit - defined benefit scheme (Transfer grant)**

(Amounts in Nu.)

<b>A. Change in defined benefit obligation (DBO)</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
DBO at end of prior period	668,688.00	406,680.00
Current service cost	108,153.00	110,833.00
Interest cost on the DBO	51,289.00	20,778.00
Actuarial (gain)/loss - experience	62,918.00	454,866.00
Benefits paid	(130,565.00)	(324,469.00)
<b>DBO at end of current period</b>	<b>760,483.00</b>	<b>668,688.00</b>
<b>B. Statement of Profit &amp; Loss</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
Current service cost	108,153.00	110,833.00
Net interest on net defined benefit liability / (asset)	51,289.00	20,778.00
<b>Cost recognized in P&amp;L</b>	<b>159,442.00</b>	<b>131,611.00</b>
<b>C. Other Comprehensive Income ( OCI )</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
Actuarial (gain)/loss due to liability experience	62,918.00	454,866.00
<b>Actuarial (Gain) or Loss Recognized via OCI at Current Period End</b>	<b>62,918.00</b>	<b>454,866.00</b>
<b>D. Reconciliation of Net Balance Sheet Position</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
Net defined benefit asset/ (liability) at end of prior period	668,688.00	406,680.00
Current service cost	108,153.00	110,833.00
Net interest on net defined benefit liability/ (asset)	51,289.00	20,778.00
Amount recognized in OCI	62,918.00	454,866.00
Benefit paid directly by the company	(130,565.00)	(324,469.00)
<b>Net defined benefit asset/ (liability) at end of current period</b>	<b>760,483.00</b>	<b>668,688.00</b>
<b>E. Expected benefit payments (undiscounted) for the year ending</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
Up to 1 year	269,882.00	139,381.00
Between more than 1 to 3 years	450,724.00	406,227.00
Between more than 3 to 5 years	496,192.00	490,248.00
Between more than 5 to 10 years	1,089,694.00	1,184,986.00
Over 10 years	2,726,351.00	2,663,089.00

- (i) Expected employer contributions for the period ending 31 December 2020 Not applicable  
(ii) Weighted average duration of defined benefit obligation 10.22 years (31 Dec 2019: 10.21 years)  
(iii) Significant estimates: actuarial assumptions and sensitivity

<b>A. Discount rate</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
Discount rate	0.09	0.09
Effect on DBO due to 0.5% increase	(28,154.00)	(25,572.00)
Effect on DBO due to 0.5% decrease	30,378.00	27,565.00
<b>B. Salary escalation rate</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
Salary escalation rate	0.06	0.06
Effect on DBO due to 0.5% increase	33,102.00	29,867.00
Effect on DBO due to 0.5% decrease	(30,918.00)	(27,912.00)



(Amounts in Nu.)

<b>C. Mortality rate</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
Mortality rate	100% of IALM (2006-08)	100% of IALM (2006-08)
Effect on DBO due to 10% upwad shift in mortality curve	130.00	133.00
Effect on DBO due to 10% downward shift in mortality curve	(128.00)	(132.00)

<b>D. Employee turnover rate</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
Employee turnover rate	0.05	0.05
Effect on DBO due to 1% increase	6,576.00	10,082.00
Effect on DBO due to 1% decrease	6,946.00	(11,374.00)

**Risk exposure**

Through its defined benefit plan the Company is exposed to a number of risks, the most significant of which are detailed below:

*Discount rate risk:*

The present value of the defined benefit obligation is heavily dependent on the discount rate. As such, the quantity is highly sensitive to the discount rate and a slight decrease in this assumption parameter will result in an ultimate cost that is significantly higher and vice versa.

*Salary growth risk:*

As the gratuity benefit is a final-pay scheme, the actual cost of the plan will depend on the growth rate of salary over the years. As such, a higher than expected growth in salary will result in a cost which is higher than the estimate. Similarly, a slower salary growth will result in actual liability being lower than projected.

*Employer turnover risk:*

Employer turnover experience of STCBL will have a significant impact on the design of the benefit and consequently the overall cost of the plan. Furthermore, deviation in actual experience from assumption would also lead to change in the liability of the plan.

*Demographic risk:*

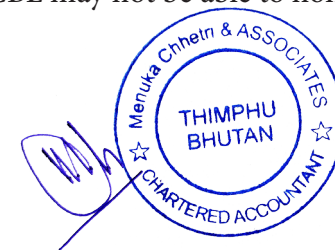
In the absence of credible scheme-specific data, the IALM 2006-08 mortality rate has been used in projecting the benefits. Thus, deviation of the actual experience from the rates used will result in change in the cost of the plan.

*Regulatory risk:*

The present value of the defined benefit obligation has been arrived at using the current set of regulatory frameworks. As such, any change in the relevant rules and regulations concerning gratuity benefit such as increase in gratuity ceiling, introduction of gratuity floor, change in vesting period or benefit accrual rate would eventually alter the liability.

*Liquidity risk:*

Finally, there is a risk that STCBL may not be able to honour the gratuity payments in the short-run due to liquidity constraints.



**Note 36: Contingent liability**

The company has outstanding legal claims filed against the company namely;

- i. Keys to Bhutan amounting to Nu.3,279,304/-.
- ii. M/s Empire Construction Pvt. Ltd (Private Company) amounting to Nu. 1,132,326/-

**Note 37: Court cases filed against company's debtors.**

Sl.No	Clients	Amount (Nu.)	Year	Status
1	Mr. Phojo Nidrup (Choden Transport)	1,443,323	2019	Case Ongoing
2	Mr. Phojo Nidrup (Choden Transport)	2,573,764	2019	Under arbitration process. Through arbitration received Nu. 1,500,000.00. As he failed to make balance payment, case is registered at Phuentsholing court.
3	M/s Lamala Construction	124,892	2018	Case in arbitration process
4	Mr. Karma Chowang	709,792	2019	Case in arbitration process
5	Mr. Pema Wangda	275,338	2019	Case in arbitration process

**Note 38: Interest Waiver from Government**

The company had an interest benefit of Nu. 9,441,748.31 on account of Druk Gyapo's Relief Kidu support for interest payment as follows:

Particulars	Principle Amount (in Nu.)	Interest Amount (in Nu.)
Bank of Bhutan Limited (Overdraft Loan + Long Term Loans)	258,500,000.00	7,262,404.53
National Pension & Provident Fund (Short Term Loans)	70,000,000.00	1,204,439.90
Druk Punjab National Bank Limited (Overdraft Loan)	81,000,000.00	974,903.88
<b>Total</b>	<b>409,500,000.00</b>	<b>9,441,748.31</b>

