

# Annual Report 2014



**State Trading Corporation  
of Bhutan Limited**

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## FOREWORD

Dear Shareholders,

On behalf of State Trading Corporation of Bhutan Ltd, it gives me immense pleasure to present Annual Performance Report for 2014.

As we move ahead into yet another promising growth period, I would like to thank everyone involved with STCB for capping one of the most challenging years for the company. The economic recession since 2012 that affected the core business of STCB. Despite the bad economic year, the Company had managed to operate profitably by earning profit after tax (PAT) of Nu 4.592 million in 2013. In 2014 STCB witness sales growth by 30% thereby earning total revenue of Nu 716.186 million.

The Board and Management continues to seek consideration from shareholders for not being able to declare dividend even for the year 2014 but we all are proud to declare that STCB has taken one step closer to achieving its ultimate goal to become *Paragon of Trading House in the Region*.

The unprecedented increase in new products and the various industry awards and recognition, underlines the confidence that our business model offers. And the fact, this kind of success was achieved in extremely challenging economic environment is all the more commendable.

It is no secret that we aim to be the best in our business and we are confident in achieving this, with your support, thus playing a pivotal role in contributing to the overall growth of STCB as well as the nation as a whole.

In this, I look forward to your continued patronage and support, and we all shall grow together to achieve another successful and eventful year.

With best wishes,



Dr. Ugen Dophu  
**Chairman**

## FROM THE MANAGING DIRECTOR

It is my pleasure to present to you the Annual Report for 2014. The report highlights the performance and achievement of STCB in 2014. The last two years has been harsh to STCBL due to ban on import of vehicles, which was further worsened by highly selective funding approach adopted by the financial institutions for the vehicle segment, the company's business was adversely affected resulting in significant drop in its revenue because of automobile being its core business.

Nevertheless, STCBL has earned a total income of Nu 716.19 million, which has registered a growth of 30% over income of the preceding. Growth is mainly attributable to divisions like Toyota, Eicher and CASH (Construction, Agriculture, SML and Household) that has in aggregate contributed Nu 271.33 million towards growth of the 2014 revenue. On the other hand revenue from Explosive, Tata and ICT divisions has declined by Nu 112.01 million; as a result of which the net increase in revenue was to the tune of Nu 159.32 million.

As opposed to past years, the year 2015 is expected to be favorable with the lifting of import ban on vehicles from July 2014 signaling economic revival. In view of this, the company has projected revenue of Nu 1,153.64 million; 64% over 2014 and more than 80% of the total revenue expected will be generated from the automobile segment.

The Management takes this opportunity to request our shareholder's kind understanding for not declaring dividends for three consecutive years owing to bad economic situation. The Company would like to assure that we are committed to work harder towards meeting Company's vision and mission to realize the dreams and aspirations of shareholders, customers and all other concerned.

Finally, the Management of STCB would like to assure our shareholders, customers and other stakeholders that the company will ensure quality services and increase its profitability alongside overcoming commercial challenges in times to come. We will continue to strive in achieving company's goal to the best of our ability. We will continue to attempt to set new boundaries and strive to achieve excellence in our field of business.

Tashi Delek!



(Ms. Yeshey Selden)  
MANAGING DIRECTOR



## COMPANY PROFILE

*STCBL was established in 1968 under the purview of the Royal Government of Bhutan and the administrative control of the Ministry of Economic Affairs, with the primary mandate to assist the Royal Government of Bhutan to procure essential commodities (steel, cement, medicines, and explosives amongst others) from India required for development projects.*

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



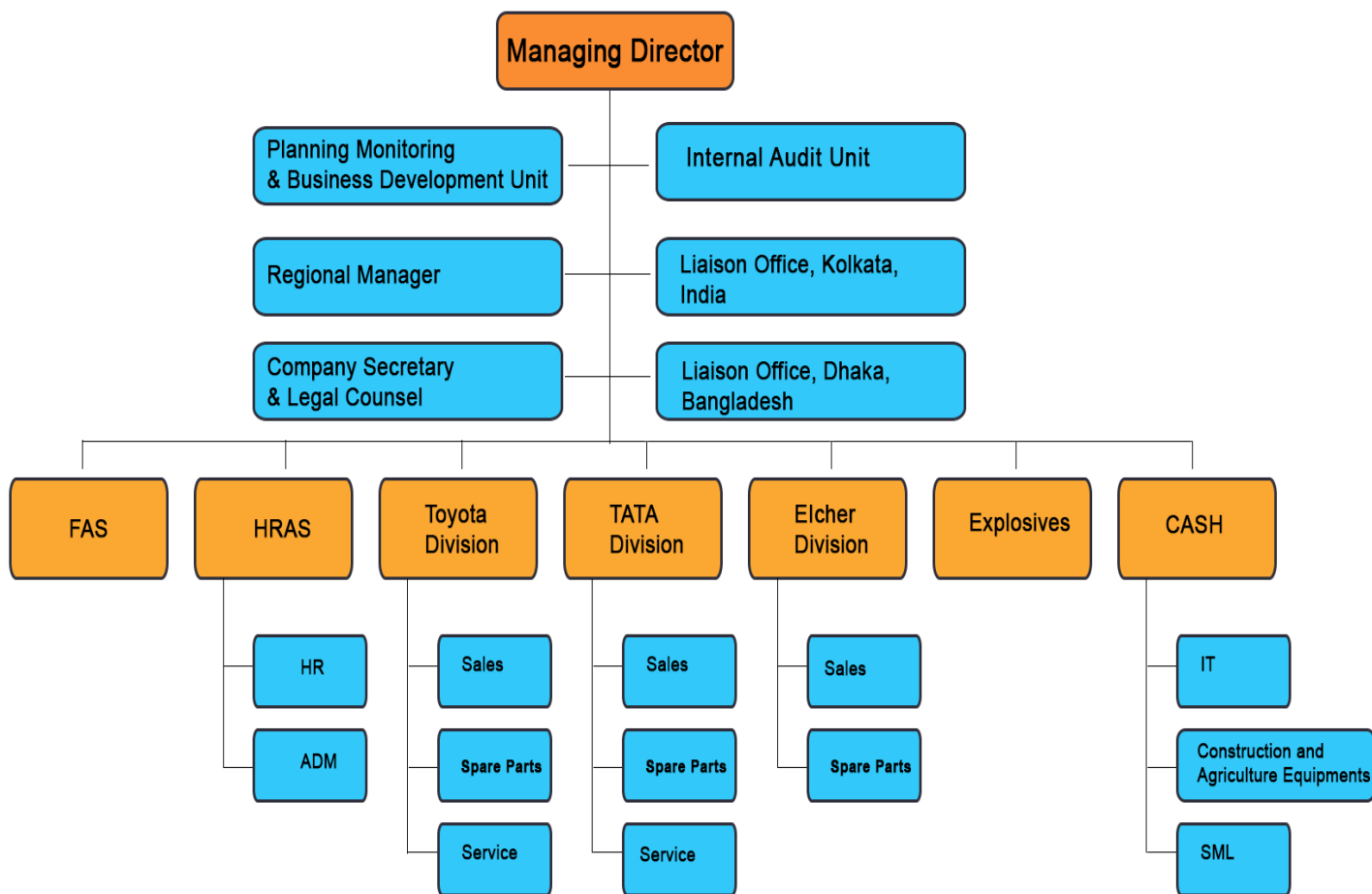
## CORE VALUES: 'PILAR'

|                         |   |
|-------------------------|---|
| <b>P</b> roductivity:   | The ability to maximize the effective usage of time and effort to achieve ideal results in any endeavour.   |
| <b>I</b> ntegrity:      | Being honest and having strong moral principles; moral uprightness, not compromising the right choice for the easy choice.  |
| <b>L</b> oyalty:        | A strong feeling of support and allegiance to STCBL and what it stands for.   |
| <b>A</b> ccountability: | Means a deep comprehension and appreciation for one's personal duties and responsibilities, taking recognition of one's role regardless of positive or negative outcomes.   |
| <b>R</b> espect:        | A feeling of appreciation and understanding for co-worker's ability, qualities, or achievements resulting in an atmosphere where the freedoms of being honest, candid and content are present throughout the workplace. |

## CAPITAL STRUCTURE OF THE COMPANY

| Authorized Capital                                  | Remarks            |
|---|--------------------|
| 50,000,000.00 Equity shares of Nu. 10 each          | Nu.500 million.    |
| <b>Issued &amp; Paid up Capital</b>                 |                    |
| 18,000,160.00 Equity shares of Nu. 10 each          | Nu.180.00 million. |
| <b>Share Holding patterns</b>                       |                    |
| RGoB (DHI)  | 51%                |
| Public Shares                                       | 49%                |
| <b>% of shares of the individuals/Public shares</b> |                    |
| Bank of Bhutan                                      | 7.06               |
| Royal Insurance Corporation of Bhutan               | 4.90               |
| National Pension Board                              | 2.45               |
| Bhutan Trust Fund                                   | 5.00               |
| Others  | 29.59              |
| <b>Total</b>  | <b>49.00</b>       |

# ORGANIZATIONAL STRUCTURE



## WHO IS WHO IN STCBL

| Name                 | Designation                       | Division/Unit                            |
|----------------------|-----------------------------------|--|
| Ms. Yeshey Selden    | Managing Director                 |  |
| Mr. Dorji Penjor     | Chief Finance Officer             | Finance and Account Service              |
| Mr. Chador Wangdi    | General Manager                   | Human Resource & Administrative Services |
| Mr. Pema Tshewang    | General Manager                   | Toyota and Eicher Business               |
| Mr. Dechen Wangdi    | Head                              | Explosive Business                       |
| Mr. Kabir Biswa      | Dy. General Manager               | CASH Business                            |
| Mr. Pranayee Chettri | Company Secretary & Legal Counsel | Managing Director's Office               |

### REGIONAL and LIAISON OFFICES

| NAME              | DESIGNATION         | PLACE             |
|-------------------|---------------------|-------------------|
| Mr. Kabir Biswa   | Dy. General Manager | Thimphu           |
| Mr. Tenzin Wangdi | Liaison Officer     | Kolkata, India    |
| Mr. Sangay        | Liaison Officer     | Dhaka, Bangladesh |

Board of  
**Directors**

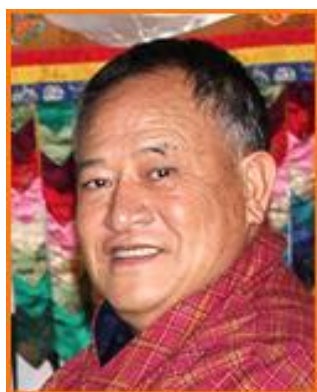
## The Chairman



### **Dr. Ugen Dophu**

Dr. Ugen Dophu is the Chairman of STCBL Board. He began his career in the year 1988. He has Masters degree in Public Health from Chulalongkorn University, Bangkok, Diploma STD/AIDS from Songkhla University, Hyatai, Bangkok, Diploma Tropical Diseases from Karolingskha Institute Stockholm, Sweden and MBBS from Sir Solimullah Medical Collage, Dhaka. He worked in various capacities such as GDMO, District Medical Officer, Hospital Superintendent, Dy. Superintendent, Medical Director, Director, and currently he is the Director General in the Department of Medical Services, Ministry of Health.

## The Directors



### **Dasho Rinchen Dorji**

Dasho Rinchen Dorji is Managing Director of RSA Pvt. Ltd. since 1994 till date. He served as Director, Dept. of Industries in 1973 ~ 1977, Managing Director, Penden Cement Authority from 1987 ~ 1985, Managing Director, Dungsum Cement Project from 1986 ~ 1988, Director General in Ministry of Health 1989 ~ 1990, Managing Director, Gedu Wood Mfg. Corporation from 1992 ~ 1993. Today he is an industrialist with his own company by the name of RSA Poly Products Pvt. Ltd. established in 2002.



### **Dasho Namgyel Lhendup**

Dasho Namgyel Lhendup is Managing Director of Royal Insurance Corporation of Bhutan Ltd. He served as Director of Department of Immigration in 2005 ~ 2007, Governing Board of Directors in Bhutan National Bank Ltd. from 2005 ~ 2007, Member Secretary Automated Border Mgt. System, from 2005 ~ 2007, Member Secretary, Neutralization Committee, 2005 ~ 2007, Member of appeal committee in RCSC, 2007, and Member of Sub-Committee on Immigration, Custom and Security, CDS 2008, which was set up on command of Fifth Druk Gyalpo.

**Ms. Tashi Pem**

Ms. Tashi Pem has done Masters of Science in Economics (2003 ~ 2005) and Graduate school in Economics from Kagawa National University, Japan. She is also the certificate holder in Administrative Management Program from Royal Institute of Management, Thimphu (March ~ June 1996). She received her Bachelors in Commerce (Honors) from Sherubtse College, University of Delhi. She served as Assist. Planning Officer in 26/2/1996, Sr. Tax officer in 30/11/1998, Assist. Director in 1/1/2001, Dy. Commissioner in 1/1/2006, Jt. Collector in 1/1/2010, and Offtg. Collector (JC) in 1/5/2010. Currently she is Collector in Sales Tax Division, DRC, Thimphu.

**Mr. Tandin Tshering**

Mr. Tandin Tshering joined the civil service in 1992 after passing through the Bhutan Civil Service Examination with distinction in 1991. He did his Masters from Thammasat University, Thailand, B.Com from Sherubtse College, Kanglung and Diploma in Trade Policy from the Hong Kong University. Currently, he is serving as the Director, Department of Industry, Ministry of Economic Affairs, Thimphu. Prior to his present posting, he had served as Dy. Registrar, Intellectual Property Division, MoEA, Regional Director, Regional Trade & Industry Office, Thimphu, MoEA, Planning Officer, Policy & Planning Division, MoEA.

**Ms. Leki Wangmo**

Ms. Leki Wangmo is Sr. Analyst in Business Development Division, DHI since 2011. Before joining DHI she worked as a Program Coordinator, Gross National Happiness Commission from 2010 ~ 2011, Asst. Program Coordinator Development Cooperation Division, Gross National Happiness Commission from 2007 ~ 2008, Asst. Program Coordinator, Multilateral Division, Department of Aid and Debt Management, Ministry of Finance from 2004 ~ 2007.

## The Managing Director



### **Ms. Yeshey Selden**

Ms. Yeshey Selden is currently the eleventh Managing Director at the State Trading Corporation of Bhutan Limited. She began her career at the Ministry of Economic Affairs (MoEA), after successfully passing the civil service selection examination in 1995. She left the ministry, after serving for 16 years, as the Policy and Planning Division Head and joined the Druk Holding and Investments Ltd., (DHI) where she served for over two years. Since 2008, she has served as a director on various boards namely Bhutan Development Bank Ltd., Druk Air Corporation, Bhutan Trust Fund and Bhutan Ferro Alloys Ltd.

She is a recipient of the prestigious Joint Japan World Bank scholarship. She received her Master of Public Administration (MPA) in Economic Policy from Columbia University, New York in 2003. She earned her Bachelor in Commerce degree (with honors) from Lady Shri Ram's College for Women, Delhi University, in 1994.



# Director's Report

**Dear Shareholders,**

On behalf of the Board of Directors, State Trading Corporation of Bhutan Limited, I am pleased to report on the company's performance for the year ended 31st December 2014 in this 18<sup>th</sup> Annual General Meeting of the Company held at Thimphu, today on the 25<sup>th</sup> of March 2015.

**1. Background and Challenges**

Ever since the Government imposed restriction on import of vehicles, which was further worsened by highly selective funding approach adopted by the financial institutions for the vehicle segment, the company's business was adversely affected resulting in significant drop in its revenue because of automobile being its core business. Along with this, the availability of spurious spare parts across the border also adversely impacted the business. Similarly, Explosive business which is second to automobile business in terms of revenue generation, also experienced significant drop in its revenue due to decrease in market demand by 45% as compared to 2013. Despite these unfavorable economic conditions and external factors, the company could register appreciable business growth in 2014, signaling its revival. If economic environment continue to remain favorable, the company is confident to do well in 2015.

**2. Financial Achievements**

We would like to apprise the shareholders that, in 2014 your company has earned a total income of Nu 716.19 million, which has registered a growth of 30% over income of the preceding year. Growth is mainly attributable to divisions like Toyota, Eicher and CASH (Construction, Agriculture, SML and Household) that has in aggregate contributed Nu 271.33 million towards growth of the 2014 revenue. On the other hand revenue from Explosive, TATA and ICT divisions has declined by Nu 112.01 million; as a result of which the net increase in revenue was to the tune of Nu 159.32 million.

Of the total revenue earned in 2014, 98.42% or Nu 704.91 million went towards meeting expenditures, which has also correspondingly increased by 30% from that of 2013 expenditure. The expenditure increase is mainly due to increase in variable cost (cost of sales by 33% or Nu 149.41 million) followed by other expenses (47% or Nu 16.51 million). The increase in other expenses is mainly due to increase in expenses like repairs and maintenance (Nu 1.99 million), Marketing and sales promotions (Nu 2.47 million), Provision for doubtful debts (Nu 3.67 million), write offs (Nu 5.64 million) and also miscellaneous expenses (Nu 1.96 million) which mainly consisted of payment made for ERP BREP renewal fees, CSP consultancy fees and TATA and Toyota service centre purchases that was required to improve the efficiency of the company.

As a result of sales revenue reported above and the expenditure met out of the sales revenue, the company was left with PBT (profit before tax) of Nu 11.28 million, an increase of 27% over 2013. After provisioning for 30% CIT, the PAT (net profit after tax) stood at Nu 7.97 million which is 74% more than last year. Following key financials facts and figures shows how STCB has performed in financial year 2014 from various financial parameters.

| <b>Particulars</b>                       | <b>Y2014</b> | <b>Y2013</b> |
|--|--------------|--------------|
| Revenue (in million Nu)                  | 716.19       | 550.67       |
| Expenses (in million Nu)                 | 704.91       | 546.08       |
| Profit After Tax (in million Nu)         | 7.97         | 4.59         |
| Share Capital & Reserves (in million Nu) | 282.92       | 274.95       |
| Long Term Liabilities                    | -            | -            |
| Earnings Per Share                       | 0.44         | 2.51         |
| Return on Capital Employed               | 2.82%        | 1.67%        |
| Current Ratio                            | 1.62         | 2.04         |
| Trade Receivable Turnover Ratio          | 40.65        | 45.55        |
| Inventory Turnover Ratio                 | 2.39         | 3.34         |
| Net Profit Ratio                         | 1.14%        | 0.85%        |

Coming to the business portfolios of your company, there are currently six broad portfolios. As you will see in the table given below that 50% of the company's revenue is generated from Toyota business followed by Explosive. At the end of 2014 your company's business consist of following portfolio with its revenue share in 2014;

| <b>Portfolio</b> | <b>Revenue share</b> |
|------------------|----------------------|
| <b>ICT</b>       | 03%                  |
| <b>CASH</b>      | 07%                  |
| <b>TATA</b>      | 11%                  |
| <b>Eicher</b>    | 11%                  |
| <b>Explosive</b> | 18%                  |
| <b>Toyota</b>    | 50%                  |

It is also felt important to share with you how the company is performing on recovery aspect in view of the fact that cash is more important than mere profit. At the beginning of the year the company had Trade Receivables outstanding amounting to Nu 84.15 million pertaining to year 2007 ~ 2013; of which near about 58% (or Nu 48.58 million) has been recovered in 2014. Further, 91% (or Nu 636.32 million) out of 2014 sales amount of Nu 698.64 million has been collected during the year. Altogether the company's recovery performance is 87% for the year 2014 including receivables since 2007, which I feel, is excellent.

### 3. Key Non-Financial Achievements

Utmost importance has been given to improve the company's efficiency and sustain its business in view of bad experiences it has had due to abrupt changes in Government policies. Following are some of the key initiatives taken by the management in 2014;

- Revised the company's Service Rules and Regulations to streamline and systemize the HR management and development so that Company's vision and mission are achieved. This task was indeed a challenge, which the management implemented successfully in collaboration with all the staff.
- Developed a *Dead Stock Management Policy* for efficient inventory management. The company has unsegregated stock lying in the warehouse since more than a decade ago and such a policy was required in order to not only segregate the stock for proper disposables but also for better planned stocking of inventory.
- Developed a *Credit Manual* in order to streamline credit sales whilst keeping in view the sales target and also to improve recovery of dues in a timely manner.
- A *Corporate Strategic Plan* covering three years from 2015 to 2017 was developed in order to provide strategic guidance. Until then, STCB never had such a Plan in place. The Vision and Mission of the Company was also reformulated.
- Set up toll free numbers and an EPBAX for the convenience of the customers to make queries about company's products and service and also to improve after sales service.
- Introduced new model vehicles namely, Toyota Etios vehicles from India, hybrid vehicles (Pruis and Camry), single and double cabin TATA Xenon and Hero electric bikes during the year.
- As a part of the company's diversification plan, new products lines such as agriculture machinery, asian paints, kent water filter and ford vehicles were introduced, which has also contributed towards revenue generation to a certain degree.
- To provide state of the art sales, service and spares, plan for construction of Toyota 3S facility cum corporate office in Thimphu was drawn during the year. The construction will start from 2015.
- Established a Liaison Office in Dhaka, Bangladesh in November 2014 to assist in new export ventures such as stones and natural vegetables. Opening of the Liaison Office will also contribute to expansion of trade with Bangladesh in both exports and imports of goods.
- Recruited two General Managers for HRAS and Toyota Divisions as per the restructured organogram.
- Improved the Toyota Service Centre in Olakha through various kaizen activities from minute details to revamping of the entire spare parts store.
- Overall, the Management scored 92.54% in both financial and non-financial targeted activities.

#### **4. Corporate Governance & Management System: Current practice and Future plans for Improvement**

The company is committed to right business ethics, corporate values and pledge to uphold shareholders' value. STCB has adopted the best corporate governance and practices in ensuring high standards under the directions and support from DHI and the Registrar of Companies, MoEA. The company is driven by its mission and vision to achieve success through collective team work.

STCB Board constitute of seven Board Directors including Managing Director. The Board provides strategic guidance and monitors the performance of the company on quarterly basis. Meetings are scheduled depending upon urgency of the matter. The Board met eight times in 2014 to discuss the strategies, review performance and other important issues related to the Company. The Board Level Audit Committee (BLAC) is formed to study and resolve audit issues of the company.

The other objective is to be fully streamlined in business operation so that efficiency is improved at every level of work. At the same time, be able to remain profitable in a highly competitive market which is threatened by unscrupulous practices.

The Board and the Management would like to assure commitment towards enhancement of the company's operation and strive to be the *paragon of trading house in the region*.

## 5. Outlook in 2015

### A. Financial Aspect

As opposed to past years, the year 2015 is expected to be favorable with the lifting of import ban on vehicles from July 2014. The economic environment is expected to remain conducive despite increase in import tax and duties on vehicles.

The company is optimistic that its business will improve significantly in 2015 and therefore projected a revenue of Nu 1,153.64 million; 64% over 2014 and more than 80% of the total revenue is expected to be generated from the automobile segment. The remaining 20% is projected to come from Explosives, ICT and CASH.

In order to enhance the income of the company in the following years and also for national interest at large, consistent efforts shall be made to start export of stone products to Bangladesh at the earliest possible.

### B. Business Aspect

In line with Corporate Strategic Planning (CSP), *Customer Satisfaction Index Survey* (CSI) will be initiated and implemented by year-end. The company is expected to complete 50% of construction of Toyota 3S facilities and Corporate Office by 2015.

With the operation of *Multi Brand Body and Paint Workshop*, the income from services is expected to increase which will supplement the revenue from vehicle sale. The company will continue to put in concerted effort to improve sale of spare parts by improving inventory management and implementing further kaizen activities.

### C. Internal Processes Aspect

The service rules and regulations was reviewed and implemented, the next step is to initiate and develop three years HR master plan. The plan will serve as guidance in developing quality pool of human resource. The Performance Management system is being strictly implemented and for 2015 the annual compact between Board and Management was signed during the 85<sup>th</sup> Board Meeting.

Technology is at the forefront of all STCB's operation when it comes to business. Huge investments have been made in technology to enhance efficiency of the system. The ERP (Microsoft NAVISION) system currently adopted by the company will be reviewed to minimize system errors with the recruitment of an ERP expert.

## D. Learning and Growth

With the limited pool of senior level officials, the company will be supporting employees to pursue higher studies. The Management will be funding employees to pursue postgraduate studies depending upon the employee's creditability and performance in line with HR planning.

Similarly, in order to foster learning and growth in the organization, Human Resource and Administrative Services (HRAS) will strengthen HR capacity by providing workshops, seminars, symposiums, conferences, study tours, on job trainings, etc for which adequate expenditure has been budgeted to support the activities.

## 6. Acknowledgement

I, on behalf of the Board of Directors and the Management of STCB, would like to express our deepest gratitude to the Royal Government of Bhutan, Druk Holding and Investments, Ministry of Economic Affairs, Ministry of Finance, Road Safety and Transport Authority, Financial Institutions and Shareholders and above all, our valued customers for providing us their support and co-operation.

## 7. Conclusion

I would like to state that the Board of Directors and the Management of the State Trading Corporation of Bhutan Limited pledge to ensure that your company is governed and managed in the most professional and ethical manner in accordance with the trust and faith the shareholders have placed on us.

Tashi Delek!  
For and on behalf of the Board



(Ugen Dophu)  
Chairman, STCBL

# Divisional Performance



## TOYOTA BUSINESS DIVISION

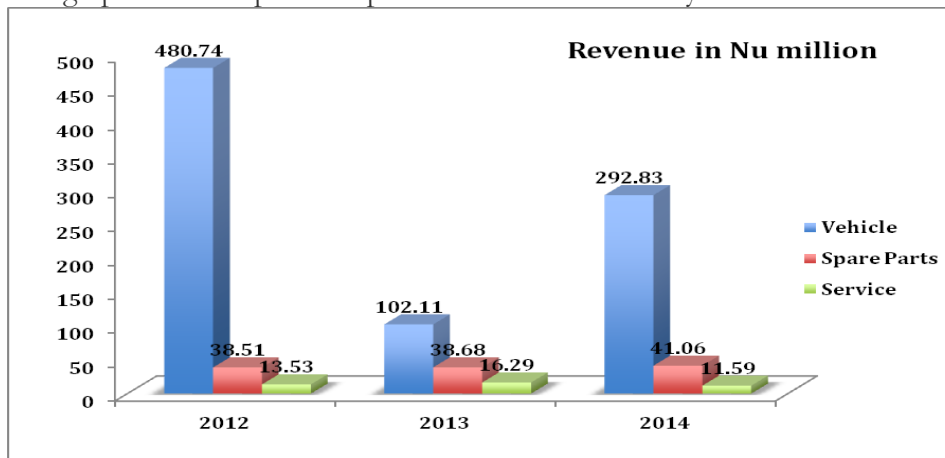
STCBL is the sole distributor of Toyota Genuine Products and Services in Bhutan, appointed by Toyota Tsusho Corporation, Japan.

Toyota is and has been the highest revenue earner for the company, and in 2014, the division achieved revenue of Nu 345.53 million. Given the status, Toyota receives much preference and priority, also in terms of investment. The division has the highest pool of human resource in service sector to provide quality and efficient after sales. *Kaizen* activities are executed at regular intervals for continuous improvement of spare parts sales.

Toyota strives to excel in offering quality and proficient service to our valued customers. The management had initiated the construction of Toyota 3S facility in Thimphu, 50% of construction is expected to be complete by 2015 end.

Despite the restriction on import of vehicles in 2012 and 2013, Toyota has achieved sales of Nu 480.74 and Nu 102.11 million respectively. With the removal of ban by RGoB in July 2014, Toyota sales alone have earned revenue of Nu 292.83 million, registering growth of 187% over FY 2013.

The graph below depicts the performance in last three years.



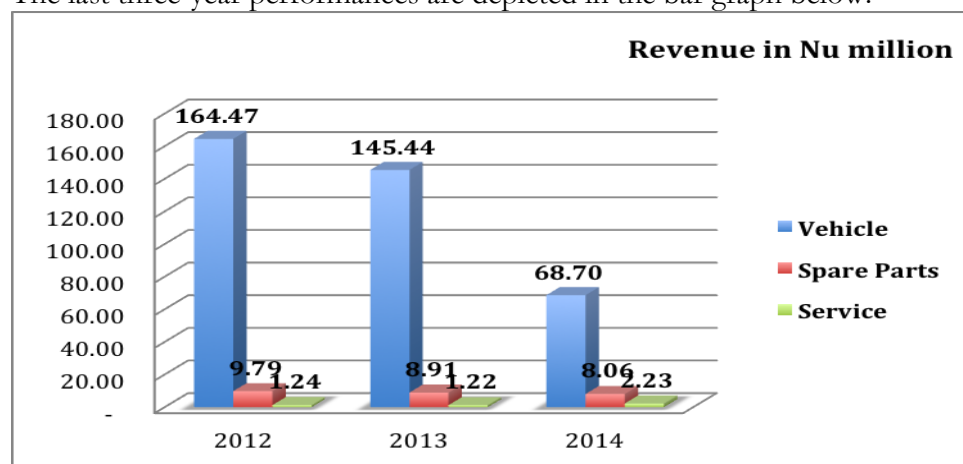
## TATA BUSINESS DIVISION

STCBL was the exclusive distributor for TATA commercial vehicles in Bhutan since 1960, until a second distributor was appointed in 2010. TATA is the third highest revenue contributor. With economic development activities and hydropower projects in the pipeline, the sale of TATA looks promising. In 2014 the division has achieved sales of Nu 78.98 million although the sale, in comparison to FY 2013, is less. The key factor for decrease in sales is due to ban in import of vehicles, loan restrictions from financial institutes and decline in market consumption during the period.

The TATA service shows minimal but steady growth over the years; however, revenue from spare parts is deteriorating, primarily as a consequence of spurious parts available across the border.

“To be the market leader for commercial vehicles and the first choice of customers when it comes to trucking” is the vision of TATA division. The removal of the ban and loan restrictions assures better and bigger sales ahead. The end of the recession period fosters new hopes and renewed energy, entirely geared towards achievement of division goals.

The last three-year performances are depicted in the bar graph below:



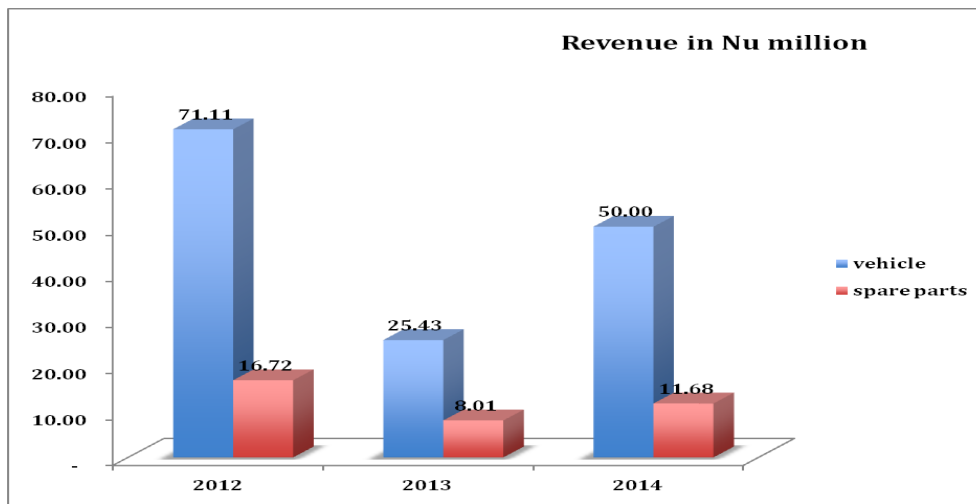
## EICHER BUSINESS DIVISION

Eicher Business division has come a long way since its inception. These rewarding times saw the division grows and expand, winning hearts and trust of our valued customers.

Eicher business is also one of the major business portfolios of STCB and is fourth in terms of revenue contributor. The division has achieved sales of Nu 61.68 million in 2014 thereby showing sales growth of 84% over FY 2013.

Though contribution from spares parts is minimal, the division reassures to increase sales in 2015 through efficient customers services, improving inventory management and streamlining internal processes. The division upholds its status as a genuine quality provider of Eicher spare parts in the country.

The last three year performances are depicted in the bar graph below:



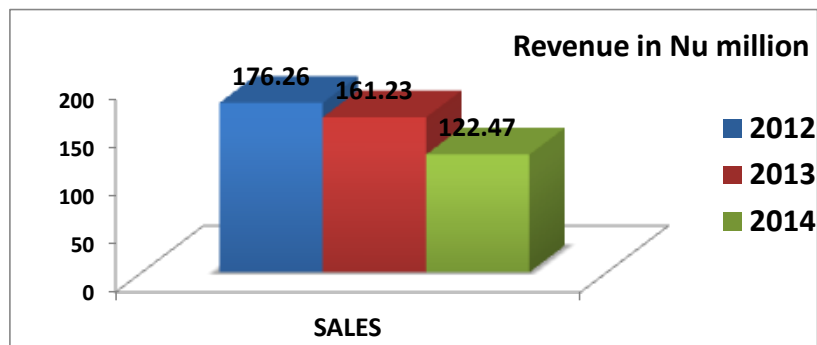
## EXPLOSIVE BUSINESS UNIT

The Explosive business features as a prominent and inimitable business in the portfolio of STCB. Since 1960's, STCB was the only distributor in the country until Royal Government of Bhutan appointed a second distributor in 2012. The company deals in explosive products manufactured by Indian Explosives Ltd. (Orica), Gulf Oil Corporation Ltd. and IDL Explosive Ltd, which are leading explosive manufacturing companies in India.

In terms of revenue contribution, Explosive is second highest. The sales in 2014 were only Nu 122.47 million whilst in 2013 it was Nu 161.23 million. The reasons for drop in sale was as below:

1. The excavation and tunnel work of Dagachhu Hydro project and Punatshangchhu I was completed and no further explosive was required.
2. The government delayed in releasing or disbursement of budget due to which, the construction of farm road was hampered leading to no consumption of explosive.
3. Non availability of ammonium nitrate had inflated the price of explosive thus excavation was found relatively cheaper.
4. Ammonium nitrate could not be supplied to Bhutan because of new AN rules enforced in India.

The last three-year performances are depicted in the bar graph below:



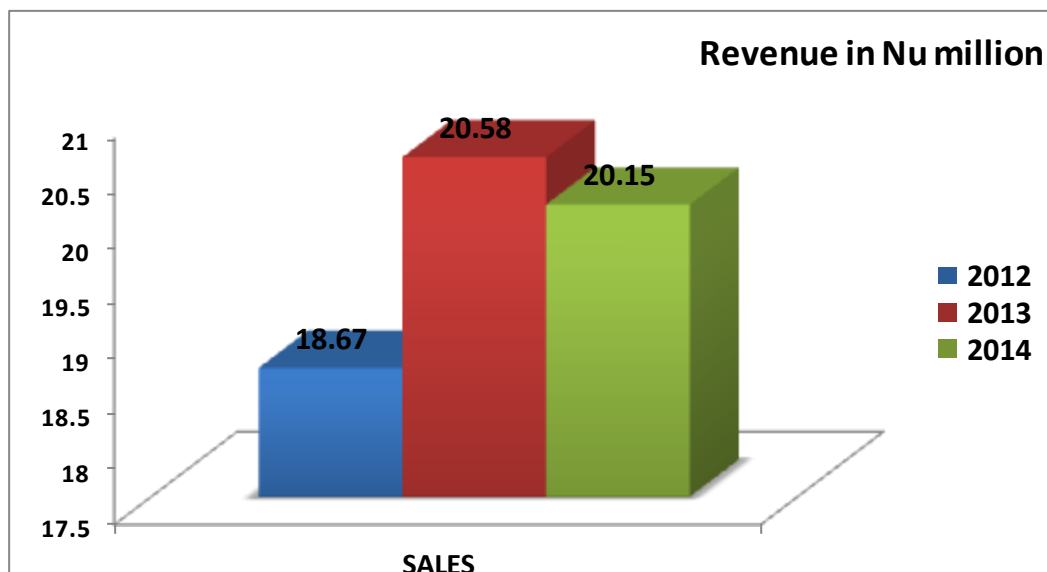
## IT BUSINESS UNIT

To mitigate 100% dependency on sales of automobiles, the IT Unit was established as part of the business diversification plan. The unit would also cater in-house IT requirements. Although a new business in contrast to automobile divisions, the unit profited steady growth in sales over the years.

Variety of products from global brands namely; Apple, Lenovo, Fortinet, UTM, Zoho Email Suite, HP, CISCO, IBM, Walton, Microsoft, Panasonic, Dlink, Digisol and are offered by IT.

In 2014, IT contributed revenue of Nu 20.15 million. The unit aspires to accomplish growth of 26.7% in 2015 through strategic marketing and providing efficient after sales.

The last three years performance is depicted in the bar graph below:





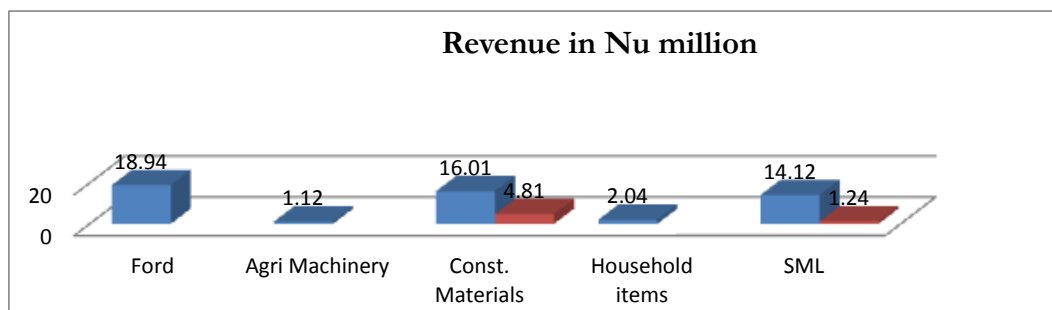
## CASH DIVISION

The CASH division was instituted not only to divert reliance on imports of automobiles but also to supplement income to other businesses. The division introduced new product lines from reputed global brand of construction materials, agriculture machineries and household items. Following are some products dealt by the division:

1. SML Isuzu Vehicles
2. Ford Vehicles
3. HPCL Bitumen
4. TATA Shaktee CGI Sheet and color coated sheets
5. Shracchi Agriculture Machineries
6. Asian Paints
7. Kent Water Filters

In 2014, the CASH division had contributed revenue of Nu 52.23 million whilst revenue in FY 2013 was only Nu 6.05 million..

The last two years performance is depicted in the bar graph below:



Auditor's  
Report

**Gupta & Co.**

Chartered Accountants

30 B, Suhasini Ganguly Sarani, First Floor,  
Bhowanipore, Kolkata - 700 025  
Phone: 2454-6024, 2454-6026/27  
Fax: (91) (033) 2454-6025  
Email: guptaco55@hotmail.com

**AUDITORS' REPORT**  
**TO THE MEMBERS OF STATE TRADING CORPORATION OF BHUTAN LIMITED**

1. We have audited the attached Statement of Financial Position of State Trading Corporation of Bhutan Limited ('the Company') as at 31<sup>st</sup> December, 2014, the related Statement of Comprehensive Income and Cash Flow Statement of the Company for the year ended on that date annexed thereto which we have signed under reference to this report. These annual financial statements are the responsibility of the management of the Company. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the "General Terms of Reference and Minimum Audit Examination and Reporting Requirements", issued by the Royal Audit Authority as given in Schedule XIV to the Companies Act of the Kingdom of Bhutan, 2000 (the Act) and in accordance with the applicable Bhutanese Accounting Standards issued by the Accounting and Auditing Standards Board of Bhutan and also generally accepted accounting principles. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by section 75 of the Act read with Section II schedule XIV thereto (the Minimum Audit Examination and Reporting Requirements) and on the basis of such check and records of the Company as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified therein to the extent applicable.
4. (a) We draw attention to the following Note no 20 to the Financial Statements, the consequential impact thereof on the year-end net assets, reserves and year's income not being currently ascertainable in certain cases:
  - (i) Refer to note nos. 20.10, 20.11, 20.12. & 20.13 for implementation of Bhutanese Accounting Standard (BAS) to the extent applicable and Bhutanese Financial Reporting Standard (BFAS) which is not being implemented.





(ii) Note no. 20.3, regarding Nu. 6,822,678.04 in the inter-unit under Loan and Advances which are lying un-reconciled since 2008 or earlier need to be reconciled. Effect, if any, in the accounts is not ascertainable at this stage.

(iii) Note no 20.4 regarding clearing and forwarding charges amounting to Nu. 7,855,162.98 (excluding miscellaneous expenses of Nu. 2,121,591.99) incurred during the year on purchase of goods have neither been included in cost of sales nor in the closing inventories, whereas such cost are included under 'other direct expenses'. Accordingly the valuation of inventory is not in accordance with the generally accepted accounting principle.

(iv) Note no 20.6 regarding transfer of Nu. 540,837.94 being the total shortages of stock has been transfer to staff advance account at selling price for which accountability not yet establish and shown as 'other income'.

(v) Note no 20.17, regarding Property, Plant and equipment (Fixed Assets) of the company has physically verified during the year however, since the fixed asset record has not been updated we are unable to comment on the existence and condition of such assets.

(vi) Debit balance in the name of DASHO DORJI NAMGYEL ex CEO amounting to Nu.344,127.00 has been written off during the year 2013 for which Royal Audit Authority memo is pending.

(vii) As per certificate issued by Regional Revenue and Custom (RRCO) there was a debit balance of Nu.94,699.85 whereas as per company's account there is a credit balance of Nu.568,993.97 as on 31.12.14. Impact in the statement of account at present not ascertainable.

(viii) Note no. 20.18 regarding related party there is no separate register maintained for related parties and as such we could not check the correctness of the figure given therein. Further confirmation of related parties transaction also not received from holding company and fellow subsidiaries.

Further to our comments in the Annexure referred to in paragraph 3 above, we report that:

- 5.1 We have obtained all the information and explanations which to the best of our knowledge and believe were necessary for the purpose of our audit.
- 5.2 In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of the books.
- 5.3 The Statement of Financial Position, Statement of Comprehensive Income and Cash Flow Statement ('the Financial Statements') dealt with in this report have been prepared on the basis of generally accepted accounting principles and applicable Bhutanese Accounting Standards to the extent adopted by the company except as indicated in paragraph 4 above and that the financial statements are in agreement with the books of account.
- 5.4 In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements together with significant accounting policies and notes on accounts give the information required by the Act in the manner so required and also give, *subject to the matters stated in paragraph 4 above their impact on the financial statements being not readily ascertainable, a true and fair view-*



- i. In the case of Statement of Financial Position, of the state of affairs of the Company as at 31<sup>st</sup> December, 2014.
- ii. In the case of Statement of Comprehensive Income, the Company's profit for the year ended on that date, and
- iii. In the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

**For Gupta & Co.**  
Chartered Accountants  
Firm's Registration No. 301028E

*M.K. Gupta*  
**M.K. Gupta**  
Partner  
Membership No: 6615



Place: Phuentsholing

Date: 20 MAR 2015

**Gupta & Co.**  
Chartered Accountants

30 B, Suhasini Ganguly Sarani, First Floor,  
Bhowanipore, Kolkata - 700 025  
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Email: guptaco55@hotmail.com

**STATE TRADING CORPORATION OF BHUTAN LIMITED**

**ANNEXURE**

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

**MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENTS**

1. *The Fixed Assets Register maintained by the Company indicating quantitative details and situation of fixed assets has not been updated since 2008 except for additions made in year 2011, 2012, 2013 & 2014. Fixed Assets of the company have been physically verified during the year by the management but due to non updation of fixed asset register the same could not be compared with fixed asset register.*
2. The fixed assets of the Company have not been revalued during the year.
3. The Company has conducted the physical verification of the inventory during the year end from 22<sup>nd</sup> December 2014 to 27<sup>th</sup> December 2014 at all locations.
4. 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 we suggest that at least quarterly physical verification should be conducted for high value items and fast moving items.
5. *Shortage found during physical verification has been transferred to staff advance account with selling price and shown under other income.*
6. *The valuation of year-end stock, in our opinion, is not in accordance with the generally accepted accounting principles*
7. The Company has not taken any loans, secured or unsecured from companies, firms or other parties and/or from companies under the same management during the year under review.
8. The Company has not granted any loans, secured or unsecured to companies, firms or other parties and/or to companies under the same management.
9. The parties to whom interest free advances have been given by the Company are generally regular in repaying the principal amounts as stipulated.
10. Advances granted to officers/staff are generally in keeping with the provisions of service rules and no excessive/frequent advances are granted and there is no accumulation of large advances against any particular individual.





11. *According to information and explanation given to us and as observed during the course of our audit, in our opinion, internal control systems of the Company need to be strengthened in the area of purchase, sales, costing, debtors and advances and old inter unit balance.*
12. The Company generally follows the system of competitive bidding for the purchase of goods and services.
13. (a) According to the information and explanations given to us, the Company has entered into transaction for sale and services of holding and fellow subsidiaries (Refer note no 20.18 of Financial Statement) and as such transaction were made at a prices which are reasonable having regards to the prevailing market prices of its services or at the prices which the transaction for similar services are made with other parties.  
  
(b) In our opinion the sales and services transaction with related parties as referred to in paragraph 13(a) above, were not prejudicial to the interest of the other shareholders and the Company.
14. *According to the information and explanations given to us and the records of the Company examined by us, the Company has determine the damage and slow moving goods for which full provision made in the account.*
15. According to the information and explanation given to us, the Company has a reasonable system of identifying breakages/damages to the traded items, but implementing of the same needs improvement.
16. According to the information and explanations given to us and the records of the Company examined by us, the Company is generally regular in depositing rates and taxes, provident funds and other statutory dues with the appropriate authorities. Provision for tax is adequate and necessary adjustments have been made to compute the tax provision but actual liability will be ascertained only after receipt of assessment report. **The company has not determined the deferred tax during the year.**
17. According to the information and explanations given to us, and the records of the Company examined by us, as on the last day of the financial year, there was no undisputed amount payable in respect of rates, taxes, duties, royalties and other statutory dues. **However, an amount of Nu. 70,182.00 relating to earlier year in respect of provident fund dues was outstanding at the end of the year.**
18. According to the information and explanations given to us, and records of the Company examined by us, no personal expenses have been debited to the Profit and Loss account other than those payable under contractual obligations/service rule.
19. Quantitative reconciliation is carried out at the end of the accounting year in respect of major items of trade goods.
20. According to the information and explanations given to us, the Corporation has a system of obtaining approval of the Board/appropriate authority for writing off amounts due to material loss of inventories. During the year all shortages found on physical verification has been debited to staff advance account at selling price
21. *In our opinion and according to the information and explanations given to us, the Company have consistent credit sales policy but the same is not strictly followed and there is no system of carrying out credit rating of the customers.*
22. According to the information and explanations given to us, the Company does not make any sales through commission agents and hence, this paragraph is not applicable.



23. *In our opinion and according to the information and explanation given to us, the system of follow-up with debtors for recovery of outstanding amounts needs to be strengthened. During the year the company has written off trade receivable amounting to Nu. 6,616.21 and provided for doubtful debts of Nu. 4,056,919.59 pertaining to year 2007-2010 and Nu.344,127.00 has also been written off in year 2013. In our opinion 344,127.00 should not be written off as RAA's memo is still pending.*
24. In our opinion and according to the information and explanations given to us, the management of liquid resources particularly cash/bank and short term deposit etc. was adequate and that excessive amounts were not lying idle in non-interest bearing accounts.
25. According to the information and explanation given to us and the records of the Company examined by us, in our opinion the financial activities carried out by the Company are lawful and intra-vires to the Articles Incorporation of the Company.
26. In our opinion and according to the information and explanations given to us, Company has a system of approval of the Board for all major capital investment decisions.
27. In our opinion and according to the information and explanations given to us, the Company has established an effective budgetary control system.
28. The details of remuneration, commission and other payments made to the Managing Director cum Chief Executive Officer of the Company are disclosed in Note 20.19 of Financial Statement
29. *According to the information and explanations given to us, the directives of the Board have not been complied with in respect of the following:*
- *Updation of fixed assets register except for additions during year 2011, 2012, 2013 and 2014.*
  - *Revaluation of land.*
  - *Clean up of Balance sheet is not completed*
  - *Necessary modifications have not been done fully in ERP in respect of clearing and forwarding Charges.*
30. According to the information and explanation given to us, the officials of the Company are refrained from transmitting any price sensitive information which is not made publicly available. Unauthorized to their relatives/friends/associates or close persons which will directly or indirectly benefit themselves.
31. According to the information and explanations given to us, as the Company is engaged in trading activity and accordingly paragraph 16, 17, 21, 24, 25, 26 and 34 are not applicable.

#### COMPUTERISED ACCOUNTING ENVIRONMENT

1. According to the information and explanations given to us, the organizational and system development controls and other internal controls are adequate relating to the size and nature of computer installation *but needs improvement for operations.*
2. According to the information and explanations given to us, the Company has adequate safeguard and back up facilities.





3. *According to the information and explanations given to us, disaster recovery measures are yet to be set up.*
4. According to the information and explanations given to us, measures taken by the Company to prevent unauthorized access over the computer installation and files are generally adequate.

#### GENERAL

##### 1. Going Concern

Based on the net asset position reflected by the Company's Statement of Financial Position as at 31<sup>st</sup> December 2014 audited by us in accordance with the generally accepted auditing standards, Bhutanese Accounting standard to the extent applicable and on the basis of such other tests as we considered necessary in this regard, in our opinion, going concern will depend upon Government Policies and successful diversification of Company's business activities for which it is stated to us the management is taking appropriate steps.

##### 2. Ratio Analysis

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

| Sl No | Ratio   | 2014  | 2013  | Remarks  |
|-------|---|-------|-------|--|
| 1     | Current Ratio = Current Assets/ Current Liabilities                         | 1.62  | 2.04  | Current Liabilities has been increased   |
| 2     | Acid Test Ratio = Current Assets other than inventories/Current Liabilities | 0.77  | 1.21  | Increased in Current Liabilities   |
| 3     | Fixed Assets Turnover Ratio = Sales / Fixed Assets                          | 8.35  | 6.18  | Due to increase in sales and decline in Fixed Assets   |
| 4     | Inventory Turn Over Ratio = Cost of Goods Sold/ Inventory                   | 2.39  | 3.34  | Due to increase in Inventory   |
| 5     | Trade Receivable Turn Over Ratio = Debtors x365/ Sales                      | 40.65 | 45.55 | Due to increase in sales   |
| 6     | Return on Investment = Profit after tax x 100/capital Employed              | 2.82  | 1.67  | Due to increase in Profit after Tax  |
| 7     | Net Profit Ratio = Net Profit x 100/Sales                                   | 1.14  | 0.85  | Due to increase in Profit after Tax  |
| 8     | Earning per Share = Profit after Tax/ No. of Equity Shares                  | 0.44  | 2.55  | Decline due to splitting in number of shares from Nu.100 to Nu. 10 per share during the year 2014. |

##### 3. Compliance with the Companies Act of the Kingdom of Bhutan, 2000

We have verified compliance of the Companies Act of the Kingdom of Bhutan, 2000 and applicable Bhutanese Standard partially implemented during the year and noted that the Company generally has complied with the various provisions of the Act and applicable Bhutanese Standard partially implemented during the year.

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

The audit of the Company is governed by the Companies Act of the Kingdom of Bhutan, 2000 (the amendment thereto), Bhutanese Accounting Standard to the extent applicable and implemented. The



scope of audit is limited to examination and reviews of the financial statements as produced to us by the management.

In the course of audit we have considered the compliance of provisions of the said Companies Act, its Articles of Incorporation and Bhutanese Accounting Standard to the extent applicable. We are unable to state whether the Company has been complying with appropriate laws (other than Companies Act and Applicable Bhutanese Accounting Standards) rules and regulations, systems, procedures and practices.

5. Proprietary Audit

We have considered the proprietary aspects in the course of carrying out the audit in the manner stated in paragraph 2 of our report. However, a full scale proprietary audit could not be carried out in all areas of the business. According to the books and records examined by us and the information and explanations given to us nothing has come to our attention that causes us to believe that:

- The fund and property of the Company have not been used economically, efficiently and effectively and in the best interest of the Company;
- Excessive/extravagant/unnecessary expenditure incurred;
- There were irregular expenditure and used of property;
- There were misuses of fund, inventory or property of the Company;
- There were non compliance with the rules and regulations of the Government.

6. Outstanding Advances to the Government Employees:

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

**For Gupta & Co**  
Chartered Accountants  
Firm's Registration No. 301028E

*M.K. Gupta*

M.K. Gupta  
Partner  
Membership No: 6615



Place: Phuentsholing

Date: 20 MAR 2015

STATE TRADING CORPORATION OF BHUTAN LIMITED  
PHUENTSHOLING BHUTAN  
STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2014

*Amounts in Ngultrum (BTN)*

| I. EQUITY AND LIABILITIES                  | Notes | DECEMBER 31, 2014     | DECEMBER 31, 2013     |
|--|-------|-----------------------|-----------------------|
| <b>[1] Shareholders' Fund</b>              |       |                       |                       |
| (a) Share Capital                          | 1.1   | 180,001,600.00        | 180,001,600.00        |
| (b) Reserves And Surplus                   | 1.2   | 102,919,454.16        | 94,950,554.52         |
| <b>[2] Non-current liabilities</b>         |       |                       |                       |
| (a) Long Term Provision                    |       | -                     | -                     |
| (b) Long-Term Borrowings and loans         |       | -                     | -                     |
| <b>[3] Current Liabilities</b>             |       |                       |                       |
| (a) Short-Term Provisions                  | 2     | -                     | -                     |
| (b) Trade Payables                         | 3     | 83,110,417.25         | 90,758,584.63         |
| (c) Short-Term Borrowings                  | 4     | -                     | -                     |
| (d) Other Current Liabilities              | 5     | 215,186,163.22        | 74,399,191.25         |
| <b>Total</b>                               |       | <b>581,217,634.63</b> | <b>440,109,930.40</b> |
| <b>II. ASSETS</b>                          |       |                       |                       |
| <b>[1] Non-current assets</b>              |       |                       |                       |
| (a) Property, Plant and Equipment          | 6.1   | 83,647,649.23         | 87,338,977.79         |
| (b) Capital Work-in-progress               | 6.2   | 1,663,797.50          | 1,354,281.00          |
| (c) Capital Advance                        | 6.3   | -                     | 325,700.00            |
| (d) None Current Investment                | 7.1   | 1,167,927.95          | 1,653,127.61          |
| (e) Long Term Loan & Advance               | 7.2   | 11,438,489.81         | 11,438,489.81         |
| <b>[2] Current assets</b>                  |       |                       |                       |
| (a) Inventories                            | 8     | 254,042,878.17        | 137,710,097.49        |
| (b) Trade Receivables                      | 9     | 77,807,359.88         | 67,310,273.80         |
| (c) Cash and Bank Balance                  | 10    | 37,549,665.23         | 70,222,635.03         |
| (d) Short-Term Loans And Advances          | 11.1  | 100,429,072.00        | 51,008,937.13         |
| (e) Advance Corporate Tax net of Provision | 11.2  | 6,116,326.85          | 6,790,868.05          |
| (f) Other Current Assets                   | 12    | 7,354,468.01          | 4,956,542.69          |
| <b>Total</b>                               |       | <b>581,217,634.63</b> | <b>440,109,930.40</b> |

Significant Accounting Policies 19  
Notes to Accounts 20

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

For Gupta & Co.  
Chartered Accountants  
Firm's Registration no. 301028E

*M.K. Gupta*  
M.K. GUPTA  
(Partner)  
Membership No. 6615



Place: Phuentsholing, Bhutan  
Date:

20 MAR 2015

On behalf of Board

Chairman

Director

CEO



**STATE TRADING CORPORATION OF BHUTAN LIMITED**  
**PHUENTSHOLING BHUTAN**  
**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2014**

*Amounts in Ngultrum (BTN)*

|  |              | DECEMBER 31, 2014     | DECEMBER 31, 2013     |
|--|--------------|-----------------------|-----------------------|
| <b>INCOME</b>  | <b>Notes</b> |                       |                       |
| Revenue from operations  | 13           | 698,637,683.98        | 539,323,406.79        |
| Other income   | 14           | 17,548,146.02         | 11,355,471.30         |
| <b>Total Revenue (A)</b>   |              | <b>716,185,830.00</b> | <b>550,678,878.09</b> |
| <b>Expenses:</b>   |              |                       |                       |
| Cost of Materials Consumed   | 15.1         | 598,091,877.67        | 448,678,499.48        |
| Other Direct Expenses  | 15.2         | 9,976,754.97          | 11,211,469.17         |
| Employee benefit expenses  | 16           | 38,793,913.11         | 37,972,783.31         |
| Finance Costs  | 17           | 122,053.35            | 864,119.00            |
| Other Expenses   | 18           | 51,989,632.91         | 35,472,856.29         |
| Depreciation and Amortization expense                                  | 6.1          | 5,934,728.28          | 7,572,942.37          |
| <b>Total Expenses (B)</b>  |              | <b>704,908,960.29</b> | <b>541,772,669.62</b> |
| <b>Profit before exceptional and extraordinary items and tax (A-B)</b> |              | <b>11,276,869.71</b>  | <b>8,906,208.47</b>   |
| Exceptional Items (PPI)  |              |                       |                       |
| <b>Profit before extraordinary items and tax</b>                       |              | <b>11,276,869.71</b>  | <b>8,906,208.47</b>   |
| Extraordinary Items  |              |                       |                       |
| <b>Profit Before Tax</b>   |              | <b>11,276,869.71</b>  | <b>8,906,208.47</b>   |
| <b>Tax Expense:-</b>   |              |                       |                       |
| (1) Current Tax  |              | 3,383,060.91          | 2,671,862.54          |
| (2) Prior Year Tax   |              | -                     | 1,642,143.12          |
| <b>Net Profit for the year</b>   |              | <b>7,893,808.80</b>   | <b>4,592,202.81</b>   |
| <b>Other Comprehensive Income</b>                                      |              |                       |                       |
| Actuarial Gain/ (Loss) on employee benefit                             |              | 107,272.63            | -                     |
| Tax on other Comprehensive income                                      |              | 32,181.79             | -                     |
| <b>Other Comprehensive Income for the year, net of tax</b>             |              | <b>75,090.84</b>      | <b>-</b>              |
| <b>Total Comprehensive Income for the year</b>                         |              | <b>7,968,899.64</b>   | <b>4,592,202.81</b>   |
| Earning Per Share (Note no. 20.21)                                     |              | <b>0.44</b>           | <b>2.55</b>           |

Significant Accounting Policies 19  
Notes to Financial Statement 20  
The Schedules referred to above form an integral part of Statement of Comprehensive Income.

For Gupta & Co.  
Chartered Accountants  
Firm's Registration no. 301028E

*M.K. Gupta*  
**M.K. GUPTA**  
(Partner)  
Membership No. 6615



Place: Phuentsholing, Bhutan  
Date: 20 MAR 2015

On behalf of Board

*[Signature]*  
Chairman

*[Signature]*  
Director

*[Signature]*  
CEO

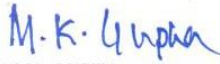
STATE TRADING CORPORATION OF BHUTAN LIMITED  
PHUENTSHOLING BHUTAN  
STATEMENT OF CASH FLOW FOR THE YEAR ENDED DECEMBER 31, 2014

*Amounts in Ngultrum (BTN)*

|   | DECEMBER 31, 2014     | DECEMBER 31, 2013     |
|---|-----------------------|-----------------------|
| <b>Cash flow from Operating Activities</b>                            |                       |                       |
| Net Profit Before Taxation  | 11,276,869.71         | 8,906,208.47          |
| Depreciation  | 5,934,728.28          | 7,572,942.37          |
| Interest on Borrowings  | 122,053.35            | 864,119.00            |
| Interest Income/Received  | -1,300,884.30         | -353,814.53           |
| <b>Operating Profits Before WC Changes (A)</b>                        | <b>16,032,767.04</b>  | <b>16,989,455.31</b>  |
| <b>Working Capital Changes</b>  |                       |                       |
| (Increase)/Decrease in Inventory                                      | -116,332,780.68       | 93,806,842.27         |
| (Increase)/Decrease in Loans Advances                                 | -52,160,836.37        | 14,379,476.12         |
| (Increase)/Decrease in Trade receivable                               | -10,497,086.08        | -11,394,065.61        |
| (Increase)/Decrease in other current Assets                           | -2,397,925.32         | 2,057,130.94          |
| (Increase)/Decrease in Short Term Borrowings                          | -                     | -                     |
| Increase/(Decrease) in other Current Liability                        | 140,786,971.97        | -29,951,653.01        |
| Increase/(Decrease) in Trade Payable                                  | -7,648,167.38         | 5,873,320.74          |
| Increase/(Decrease) in Short Term Provisions                          | -                     | -1,468,080.42         |
| <b>Total of Working Capital Changes (B)</b>                           | <b>-48,249,823.86</b> | <b>73,302,971.03</b>  |
| <b>Cash generated from operations (A+B)</b>                           | <b>-32,217,056.82</b> | <b>90,292,426.34</b>  |
| Income Tax Paid   | -                     | 6,015,390.65          |
| <b>(i) Net Cash From Operating Activities</b>                         | <b>-32,217,056.82</b> | <b>84,277,035.69</b>  |
| <b>Cash From Investing Activity</b>                                   |                       |                       |
| Interest Received   | 1,300,884.30          | 353,814.53            |
| Purchase of Fixed Assets  | -2,243,399.72         | -5,505,337.97         |
| Capital Work in Progress  | 16,183.50             | 1,458,634.46          |
| Long Term Deposits  | 592,472.29            | -949,353.82           |
| <b>(ii) Net Cash From Investing activities</b>                        | <b>-333,859.63</b>    | <b>-4,642,242.80</b>  |
| <b>Cash Flow from Financing Activities</b>                            |                       |                       |
| Interest on Loans Paid  | -122,053.35           | -864,119.00           |
| Repayment of Loans  | -                     | -25,287,368.52        |
| Dividend Paid   | -                     | -                     |
| <b>(iii) Net Cash from Financing Activities</b>                       | <b>-122,053.35</b>    | <b>-26,151,487.52</b> |
| <b>Net Increase/Decrease in Cash &amp; Cash Equivalent (i+ii+iii)</b> | <b>-32,672,969.80</b> | <b>53,483,305.37</b>  |
| Cash & Cash equivalent in the beginning of the year                   | 70,222,635.03         | 16,739,329.66         |
| <b>Cash &amp; Cash equivalent at year ended</b>                       | <b>37,549,665.23</b>  | <b>70,222,635.03</b>  |

Note: Notional income earned from actuarial valuation on DBO is being ignored for provision of gratuity.

In terms of our report of even date  
For Gupta & Co.  
Chartered Accountants  
Firm Registration no. 30102E

  
M.K. GUPTA  
(Partner)  
Membership No. 6615



On behalf of Board

  
Chairman

  
Director

  
CEO

Place: Phuentsholing

Date: 20 MAR 2015

State Trading Corporation of Bhutan Limited  
Notes to Financial Statement for the year ended December 31, 2014

*Amounts in Ngultrum (BTN)*

|   | DECEMBER 31, 2014     | DECEMBER 31, 2013     |
|---|-----------------------|-----------------------|
| <b>I Share Capital</b>  |                       |                       |
| Authorised<br>50,000,000 equity shares of Nu.10 each  | 500,000,000.00        | 500,000,000.00        |
| <b>I.1 Issued, Subscribed and Paid up:</b>  |                       |                       |
| 18000160 (Previous year-1800016 @ 100) equity shares of Nu 10 each fully paid up.<br>Out of above, following bonus shares were allotted as fully paid up without<br>payment being received in cash: |                       |                       |
| (a) 200,003 equity shares were allotted by capitalisation of Reserve in year 2010 & 2011  |                       |                       |
| (b) 300,005 equity shares were allotted by capitalisation of Reserve in year 2012   |                       |                       |
| (c) 9,00,008 equity share were allotted by capitalisation of Reserve in the year 2013   |                       |                       |
| ( 50.98% of the share capital are held by Holding Company - Druk Holding and Investment Ltd.)   |                       |                       |
|   | 180,001,600.00        | 180,001,600.00        |
| <b>Total</b>  | <b>180,001,600.00</b> | <b>180,001,600.00</b> |

|  | DECEMBER 31, 2014    |                       | DECEMBER 31, 2013    |                       |
|--|----------------------|-----------------------|----------------------|-----------------------|
| <b>Reconciliation of number of share outstanding as at 31st December, 2014</b> | <b>No. of Shares</b> | <b>Value</b>          | <b>No. of Shares</b> | <b>Value</b>          |
| Equity Share at the beginning of the year                                      | 18,000,160.00        | 180,001,600.00        | 900,008.00           | 90,000,800.00         |
| Issued during the year as bonus share  | -                    | -                     | 900,008.00           | 90,000,800.00         |
| Equity Share at the end of the year  | <b>18,000,160.00</b> | <b>180,001,600.00</b> | <b>1,800,016.00</b>  | <b>180,001,600.00</b> |

**The Details of Shareholders holding more than 5% shares**

|                                       | DECEMBER 31, 2014 |               |               | DECEMBER 31, 2013 |               |               |
|---------------------------------------|-------------------|---------------|---------------|-------------------|---------------|---------------|
|                                       | %age              | No. of Shares | Value         | %age              | No. of Shares | Value         |
| Name of the Share Holders             |                   |               |               |                   |               |               |
| Druk Holding Investment Limited (DHI) | 50.98             | 9,176,050.00  | 91,760,500.00 | 50.98             | 917,605.00    | 91,760,500.00 |
| Bank of Bhutan Limited                | 7.06              | 1,270,440.00  | 12,704,400.00 | 7.06              | 127,044.00    | 12,704,400.00 |




State Trading Corporation of Bhutan Limited  
Notes to Financial Statement for the year ended December 31, 2014

*Amounts in Ngultrum (BTN)*

|   | DECEMBER 31, 2014            | DECEMBER 31, 2013           |
|---|------------------------------|-----------------------------|
| <b>1.2 RESERVES AND SURPLUS</b>                                 |                              |                             |
| Opening Balance as per last Account (Retain earning)            | 94,950,554.52                | 180,359,151.71              |
| Add: Balance Transferred from Statement of Comprehensive Income | 7,968,899.64                 | 4,592,202.81                |
|   | <u>102,919,454.16</u>        | <u>184,951,354.52</u>       |
| Less: Transfer for allotment of Bonus Share                     |                              | 90,000,800.00               |
| <b>Total</b>  | <b><u>102,919,454.16</u></b> | <b><u>94,950,554.52</u></b> |



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State Trading Corporation of Bhutan Limited  
Notes to Financial Statement for the year ended December 31, 2014

Amounts in Ngultrum (BTN)

2. Short-Term Provisions

|                               | DECEMBER 31, 2014 | DECEMBER 31, 2013 |
|-------------------------------|-------------------|-------------------|
| Provision for Pay & Allowance | -                 | -                 |
| <b>Total</b>                  | <b>-</b>          | <b>-</b>          |

3. Trade Payables

|                  | DECEMBER 31, 2014    | DECEMBER 31, 2013    |
|------------------|----------------------|----------------------|
| Sundry Creditors | 83,110,417.25        | 90,758,584.63        |
| <b>Total</b>     | <b>83,110,417.25</b> | <b>90,758,584.63</b> |



**State Trading Corporation of Bhutan Limited**  
**Notes to Financial Statement for their year ended December 31, 2014**

*Amounts in Ngultrum (BTN)*

**4. Short Term Borrowings**

|   | <b>DECEMBER 31, 2014</b> | <b>DECEMBER 31, 2013</b> |
|---|--------------------------|--------------------------|
| Over Draft with Bank of Bhutan, Phuentsholing | -                        | -                        |
| <b>Total</b>                                  | -                        | -                        |

**5. Other Current Liabilities**

|                                      | <b>DECEMBER 31, 2014</b> | <b>DECEMBER 31, 2013</b> |
|--------------------------------------|--------------------------|--------------------------|
| Advance from Customers               | 96,292,436.39            | 38,323,621.95            |
| Liability for Purchase               | 108,140,572.84           | 26,764,645.80            |
| Liability for Establishment Expenses | 1,608,742.56             | 215,855.40               |
| Debtors Suspense                     | 1,433,355.72             | 1,089,084.34             |
| Bank loans for Employees             | -                        | 1,230.00                 |
| Old Profit and Loss Account Balance  | 1,339,605.22             | 1,339,605.22             |
| Health Contributions                 | -                        | 27.98                    |
| Provident Fund                       | 70,182.00                | 94,253.00                |
| Trade Income Tax                     | -                        | 44,455.74                |
| Subsidy Suspense                     | 767,485.00               | 767,485.00               |
| Audit Fees                           | 100,000.00               | 100,000.00               |
| Stale Cheque                         | 663,711.76               | 647,122.76               |
| Bhutan Sales Tax                     | 568,991.69               | 1,737,513.48             |
| Department of Forest                 | 785,569.03               | 785,569.03               |
| Security Deposit                     | 2,961,526.01             | 2,160,986.55             |
| Unclaim Dividend                     | 325,035.00               | 327,735.00               |
| EMD Received                         | 128,950.00               | -                        |
| <b>Total</b>                         | <b>215,186,163.22</b>    | <b>74,399,191.25</b>     |



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State Trading Corporation of Bhutan Limited  
Notes to Financial Statements for the year ended December 31, 2014

## .1 Property, Plant and Equipment - Tangible

Amounts in Ngultrum (BTN)

| Particulars                        | Freehold Land        | Buildings and Civil Structures | Furniture           | Office equipment     | Vehicles             | Air Conditioner     | Zerex Copier      | Voltage Stabilizer | Loose Tools         | Plant & Machineries | Total                 |
|------------------------------------|----------------------|--------------------------------|---------------------|----------------------|----------------------|---------------------|-------------------|--------------------|---------------------|---------------------|-----------------------|
| <b>Gross Block</b>                 |                      |                                |                     |                      |                      |                     |                   |                    |                     |                     |                       |
| Balance at 1 January 2013          | 29,460,800.56        | 45,281,673.09                  | 4,264,529.03        | 18,347,736.36        | 11,718,113.98        | 1,224,460.62        | 472,019.60        | 11,030.00          | 3,996,128.10        | -                   | 114,776,491.34        |
| Additions                          | -                    | 1,995,323.19                   | 11,000.00           | 800,677.42           | -                    | 158,400.00          | -                 | -                  | 133,005.42          | 2,406,931.94        | 5,505,337.97          |
| Adjustments/Disposals              | -                    | -                              | -                   | -                    | -                    | -                   | -                 | -                  | -                   | -                   | -                     |
| <b>Balance at 31 December 2013</b> | <b>29,460,800.56</b> | <b>47,276,996.28</b>           | <b>4,275,529.03</b> | <b>19,148,413.78</b> | <b>11,718,113.98</b> | <b>1,382,860.62</b> | <b>472,019.60</b> | <b>11,030.00</b>   | <b>4,129,133.52</b> | <b>2,406,931.94</b> | <b>120,281,829.31</b> |
| Balance at 1 January 2014          | 29,460,800.56        | 47,276,996.28                  | 4,275,529.03        | 19,148,413.78        | 11,718,113.98        | 1,382,860.62        | 472,019.60        | 11,030.00          | 4,129,133.52        | 2,406,931.94        | 120,281,829.31        |
| Additions                          | -                    | 746,049.33                     | 257,320.52          | 853,784.68           | 57,680.00            | 219,465.19          | -                 | -                  | 109,100.00          | -                   | 2,243,399.72          |
| <b>Balance at 31 December 2014</b> | <b>29,460,800.56</b> | <b>48,023,045.61</b>           | <b>4,532,849.55</b> | <b>20,002,198.46</b> | <b>11,775,793.98</b> | <b>1,602,325.81</b> | <b>472,019.60</b> | <b>11,030.00</b>   | <b>4,238,233.52</b> | <b>2,406,931.94</b> | <b>122,525,229.03</b> |
| <b>Accumulated Depreciation</b>    |                      |                                |                     |                      |                      |                     |                   |                    |                     |                     |                       |
| Balance at 1 January 2013          | -                    | 2,785,525.97                   | 2,325,002.11        | 12,267,670.24        | 6,273,283.41         | 605,933.71          | 406,429.71        | 11,030.00          | 695,034.00          | -                   | 25,369,909.15         |
| Depreciation for the year          | -                    | 1,431,243.00                   | 444,624.48          | 2,764,101.00         | 1,757,717.00         | 203,393.00          | 65,589.89         | -                  | 613,486.00          | 292,788.00          | 7,572,942.37          |
| <b>Balance at 31 December 2013</b> | <b>-</b>             | <b>4,216,768.97</b>            | <b>2,769,626.59</b> | <b>15,031,771.24</b> | <b>8,031,000.41</b>  | <b>809,326.71</b>   | <b>472,019.60</b> | <b>11,030.00</b>   | <b>1,308,520.00</b> | <b>292,788.00</b>   | <b>32,942,851.52</b>  |
| Balance at 1 January 2014          | -                    | 4,216,768.97                   | 2,769,626.59        | 15,031,771.24        | 8,031,000.41         | 809,326.71          | 472,019.60        | 11,030.00          | 1,308,520.00        | 292,788.00          | 32,942,851.52         |
| Depreciation for the year          | -                    | 1,609,331.00                   | 367,589.00          | 1,459,614.07         | 1,326,541.30         | 183,328.91          | -                 | -                  | 627,284.00          | 361,040.00          | 5,934,728.28          |
| <b>Balance at 31 December 2014</b> | <b>-</b>             | <b>5,826,099.97</b>            | <b>3,137,215.59</b> | <b>16,491,385.31</b> | <b>9,357,541.71</b>  | <b>992,655.62</b>   | <b>472,019.60</b> | <b>11,030.00</b>   | <b>1,935,804.00</b> | <b>653,828.00</b>   | <b>38,877,579.80</b>  |
| <b>Carrying Amount</b>             |                      |                                |                     |                      |                      |                     |                   |                    |                     |                     |                       |
| At 31 December 2014                | 29,460,800.56        | 42,196,945.64                  | 1,395,633.96        | 3,510,813.15         | 2,418,252.27         | 609,670.19          | -                 | -                  | 2,302,429.52        | 1,753,103.94        | 83,647,649.23         |
| At 31 December 2013                | 29,460,800.56        | 43,060,227.31                  | 1,505,902.44        | 4,116,642.54         | 3,687,113.57         | 573,533.91          | -                 | -                  | 2,820,613.52        | 2,114,143.94        | 87,338,977.79         |

## .2 Capital Work in Progress - Tangible

| Particulars                 | As at 01.01.13      | Addition during the year | Adjustment/ Deduction. | Total               | Capitalised during the year | As at 31.12.14      |
|-----------------------------|---------------------|--------------------------|------------------------|---------------------|-----------------------------|---------------------|
| Building at Thimphu         | 868,659.00          |                          | 868,659.00             |                     | -                           | -                   |
| Corporate Office at Thimphu | 485,622.00          |                          | 485,622.00             |                     | -                           | -                   |
| Store for new business      |                     | 215,092.96               |                        | 215,092.96          | 215,092.96                  | -                   |
| Body & Paints               |                     | 530,956.37               |                        | 530,956.37          | 530,956.37                  | -                   |
| Toyota 3 S facilities       |                     | 1,663,797.50             |                        | 1,663,797.50        | -                           | 1,663,797.50        |
| <b>TOTAL</b>                | <b>1,354,281.00</b> | <b>2,409,846.83</b>      | <b>1,354,281.00</b>    | <b>2,409,846.83</b> | <b>746,049.33</b>           | <b>1,663,797.50</b> |
| Previous Year               | 2,812,915.46        | 1,887,243.78             | 97,071.00              | 4,603,088.24        | 3,248,807.24                | 1,354,281.00        |

Adjustment/ Deduction shown above represent the amount written-off as approved in 86th Board Meeting.



State Trading Corporation of Bhutan Limited  
Notes to Financial Statement for the year ended December 31, 2014

*Amounts in Ngultrum (BTN)*

**6.3 Capital Advance - Tangible**

|                   | DECEMBER 31, 2014 | DECEMBER 31, 2013 |
|-------------------|-------------------|-------------------|
| Capital Advance   | 325,700.00        | 325,700.00        |
| Less: written off | 325,700.00        |                   |
| <b>Total</b>      | <b>-</b>          | <b>325,700.00</b> |

**7.1 Non-Current Investment for Gratuity**

|   | DECEMBER 31, 2014   | DECEMBER 31, 2013   |
|---|---------------------|---------------------|
| Define Benefit Plan<br>(BNB and BDBL-Gratuity Fund) | 8,513,977.95        | 7,954,687.61        |
| less: Provision for Gratuity                        | 7,346,050.00        | 6,301,560.00        |
| <b>Total</b>  | <b>1,167,927.95</b> | <b>1,653,127.61</b> |

**7.2 Long Term Loans and Advances**

|                     | DECEMBER 31, 2014    | DECEMBER 31, 2013    |
|---------------------|----------------------|----------------------|
| Corporate Tax (Old) | 11,438,489.81        | 11,438,489.81        |
| <b>Total</b>        | <b>11,438,489.81</b> | <b>11,438,489.81</b> |

**8. Inventories**

|  | Mode of Valuation | DECEMBER 31, 2014     | DECEMBER 31, 2013     |
|--|-------------------|-----------------------|-----------------------|
| Trading Stock                          | Valued at cost    | 164,299,708.81        | 142,179,228.24        |
| Goods-in transit                       |                   | 104,611,842.89        | 10,399,542.78         |
|  |                   | <b>268,911,551.70</b> | <b>152,578,771.02</b> |
| Less:                                  |                   |                       |                       |
| Provision for Obsolescence & Shortages |                   | 14,868,673.53         | 14,868,673.53         |
| <b>Total</b>                           |                   | <b>254,042,878.17</b> | <b>137,710,097.49</b> |





State Trading Corporation of Bhutan Limited  
Notes to Financial Statement for the year ended December 31, 2014

*Amounts in Ngultrum (BTN)*

**9. Trade Receivables**

|   | DECEMBER 31, 2014           | DECEMBER 31, 2013           |
|---|-----------------------------|-----------------------------|
| Debts outstanding for a period exceeding six months |                             |                             |
| Considered Good                                     | 75,067,188.00               | 39,899,065.94               |
| Considered Doubtful                                 | 20,086,165.91               | 32,966,076.75               |
|   | <u>95,153,353.91</u>        | <u>72,865,142.69</u>        |
| Less: Provision for Doubtful Debts                  | 20,079,549.70               | 16,837,205.70               |
| : Bad Debts written off from Doubtful Debts         | -                           | 16,128,871.05               |
| : Bad Debt written off from Debtors                 | 6,616.21                    | 344,127.00                  |
|   | <u>75,067,188.00</u>        | <u>39,554,938.94</u>        |
| Other debts, considered good                        | 2,740,171.88                | 27,755,334.86               |
| <b>Total</b>  | <u><u>77,807,359.88</u></u> | <u><u>67,310,273.80</u></u> |

*Amounts in Ngultrum (BTN)*

**10. Cash and Bank Balance**

|  | DECEMBER 31, 2014           | DECEMBER 31, 2013           |
|--|-----------------------------|-----------------------------|
| <b>Cash and Cash Equivalents</b>       |                             |                             |
| Bank of Bhutan                         | 8,868,861.09                | 54,532,086.30               |
| Bank of Bhutan FC Account              | 377,239.05                  | 223,215.64                  |
| Bhutan National Bank                   | 4,105.19                    | 215,353.94                  |
| United Bank of India, Kolkata          | 215,822.82                  | 359,218.32                  |
| Druk PNB                               | 11,522.62                   | 1,945.38                    |
| National Bank Limited                  | 2,373,906.32                | -                           |
| Margin money with BOBL against LC      | 22,474,900.00               | 14,119,000.00               |
| Cash in Hand including Cheques         | 2,776,521.14                | 322,313.45                  |
| Restricted Cash for unclaimed dividend | 446,787.00                  | 449,502.00                  |
| <b>Total</b>                           | <u><u>37,549,665.23</u></u> | <u><u>70,222,635.03</u></u> |



State Trading Corporation of Bhutan Limited  
Notes to Financial Statement for the year ended December 31, 2014

*Amounts in Ngultrum (BTN)*

**11.1 Short-Term Loans And Advances**

|   | DECEMBER 31, 2014     | DECEMBER 31, 2013    |
|---|-----------------------|----------------------|
| Advance recoverable in cash or in kind/for value to be received | 101,355,927.71        | 48,787,658.49        |
| Considered Bad or Doubtful:                                     | 12,002,524.48         | 12,002,524.48        |
| Absconders  | 1,033,309.37          | 1,033,309.37         |
| <b>Total</b>  | <b>114,391,761.56</b> | <b>61,823,492.34</b> |
| Less: Provision for Bad or Doubtful Advances                    | 13,035,833.85         | 13,035,833.85        |
| Less: Sundry balances written-off                               | 3,968,175.24          | -                    |
| <b>Total (A)</b>  | <b>97,387,752.47</b>  | <b>48,787,658.49</b> |
| Advances to staffs  | 3,229,925.91          | 2,495,260.29         |
| Less: Advance written off                                       | 188,606.38            | 273,981.65           |
| <b>Total (B)</b>  | <b>3,041,319.53</b>   | <b>2,221,278.64</b>  |
| <b>Total (A+B)</b>  | <b>100,429,072.00</b> | <b>51,008,937.13</b> |

**11.2 Advance Corporate Tax net of Provision**

|                            | DECEMBER 31, 2014   | DECEMBER 31, 2013   |
|----------------------------|---------------------|---------------------|
| Advance Corporate Tax Paid | 12,203,432.09       | 9,462,730.59        |
| Less: Provision for tax    | 6,087,105.24        | 2,671,862.54        |
| <b>Total</b>               | <b>6,116,326.85</b> | <b>6,790,868.05</b> |

**12. Other Current Assets**

|   | DECEMBER 31, 2014    | DECEMBER 31, 2013    |
|---|----------------------|----------------------|
| Earnest Money Deposits Considered Good    | 119,500.00           | 1,003,548.98         |
| Considered Doubtful for Earnest Money     | 1,261,140.25         | 1,209,687.27         |
| Security Deposits                         | 5,889,458.01         | 2,607,483.71         |
| Land For Sales                            | 5,382,042.00         | 5,382,042.00         |
| <b>Total</b>                              | <b>12,652,140.26</b> | <b>10,202,761.96</b> |
| <b>Less:</b>                              |                      |                      |
| Considered Doubtful for Earnest Money     | 1,261,140.25         | 1,209,687.27         |
| Provision for Diminution in Value of Land | 4,036,532.00         | 4,036,532.00         |
| <b>Total Provision</b>                    | <b>5,297,672.25</b>  | <b>5,246,219.27</b>  |
| <b>Total</b>                              | <b>7,354,468.01</b>  | <b>4,956,542.69</b>  |



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**State Trading Corporation of Bhutan Limited**  
Notes to Financial Statement for the year ended December 31, 2014

*Amounts in Ngultrum (BTN)*

**13. Revenue from operation**

|                                 | DECEMBER 31, 2014     | DECEMBER 31, 2013     |
|---------------------------------|-----------------------|-----------------------|
| <b>Trading:</b>                 |                       |                       |
| G.C.Sheet                       | 7,185,312.62          | 2,886,467.58          |
| Explosives                      | 122,465,013.62        | 161,227,559.55        |
| Bitumen                         | 7,863,392.55          | 1,732,535.00          |
| Eicher Spare Parts              | 11,678,563.00         | 8,006,121.00          |
| Tata Spare Parts                | 8,058,490.67          | 8,910,996.26          |
| Imported Tyres & Tubes          | 8,670,921.77          | 8,895,886.56          |
| Imported Spare Parts            | 32,391,726.57         | 29,783,224.29         |
| Tata Vehicles                   | 68,695,750.00         | 145,436,302.00        |
| Eicher Vehicles                 | 49,995,658.00         | 25,431,590.74         |
| Imported Vehicles               | 292,828,559.69        | 102,113,084.12        |
| Computer & Accessories          | 20,150,448.26         | 20,580,424.76         |
| Two Wheelers                    | 2,330,932.86          | 399,199.00            |
| SML Vehicle                     | 14,118,951.64         | 1,236,204.08          |
| Kent Water Filter               | 2,041,166.00          | -                     |
| Asian Paints                    | 86,891.20             | -                     |
| Luigong Machine Sales           | 3,763,200.00          | -                     |
| Ford Vehicle Sales              | 18,944,097.00         | -                     |
| Sinange Sales                   | 874,646.00            | 191,923.00            |
| Tractors and Power Tiller Sales | 897,348.00            | -                     |
| Agricultural product sales      | 225,885.25            | -                     |
| <b>Service:</b>                 |                       |                       |
| Tata Service Centre Income      | 2,233,084.95          | 1,221,027.00          |
| Toyota Service Centre Income    | 11,594,668.21         | 16,289,603.23         |
| Apollo Tyres Sales              | 11,495,196.12         | 4,858,008.62          |
| ACW Service Income              | 47,780.00             | 123,250.00            |
| <b>Total</b>                    | <b>698,637,683.98</b> | <b>539,323,406.79</b> |

**14. Other Income**

|  | DECEMBER 31, 2014    | DECEMBER 31, 2013    |
|--|----------------------|----------------------|
| Miscellaneous Income                   | 1,258,768.82         | 6,505,571.06         |
| Discount Received                      | 2,052,776.13         | 1,971,946.93         |
| Commission and Auction                 | 25,645.68            | 1,441,253.49         |
| Gains/(Losses) on Exchange Fluctuation | -373.07              | 143,144.87           |
| Interest                               | 1,300,884.30         | 353,814.53           |
| Recoveries of Shortage for Inventories | 545,547.94           | 939,740.42           |
| Gains/ (losses) on sale of Fixed Asset | 3,000.00             | -                    |
| Provision no longer required           | 814,575.59           | -                    |
| Liability no longer required           | 11,547,320.63        | -                    |
| <b>Total</b>                           | <b>17,548,146.02</b> | <b>11,355,471.30</b> |



State Trading Corporation of Bhutan Limited  
Notes to Financial Statement for the year ended December 31, 2014

Amounts in Ngultrum (BTN)

Cost of Material Consumed

| Items                                 | Stock as on<br>1.1.2014 | Opening GIT<br>01.01.2014 | Purchase during<br>the year | TOTAL                 | Closing Stock as<br>at 31.12.2014 | Goods - In<br>Transit as at<br>31.12.2014 | Cost of Material<br>Consumed for the year<br>ended 31.12.2014 | Cost of Material<br>Consumed for the year<br>ended 31.12.2013 |
|---------------------------------------|-------------------------|---------------------------|-----------------------------|-----------------------|-----------------------------------|---|---|---|
|                                       | (1)                     | (2)                       | (3)                         | (4)=(1)+(2)+(3)       | (5)                               | (6)                                       | (7)=(4)-(5)-(6)   | (8)   |
| Sheet                                 | 1,785,778.08            | -                         | 7,115,367.52                | 8,901,145.60          | 2,109,478.90                      | -   | 6,791,666.70  | 2,527,830.05  |
| Pen                                   | 1,890,230.24            | -                         | 5,423,158.49                | 7,313,388.73          | 8,369.58                          | -   | 7,305,019.15  | 1,547,348.09  |
| Staples                               | 21,846,272.72           | 1,985,019.19              | 100,916,438.00              | 124,747,729.91        | 16,025,670.95                     | 8,501,475.19                              | 100,220,583.77  | 133,348,860.23  |
| Printer Spare Parts                   | 13,055,330.88           | -                         | 8,296,960.19                | 21,352,291.07         | 12,341,794.73                     | -   | 9,010,496.34  | 5,965,457.25  |
| Printer Spare parts (Tata)            | 8,340,531.73            | -                         | 10,154,958.12               | 18,495,489.85         | 10,276,903.69                     | -   | 8,218,586.16  | 8,511,062.88  |
| Printed Tyres & Tubes                 | 4,437,136.35            | -                         | 4,183,198.74                | 8,620,335.09          | 3,547,180.80                      | -   | 5,073,154.29  | 4,631,429.95  |
| Printed Spare Parts                   | 41,636,152.55           | 3,355,826.46              | 21,760,256.27               | 66,752,235.28         | 47,679,687.64                     | -   | 19,072,547.64   | 18,430,041.00   |
| Printed Vehicles                      | 16,048,570.92           | -                         | 73,540,662.17               | 89,589,233.09         | 28,365,083.91                     | 1,065,266.00                              | 60,158,883.18   | 124,425,452.80  |
| Printer Vehicles                      | 10,534,222.80           | -                         | 44,156,347.90               | 54,690,570.70         | 6,817,045.55                      | 2,745,603.00                              | 45,127,922.15   | 21,838,618.15   |
| Printed Vehicles                      | 10,753,324.30           | 5,058,697.13              | 364,585,408.81              | 380,397,430.24        | 24,747,328.06                     | 92,299,498.70                             | 263,350,603.48  | 90,935,571.62   |
| Wheelers                              | -                       | -                         | 2,564,205.20                | 2,564,205.20          | 660,288.56                        | -   | 1,903,916.64  | 356,155.64  |
| Office Equipments, Machineries & acc. | 4,973,993.41            | -                         | 17,889,058.83               | 22,863,052.24         | 5,555,072.22                      | -   | 17,307,980.02   | 18,618,028.83   |
| Office Centre, Thimphu                | 61,859.52               | -                         | 4,625,166.81                | 4,687,026.33          | 136,135.83                        | -   | 4,550,890.50  | 8,806,104.82  |
| Office Vehicles                       | -                       | -                         | 11,053,844.43               | 11,053,844.43         | -                                 | -   | 11,053,844.43   | 1,014,132.00  |
| Printing Machine                      | 3,763,200.00            | -                         | -                           | 3,763,200.00          | -                                 | -   | 3,763,200.00  | -   |
| Postage Service, Head Office          | 3,598.00                | -                         | 2,388,877.00                | 2,392,475.00          | 3,841.55                          | -   | 2,388,633.45  | 2,506,211.00  |
| Postage Service                       | 23,148.00               | -                         | 341,820.00                  | 364,968.00            | 1,033.06                          | -   | 363,934.94  | 184,905.01  |
| Printer Tyres                         | 3,025,878.74            | -                         | 10,904,888.65               | 13,930,767.39         | 2,734,299.14                      | -   | 11,196,468.25   | 4,863,901.41  |
| Printer                               | -                       | -                         | 882,842.50                  | 882,842.50            | -                                 | -   | 882,842.50  | 167,388.75  |
| Printer Vehicle                       | -                       | -                         | 19,104,128.65               | 19,104,128.65         | 657,421.65                        | -   | 18,446,707.00   | -   |
| Water Filter                          | -                       | -                         | 1,572,173.75                | 1,572,173.75          | 529,114.72                        | -   | 1,043,059.03  | -   |
| Printer Paints                        | -                       | -                         | 318,290.00                  | 318,290.00            | 263,434.95                        | -   | 54,855.05   | -   |
| Printer Spare Parts                   | -                       | -                         | 98,873.85                   | 98,873.85             | 98,873.85                         | -   | -   | -   |
| Printer Spare Parts                   | -                       | -                         | 233,344.47                  | 233,344.47            | 233,344.47                        | -   | -   | -   |
| Generators and Power Tillers          | -                       | -                         | 2,224,496.00                | 2,224,496.00          | 1,508,305.00                      | -   | 716,191.00  | -   |
| Cultural Product Export               | -                       | -                         | 89,892.00                   | 89,892.00             | -                                 | -   | 89,892.00   | -   |
| <b>Total</b>                          | <b>142,179,228.24</b>   | <b>10,399,542.78</b>      | <b>714,424,658.35</b>       | <b>867,003,429.37</b> | <b>164,299,708.81</b>             | <b>104,611,842.89</b>                     | <b>598,091,877.67</b>   | <b>448,678,499.48</b>   |



State Trading Corporation of Bhutan Limited  
Notes to Financial Statement for the year ended December 31, 2014

*Amounts in Ngultrum (BTN)*

| 15.2 Other Direct Expenses              | DECEMBER 31, 2014           | DECEMBER 31, 2013           |
|---|-----------------------------|-----------------------------|
| Clearing and Forwarding Charges         | 9,976,754.97                | 11,211,469.17               |
| <b>Total</b>                            | <b><u>9,976,754.97</u></b>  | <b><u>11,211,469.17</u></b> |
|   |                             |                             |
| 16. Employee benefit expenses           | DECEMBER 31, 2014           | DECEMBER 31, 2013           |
| Pay and Allowances                      | 30,854,480.66               | 29,527,526.41               |
| Provident Fund Contribution             | 2,110,153.73                | 2,089,329.85                |
| Bonus and variable pay                  | 1,873,733.24                | 3,352,949.70                |
| Medical Expenses                        | 212,856.00                  | 141,588.00                  |
| Gratuity and Retirement Benefits        | 1,142,884.75                | 1,249,305.17                |
| Staff training and development expenses | 2,286,329.99                | 1,144,310.00                |
| Uniform expenses                        | 283,474.74                  | 441,644.18                  |
| Welfare Expenses                        | 30,000.00                   | 26,130.00                   |
| <b>Total</b>                            | <b><u>38,793,913.11</u></b> | <b><u>37,972,783.31</u></b> |
|   |                             |                             |
| 17. Finance Cost                        | DECEMBER 31, 2014           | DECEMBER 31, 2013           |
| Interest expense                        | 122,053.35                  | 864,119.00                  |
| <b>Total</b>                            | <b><u>122,053.35</u></b>    | <b><u>864,119.00</u></b>    |





State Trading Corporation of Bhutan Limited  
Notes to Financial Statement for the year ended December 31, 2014

*Amounts in Ngultrum (BTN)*

| 18. Other Expenses  | DECEMBER 31, 2014    | DECEMBER 31, 2013    |
|---|----------------------|----------------------|
| <b><u>Administrative Expenses</u></b>                       |                      |                      |
| Communication, internet and telephone charges               | 2,903,824.32         | 2,669,620.91         |
| Fees and Taxes  | 432,145.00           | 276,750.00           |
| Printing and stationery including postage                   | 1,130,103.60         | 1,987,588.17         |
| General Insurance   | 420,272.00           | 269,568.00           |
| Electricity Expenses  | 708,496.61           | 579,644.39           |
| Lease Rent  | 4,832,466.35         | 4,869,077.11         |
| <b><u>Repairs and Maintenance</u></b>                       |                      |                      |
| Repairs & Maintenance Of Buildings and civil structures     | 1,602,956.96         | 732,119.38           |
| Repairs & Maintenance Of Furniture, fixtures and equipments | 1,650,924.72         | 652,108.72           |
| Running & Maintenance Of Vehicle                            | 3,668,039.04         | 3,669,507.07         |
| Running & Maintenance Of Other                              | 471,608.71           | 347,441.97           |
| <b><u>Travelling and Conveyance</u></b>                     |                      |                      |
| Travelling Expenses including foreign travels               | 8,465,426.42         | 7,688,271.05         |
| <b><u>Others</u></b>  |                      |                      |
| Marketing & Sales Promotions                                | 2,475,426.37         | -                    |
| Board meeting expenses and sitting fees                     | 771,105.70           | 818,216.50           |
| Festivals & Entertainment Expenses                          | 2,442,549.66         | 1,744,627.17         |
| Discount  | 5,615,179.56         | 5,658,955.53         |
| Miscellaneous Expenses                                      | 4,117,168.14         | 2,151,117.15         |
| Bank Charges - others                                       | 60,573.35            | 80,607.70            |
| Advance Written Off   | 188,606.38           | 273,981.65           |
| Provision for Doubtful Debts                                | 4,056,919.59         | 388,489.82           |
| Provision for Earnest Money                                 | 51,452.98            | -                    |
| Write off of Sundry Debtors                                 | 6,616.21             | 344,127.00           |
| Sundry balances written off                                 | 5,648,156.24         |                      |
| <b><u>Auditor's Remuneration</u></b>                        |                      |                      |
| Audit Fee   | 100,000.00           | 100,000.00           |
| Out of pocket expenses                                      | 169,615.00           | 171,037.00           |
| <b>TOTAL</b>  | <b>51,989,632.91</b> | <b>35,472,856.29</b> |



## 19. SIGNIFICANT ACCOUNTING POLICIES

### A. Significant Accounting Policies

#### 1. Basis of Preparation

The financial statements have been prepared to comply in all material respects with the generally accepted accounting principles in Bhutan (Bhutanese GAAP). The Company has generally prepared this financial statement to comply in all material respects with the Bhutanese Accounting Standards (BAS), notified by the Royal Government of Bhutan, Ministry of Economic Affairs Accounting Standard Rules for Companies in Bhutan, 2012 to the extent applicable and the relevant provisions of the Companies Act of the Kingdom of Bhutan, 2000. The financial statements have been prepared under the historical cost convention on an accrual basis except as stated otherwise.

The preparation of financial statements in conformity with generally accepted principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current event and actions, actual results ultimately may differ from those estimates. However, the company is implementing the applicable BAS in phase manner.

#### 2. Recognition of Income and Expenditure

- i.) The revenue from sale of trading goods is recognized on passing of title of the goods, which generally coincides with delivery of goods to the customers.
- ii.) Revenue from interest is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.
- iii. Expenditure is recognized on accrual basis and provision is made for all known losses and liabilities, except insurance, bonus, variable pay, leave encashment which is accounted for on cash basis.

#### 3. Property, Plant and Equipment

The Company has chosen cost model as its accounting policy and has apply that policy to an entire class of property, plant and equipment. An item of property, plant and equipment has been carried at its cost less any accumulated depreciations. [Ref. Para.29 -30 BAS-16, page 280-281].

#### 4. Depreciation

Depreciation on fixed assets is provided on Straight Line Method (SLM) at the rates prescribed in Annexure II of the Income tax Act of the Kingdom of Bhutan, 2001

## 5. Government Grants and Subsidies

Grants and Subsidies from the Government related to depreciable assets are treated as Capital Reserves, unless otherwise specified by the Government, and is apportioned over the life of the asset by way of depreciation charge.

Grants and subsidies from Government are recognized on cash basis. Grant/subsidy relating to an expense is recognized as income over the periods necessary to match them with the related cost which they are intended to compensate.

## 6. Inventories

- i.) Imported and Indian vehicles are valued at lower of actual cost and net realizable value.
- ii.) Imported stores and spares are valued at lower of landed cost and net realizable value.
- iii.) Goods-in-transit is considered in the accounts on the basis of receipt of dispatch intimation from the supplier.

## 7. Employment benefits

- i.) The Company contributes to Provident Fund administered by National Pension and Provident Fund and such contributions are charged to revenue every year.
- ii.) Gratuity is provided on the basis of entitlement of each employee as per the Company's Service Rules at the end of the year subject to a maximum limit of Nu 1.00 million per employee.
- iii.) Leave encashment is accounted for on payment basis.
- iv.) Leave Travel Concession is accounted for on cash basis subject to a maximum limit of Nu 20,000/- per eligible employee.

## 8. Foreign Currency Transactions

Transactions in foreign currency are recorded using the exchange rate prevailing at the date of transactions.

At the Financial Statement date monetary assets and liabilities denominated in foreign currency are restated using the closing exchange rates. All other foreign currency assets and liabilities are stated at the rates ruling at the year end other than those covered by forward contracts, which are stated at the contracted rate. Exchange differences arising on foreign currency transactions are recognized in the Statement of Comprehensive Income.

## 9. Contingent Liabilities

Contingent liabilities except frivolous claims not acknowledged as debt are disclosed by way of note and not provided for.



**10. Income Tax**

Current Tax is determined in respect of taxable income for the year based on applicable rates and laws. Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for earlier years.



**On behalf of the Board**

A large, stylized handwritten signature in blue ink, positioned above the 'Chairman' title.

**Chairman**

A small, handwritten signature in blue ink, located in the lower-left quadrant of the page.

## OTHER NOTES TO FINANCIAL STATEMENTS AS AT 31 DECEMBER, 2014

## 20. Notes to Financial Statements

- 20.1 In line with the directives of the Ministry of Finance, Royal Government of Bhutan issued vide letter No. ASBB/01/2011-2012/100 dated 16<sup>th</sup> February 2012, the Company's Financial Statements is presented as per the Bhutanese Accounting Standards (BAS) Rules of Bhutan. In the first Phase covering period from January 2013 to end of year 2015, 18 standards and 1 standard under phase II have to be implemented. BASs to the extent applicable are in the process of implementation.
- 20.2 In accordance with the verdict issued by the High Court dated 12<sup>th</sup> March, 2004 certain pieces of land measuring 1.13 acres and 16.60 acres located at Paro and Tsirang respectively, belonging to Mr.Tshering Parop, who defalcated Nu 5,382,042.00 in year 2001 have been transferred to STCBL at a value of Nu 5,382,042. The same is disclosed at value of Nu. 1,345,510.00 as 'Land held for Sale' in the accounts. (Value of Land less provision for diminution in value of land. (Refer notes to financial statement 12)
- 20.3 Balance in un-reconciled inter-unit account of Nu. 6,822,678.04 (Dr.) lying since 2008 or earlier is shown under short term Loans & Advances (Notes to financial statement 11.1- under Advance Recoverable in Cash or kind).
- 20.4 The Company has shown Nu. 9,976,754.97 as "Other Direct Expenses" out of which Nu 7,855,162.98 incurred for transportation, transit and marine insurance, labour charges, LC and bank charges and clearing and forwarding charges is neither included in the cost of sales nor in the closing inventory. [Refer Notes to financial statement 15.2]
- 20.5 The capital work in progress consists of the following:-

| Particulars   | 2014                | 2013                |
|---|---------------------|---------------------|
|   | (Nu)                | (Nu)                |
| Construction of building at Thimphu                   | -                   | 868,659.00          |
| Corporate Office at Thimphu                           | -                   | 485,622.00          |
| Toyota 3 S Facilities cum Corporate office at Thimphu | 1,663,797.50        | -                   |
| <b>Total</b>  | <b>1,663,797.50</b> | <b>1,354,281.00</b> |

- 20.6 The physical verification of inventories for the year 2014 has been conducted as per extant practice. An inventories worth Nu 52,697.81 and Nu 540,837.94 were reported as excess and short respectively. There is significant drop in excess and shortages due improvement made in inventory management as compared to year 2013 where the excess was Nu 2,896,114.84 and shortage was Nu 886,924.83. Major portion of the anomalies are due to human error. The accountability for the shortages has been fixed and recoveries are being made from the concerned staff and booked as "Recoveries of Shortage for inventories" under other income in accounts.

## 20.7 Details of CIF value of imports

| Particulars                            | 2014              | 2013               |
|--|-------------------|--------------------|
| CIF value of import from India         | Nu 271,394,074.59 | Nu. 196,465,573.85 |
| CIF value of import from third country | Nu 249,616,918.12 | Nu. 112,840,472.79 |

## 20.8 Details of FOB value of exports

| Particulars                  | 2014          | 2013 |
|------------------------------|---------------|------|
| FOB value of export to India | Nu 225,885.25 | Nil  |

20.9 The company has sought approval from the Board in its 86<sup>th</sup> meeting held on 31/01/2015 for write back of old credit balances in Trade Receivables amounting to Nu 8,980,972.02. However, the Company has actually written back Nu 7,996,060.79 and Nu 984,911.23 has been adjusted (netted off) with debit balances shown in the books against same customers in whose names there was credit balance. Similarly, the company has written off 5,772,432.41 as approved by the Board in the same meeting. The details of the amount written off and written back is shown below;

| Particulars                     | Current year        |                     | Previous Year |            |
|---------------------------------|---------------------|---------------------|---------------|------------|
|                                 | Income              | Expense             | Income        | Expense    |
| Debtors Advance -Credit Balance | 7,996,060.79        |                     |               |            |
| Inventory Shortage Amount       |                     | 124,276.17          |               |            |
| Capital Advance                 |                     | 325,700.00          |               |            |
| Advances in cash or kind        |                     | 3,968,175.24        |               | 273,981.65 |
| Capital Work in Progress        |                     | 1,354,281.00        |               |            |
| Trade Receivables               |                     |                     |               | 344,127.00 |
| <b>Total</b>                    | <b>7,996,060.79</b> | <b>5,772,432.41</b> |               |            |

20.10 The company has fully implemented following applicable standards under Phase I in its Financial Statement for the year ended 2013 and 2014 :-

- 1 Statement of Cash Flow (BAS 7)
- 2 The effect of Changes in foreign exchange rates (BAS 21)
- 3 Earnings Per Share (BAS 33)
- 4 Borrowing cost (BAS 23)
- 5 Related party disclosures (BAS 24)

20.11 The company has partially implemented following applicable standards under Phase I as at the year ended 2014 :-

- 1 Presentation of financial statements (BAS 1)
- 2 Inventories (BAS 2)
- 3 Accounting policies, changes in accounting estimates & errors (BAS 8)
- 4 Property, plant and equipment (BAS 16)



- 6 Revenue (BAS 18)
- 7 Employee benefit (BAS 19)
- 8 Income taxes excluding deferred taxes (BAS 12)

20.12 The company has not implemented following applicable standards under Phase I as at the year ended 2013 :-

- 1 Interim financial reporting (BAS 34)
- 2 Provision, contingent liabilities and contingent assets (BAS 37)
- 3 Bhutanese Financial Reporting Standard (BFRS)-8

20.13 Following standards are not applicable as at the end of year 2013:-

- 1 Events after reporting period (BAS 10)- Events not occurred
- 2 Construction contracts (BAS 11)
- 3 Accounting for Government grants, and disclosure of Government assistance (BAS 20)
- 4 Consolidated and separate financial statements (BAS 27)

**20.14 Presentation of financial statements**

As per Bhutanese Accounting Standards (BAS) I [Para 60, page 82], the financial statements have been re-casted showing Current and Non- Current Assets, and Current and Non-Current Liabilities and other requirements separately to the extent possible.

**20.15 Inventory**

The Company has adopted cost method for valuation of inventories. The cost of inventories comprises all costs of purchase including Bhutan Sales Tax and all other cost incurred in bringing the inventories to the present location and condition except transportation and transit and marine insurance, labour charges, LC and bank charges and clearing and forwarding charges. [Ref. Para.10 BAS-2, page 112]

20.16 BAS 12 (Deferred Taxes) has not been given any effect in the account.

**20.17 Property, Plant and Equipment**

1 Capital work in progress is stated at amount expended up to the date of the Financial Statement and capitalized on the basis of completion certificate issued by the concerned authority.

2 Physical verification of Property, Plant and Equipment has been done during the year 2014, however the asset register pertaining to year 2008-2009 is in the process of updation.

**20.18 Related Party**

As per the requirement by section 89 of the Companies Act 2000 as also by Para 12 BAS-24, the director and his/her spouse who have transacted business with the company is as follows:-  
As per the requirement by section 89 of the Companies Act 2000 as also by Para 12 BAS-24, the director and his/her spouse who have transacted business with the company is as follows:-

| Particulars                              | 2014      | 2013         |
|--|-----------|--------------|
| Commission received from Royal Insurance | 12,874.00 | Nu 73,065.52 |

|  |  |  |
|--|--|--|
| Corporation of Bhutan Ltd(RICBL) in which the Director is Managing Director of RICBL |  |  |
|--|--|--|

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

#### Transactions of Directors for the FY 2013 & 2014

| Name                             | Goods and services    | 2014       | 2013      |
|----------------------------------|-----------------------|------------|-----------|
| Ms. Yeshey Selden (MD)           | Kent Filter           | 2,755.00   | -         |
| Ms. Tashi Pem (Director)         | MB Pro 13" (Mac Book) | 106,685.00 | -         |
| Mr. Karma Tshering (Ex-Director) | Mac book Air 13"      | 72,270.00  | -         |
| Mr. Rinchen Dorji (Director)     | CGI Sheet             | 51,259.20  | 52,200.00 |

| Name of Company                                 | Goods and services             | 2014      | 2013       |
|---|--------------------------------|-----------|------------|
| RSA Pvt. Ltd<br>(Dasho Rinchen Dorji, Director) | Tata vehicle                   | -         | 624,000.00 |
|   | Vehicle service & spare parts. | 84,533.22 | -          |

#### Sitting Fees of Board Director's paid during the year 2013 and 2014

| Board Members        |                                      | 2014              | 2013              |
|----------------------|--------------------------------------|-------------------|-------------------|
| Dr. Ugen Dophu       | DG, Dept. of Medical Services, MOH   | 24,000.00         | -                 |
| Mr. Namgay Nidup     | M.D EFCPL                            | 24,000.00         | 80,000.00         |
| Dasho Namgay Lhendup | M.D, RICB                            | 40,000.00         | 40,000.00         |
| Mr. Rinchen Dorji    | M.D RSA                              | 12,000.00         | 56,000.00         |
| Mr. Karma Tshering   | CEO, BOIC                            | 40,000.00         | 64,000.00         |
| Mr. Tandin Tshering  | Director, MOI                        | 24,000.00         | -                 |
| Mrs. Yeshey Tshogay  | C.E.O Technologies, Thimphu.         | 20,000.00         | 48,000.00         |
| Mrs. Leki Wangmo     | Sr. Analyst( DHI)                    | 48,000.00         | 56,000.00         |
| Ms. Tashi Pem        | Sale Tax, Head Revenue & Custom, MOF | 28,000.00         | -                 |
| <b>Total</b>         |                                      | <b>260,000.00</b> | <b>344,000.00</b> |

#### Transaction with the DHI, Holding Company during the FY 2014 & 2013

| Description                     | 2014       | 2013      | Amount in Nu.         |
|---------------------------------|------------|-----------|-----------------------|
|                                 |            |           | 2014 Trade Receivable |
| DHI                             |            |           | 3,831.54              |
| CSP consultancy fee paid to DHI | 800,000.00 | -         |                       |
| Sales of ICT Products           | -          | 95,780.00 |                       |



|                                     |            |            |  |
|-------------------------------------|------------|------------|--|
| Vehicle Servicing & Spare Parts     | -          | 118,078.75 |  |
| Advance for Toyota Vehicle received | 300,000.00 | -          |  |
| Kent filter                         | 2,755.00   | -          |  |

#### Goods and Services availed from fellow subsidiaries during the FY 2014 & 2013

*Amount in Nu.*

| Fellow subsidiaries      | Particulars                                    | 2014         | 2013         | 2014 Trade Payable |
|--------------------------|--|--------------|--------------|--------------------|
| Bhutan Telecom Limited   | Communication, internet and telephone charges  | 2,903,824.32 | 2,669,620.91 | 85,619.25          |
| Bhutan Power corporation | Electricity charges                            | 708,496.61   | 579,644.39   | 16,501.00          |
| Bank of Bhutan Limited   | Bank charges and fees other financial services | 2,814,863.09 | 1,100,997.16 | -                  |
| Bank of Bhutan Limited   | Interest charge on overdraft                   | 122,053.35   | 864,119.00   | -                  |
| Druk Air Limited         | Air ticket purchase                            | 1,002,918.31 | 778,689.00   | -                  |

#### Goods and Services availed by fellow subsidiaries during the FY 2014 & 2013

*Amount in Nu.*

| Fellow subsidiaries                      | Particulars                       | Year 2014    | Year 2013    | 2014 Trade Receivable |
|--|-----------------------------------|--------------|--------------|-----------------------|
| 1. Druk Air                              | Vehicle servicing                 | -            | 1,030.00     | 6,623.00              |
|  | ICT product                       | 3,010.00     | 410.00       |                       |
| 2. Bhutan Board Product Ltd.             | 2 nos. Tata vehicle               | -            | 2,415,210.00 | 48,977.88             |
|  | Tata spare parts                  | 29,154.00    | 66,961.00    |                       |
|  | CGI sheet                         | 36,116.16    | 53,614.00    |                       |
|  | Tata service                      | 8,675.00     | 34,669.00    |                       |
| 3. Dungsam Polymers Ltd.                 | Tyre Toyota 5 nos.                | 80,067.6     | -            | 2,704.00              |
| 4. Natural Resource Dev. Corporation Ltd | Sales explosive 2013              | 409,882.20   | 51,520.50    | 836.30                |
|  | Toyota vehicle service 2013       | -            | 24,617.00    |                       |
|  | Repairs & Maintenance of vehicle. | 163,783.97   |              |                       |
|  | ICT products                      | 102,941.00   |              |                       |
| 5. Dungsam Cement Corporation Ltd.       | Tyre 19 nos. 2013                 | -            | 279,092.00   | 108,376.11            |
|  | Toyota spare parts & Tyres        | 717,415.47   | -            |                       |
|  | Explosives                        | 1,274,837.04 |              |                       |
| 6. DHI Infra                             | ICT product                       | 247,550.00   | 998,134.00   | 2,945.20              |
|  | Repair of vehicle                 |              | 1,544.28     |                       |
|  | Sinage                            | 119,167.00   | -            |                       |

|                                  |                                 |               |              |              |
|----------------------------------|---------------------------------|---------------|--------------|--------------|
| 7. Bhutan Hydro Power Service    | Hilux 1 no 2013                 |               | 2,446,895.15 | 69,121.20    |
|                                  | Toyota 1 nos 2013               |               | 3,645,980.00 |              |
|                                  | Tata 1 no 2014                  | 1,484,000.00  |              |              |
|                                  | Kent 2 nos 2014                 | 33,250.00     |              |              |
|                                  | Tata service 2014               | 6,190.00      |              |              |
|                                  | Toyota spare 2014               | 70,662.72     |              |              |
| 8. Bank of Bhutan                | Toyota service 2013             | 50,677.70     | 16,606.80    | 262,611.11   |
|                                  | Toyota spare parts 2013         | 142,473.20    | 47,403.75    |              |
|                                  | 3mm & 6mm acrylic sandwich 2013 |               | 99,420.00    |              |
|                                  | Apollo tyres 201                |               | 11,886.00    |              |
|                                  | ICT product 2013                | 3,038,440.88  | 405,645.00   |              |
|                                  | Tata spare 2014                 | 2,778.00      |              |              |
| 9. Bhutan Telecom Limited        | Toyota service                  | 650.00        | 168,269.00   | 148,038.33   |
|                                  | Toyota spare parts              | 85,446.33     | 241,761.58   |              |
|                                  | Tata spare                      |               | 5,302.00     |              |
|                                  | ICT product                     | 2,400.00      | 860,165.00   |              |
| 10. Druk Green Power Corporation | Vehicle spare and service       | 6,721,706.73  | 7,902,641.06 | 377,011.95   |
|                                  | ICT product                     | 573,980.00    | -            |              |
| 11. Bhutan Power Corporation     | Vehicle spare and service       | 3,983,666.54  | 4,804,524.61 | 2,408,768.37 |
|                                  | ICT product                     | 322,095.40    | 492,817.00   |              |
|                                  | SML Vehicle (8 Nos)             | 10,221,760.64 | -            |              |

Details of compensations paid to key management personnel ( Ms. Yeshey Selden- Managing Director) during the year:-

| Particulars                           | 2014                | 2013                 |
|---------------------------------------|---------------------|----------------------|
|                                       | (Nu)                | (Nu)                 |
| Salary                                | 1,133,345.00        | 1,058,190.97         |
| Contribution to PF                    | 83,530.00           | 73,860.00            |
| DSA on Foreign Travel excluding India | 245,740.50          | 178,129.50           |
| Sitting fee                           | 68,000.00           | 88,000.00            |
| <b>Total</b>                          | <b>1,530,615.50</b> | <b>*1,220,050.97</b> |

\*Above figures for 2013 is compensations paid to Mr. Dorji Namgay, former Managing Director for the first 5 month and remaining six months to the Ms. Yeshey Selden, current Managing Director.



**20.20 Earnings Per Share (EPS)**

| No of Equity Shares:   | Year 2014      | Year 2013       |
|--|----------------|-----------------|
| At the beginning of year   | 1,800,016      | 900,008         |
| Issue of bonus share   | -              | 900,008         |
| At the end of the year (See Note)                                | 18,000,016     | 1,800,016       |
| Weighted average no of equity shares outstanding during the year | 18,000,160     | 1,800,016       |
| Face value of each equity share                                  | Nu 10          | Nu 100          |
| Earnings available to Equity Shareholders                        | 7,968,899.64   | Nu 4,592,202.81 |
| <b>Earnings Per Share (BASIC)</b>                                | <b>Nu.0.44</b> | <b>Nu 2.55</b>  |

Note: Vide notification no. RSEB/LIS/GEN/2014/474 dated 22<sup>nd</sup> July 2014 issued by Royal Security Exchange of Bhutan, the current face value of the Company's Equity shares has been changed from Nu 100 to Nu 10 with effect from 1<sup>st</sup> August 2014 resulting in increase in number of Equity Shares of the Company from 900,008 to 9,000,080 in the previous year. Such increase in number of Equity shares has also subsequently reduced the current year earnings per share to the extent shown in the Financial Statement.

**20.21 Gratuity Fund**

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

| Change in Define Benefit Obligations |                                      | 2014                | 2013                |
|--------------------------------------|--------------------------------------|---------------------|---------------------|
| 1                                    | DBO at the end of the prior period   | 6,301,560.00        | 6,838,763.00        |
| 2                                    | Current Service Cost                 | 1,142,884.75        | 1,053,350.00        |
| 3                                    | Interest Cost on DBO                 | 521,534.50          | 501,692.14          |
| 4                                    | Actuarial (gain)/loss                | (224,130.08)        | 219,240.14          |
| 5                                    | Benefit Paid directly by the Company | (395,799.17)        | 1,873,005.00        |
| 6                                    | DBO at the end of the Current period | <b>7,346,050.00</b> | <b>6,301,560.00</b> |

| Change in Fair Value of Plan Assets |   | 2014                | 2013                |
|-------------------------------------|---|---------------------|---------------------|
| 1                                   | Fair Value of assets at end of prior period               | 7,954,687.00        | 7,542,536.00        |
| 2                                   | Interest income on plan assets                            | 676,148.40          | 641,115.56          |
| 3                                   | Return on plan assets greater/(lesser) than discount rate | (116,857.45)        | (228,964.56)        |
| 4                                   | Fair value of assets at the end of current period         | <b>8,513,977.95</b> | <b>7,954,687.00</b> |



| Net Balance Sheet Positions |   | 2014         | 2013         |
|-----------------------------|---|--------------|--------------|
| 1                           | Fair Value of Planned Asset             | 8,513,977.95 | 7,954,687.00 |
| 2                           | Defined Benefit Obligation              | 7,346,050.00 | 6,301,560.00 |
| 3                           | Net Defined Benefit Assets/ (Liability) | 1,167,927.95 | 1,653,127.00 |

Actuarial assumptions employed for the calculation as at 1 January, 2014 and 31 December, 2014 is as follows:-

|                        | 31 December, 2014  | 31 December, 2013  |
|------------------------|--|--|
| Discount Rate          | 8.50%  | 8.50%  |
| Salary Escalation Rate | 6.00%  | 6.00%  |
| Mortality rate         | Indian Assured Lives Mortality (2006-08) (modified) Ult. | Indian Assured Lives Mortality (2006-08) (modified) Ult. |
| Withdrawal rate        | 5.00%  | 5.00%  |
| Method of Valuation    | Projected Unit Credit(PUC) Method                        | Projected Unit Credit(PUC) Method                        |

As per actuarial valuation there is a net gain of Nu. 107,272.63 that has to be booked as other comprehensive gain/loss. The Gratuity Fund Account is maintained in the form of fixed deposit account with Bhutan Development Bank Limited. The investment in Gratuity Fund Account as on 31.12.2014 stood at Nu 8,513,977.95 (Previous year - Nu 7,954,687.00), whereas the liability for Gratuity fund is Nu 7,346,050.00 (Previous year- Nu 6,301,560 .00). The same has been grouped under Long Term Deposit [Refer notes to financial statement 7.1].

- 20.22 Applicable Bhutanese Accounting Standards and notification issued by the Royal Government of Bhutan, Ministry of Economic Affairs Accounting Rules of Companies in Bhutan, 2012 has become effective from 1<sup>st</sup> January, 2013 for the presentation of financial statement. This has significantly impacted the disclosure statement. Previous year figures have been re-grouped/re-classified whenever necessary to correspond with current year classification/disclosure.

On behalf of the Board



Chairman